建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Annual Report 2011

* For identification purpose only

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

James Sai-Wing WONG *(Chairman)*
Yuen-Keung CHAN *(Vice Chairman)*
Sek-Kee YU *(Managing Director)*
Wai-Hong LING
James Sing-Wai WONG

Non-Executive Directors

Herman Man-Hei FUNG
Frank Kwok-Kit CHU

Independent Non-Executive Directors

David Chung-Shing WU
Anthony Siu-Wing LAU
Yuen-Tin NG

AUDIT COMMITTEE

David Chung-Shing WU
Anthony Siu-Wing LAU
Yuen-Tin NG
Herman Man-Hei FUNG

REMUNERATION COMMITTEE

Anthony Siu-Wing LAU
David Chung-Shing WU
Yuen-Tin NG
Herman Man-Hei FUNG

COMPANY SECRETARY

Yun-Sang LO

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited
Bank of China (Hong Kong) Limited

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

STOCK CODE

00385

CORPORATE INFORMATION

BUSINESS ADDRESSES AND CONTACTS

Chinney Alliance Group Limited

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel : (852) 2877-3307
Fax : (852) 2877-2035
Website : http://chinneyalliancegroup.etnet.com.hk
E-mail : general@chinneyhonkwok.com

Kin Wing Engineering Company Limited
Kin Wing Foundations Limited

Block A&B, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2415-6509
Fax : (852) 2490-0173
Website : http://www.kinwing.com.hk
E-mail : kwecoltd@kinwing.com.hk

Shun Cheong Electrical Engineering Company Limited

Block C, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2426-3123
Fax : (852) 2481-3463
E-mail : general@scee.com.hk

Westco Chinney Limited

Block C, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2362-4301
Fax : (852) 2412-1706
Website : http://www.westcochinney.com
E-mail : wcl@westcochinney.com

Chinney Construction Company, Limited

Block A&B, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2371-0100
Fax : (852) 2411-1402
E-mail : chinney@chinney.com.hk

DrilTech Ground Engineering Limited
DrilTech Geotechnical Engineering Limited

Block A&B, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2371-0008
Fax : (852) 2744-1037
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E-mail : driltech@driltech.com.hk

Jacobson van den Berg (Hong Kong) Limited

8th Floor
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481-483 Castle Peak Road
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Tel : (852) 2828-9328
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Website : http://www.jvdb.com
E-mail : info@jvdb.com

Chinney Alliance Engineering Limited

Block C, 9th Floor
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481-483 Castle Peak Road
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Hong Kong

Tel : (852) 2880-3888
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Website : http://www.chinney-eng.com
E-mail : focal@chinney-eng.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of Chinney Alliance Group Limited (the "Company", collectively with its subsidiaries, the "Group") will be held on Friday, 1 June 2012 at 4:00 p.m. at Full Moon Shanghai Restaurant, Macau Jockey Club, 4/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company and the Group for the year ended 31 December 2011 together with the reports of the directors and the independent auditors thereon.

2. To declare a final dividend for the year ended 31 December 2011.

3. To re-elect directors and to authorise the board of directors to fix the directors' remuneration.

4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.

5. To consider as special business and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

"**THAT:**

(a) subject to paragraph (c) below, a general mandate be and is hereby unconditionally granted to the directors of the Company to exercise during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers;

(b) the mandate in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the mandate in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted and approved by the shareholders of the Company for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) an issue of shares as scrip dividends or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company; or (iv) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed twenty per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said mandate shall be limited accordingly; and

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(d) for the purpose of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or

(iii) the date of the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

"Rights Issue" means an offer of shares in the Company, or an offer of warrants, options or other securities giving rights to subscribe for shares, open for a period fixed by the directors of the Company to the holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company, after making enquiry, may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions under the laws of the relevant place, or the requirements of the relevant regulatory body or any stock exchange in that place)."

By Order of the Board
Yun-Sang Lo
Company Secretary

Hong Kong, 26 April 2012

Notes:

(1) A shareholder entitled to attend and vote at the AGM (and at any adjournment thereof) is entitled to appoint another person as his proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder of the Company.

(2) In order to be valid, a form of proxy in the prescribed form, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or other authority must be completed, signed and deposited with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the AGM (and at any adjournment thereof).

(3) Where there are joint registered holders of any shares, any one of such joint holders may vote at the AGM (and at any adjournment thereof), either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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(4) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), any vote of shareholders at a general meeting must be taken by poll and the Company must announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. The chairman of the meeting will therefore put each of the resolutions to be proposed at the AGM to be voted by way of a poll pursuant to the Company's Bye-laws. An announcement will be made by the Company following the conclusion of the AGM to inform the results of the AGM.

(5) With regard to resolution 3 in this notice, Mr. Yuen-Tin Ng ("Mr. Ng") and Mr. Chi-Chiu Wu ("Mr. Wu"), who were appointed directors subsequent to the last annual general meeting of the Company, will hold office until the AGM and, being eligible, offer themselves for re-election in accordance with Bye-law 86 of the Bye-laws of the Company at the AGM.

Mr. Herman Man-Hei Fung ("Mr. Fung") and Mr. David Chung-Shing Wu will retire as directors by rotation at the AGM in accordance with Bye-law 87 of the Bye-laws of the Company. Mr. Fung, being eligible, will offer himself for re-election while Mr. David Chung-Shing Wu will not seek for re-election at the AGM.

(6) Details of the directors who stand for re-election at the AGM are set out below:–

Mr. Herman Man-Hei Fung

Aged 74, was appointed a non-executive director of the Company in 1998. He is the managing director of Chinney Investments, Limited (stock code: 216, "Chinney Investments") and a director of Lucky Year Finance Limited, Chinney Holdings Limited, Newsworthy Resources Limited and Multi-Investment Group Limited, all being substantial shareholders of the Company, and a director of Chinney Capital Limited which is a shareholder of the Company. He is also the vice chairman of Hon Kwok Land Investment Company, Limited (stock code: 160, "Hon Kwok"). Chinney Investments and Hon Kwok are both listed on the Main Board of the The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Fung was appointed a member of the Hong Kong Inland Revenue Board of Review from November 1996 to June 2005.

Mr. Fung does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO"). Save as disclosed above, Mr. Fung does not hold any other positions in the Company or any members of the Group, and did not hold any directorships in any listed public companies in the past three years. He does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company.

There is currently no service contract between the Company and Mr. Fung and he is not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. During the financial year ended 31 December 2011, Mr. Fung did not receive any director's emoluments.

Save as disclosed above, there is no information to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules, nor any other matters and information need to be brought to the attention of the shareholders of the Company or required to be disclosed pursuant to any of the requirements of the Listing Rules in respect of Mr. Fung.

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Mr. Yuen-Tin Ng

Aged 60, was appointed an independent non-executive director of the Company in June 2011. Mr. Ng had worked with one of the leading local banks in Hong Kong (the "Bank") for more than thirty-nine years. He was responsible for corporate and institutional banking business of the Bank before his retirement from the Bank. He has wide and good experience in the business of banking and finance. He had also served The Hong Kong Institute of Bankers as a member of its executive committee. He holds the associateship of The Chartered Institute of Bankers, UK and the fellowship of The Hong Kong Institute of Bankers. On 1 April 2012, Mr. Ng was appointed an independent non-executive director of Dah Sing Banking Group Limited (stock code: 2356) which is listed on the Main Board of the Stock Exchange.

Mr. Ng does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Ng does not hold any other positions in the Company or any members of the Group, and did not hold any directorships in any listed public companies in the past three years. He does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company.

There is currently no service contract between the Company and Mr. Ng and he is not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. Mr. Ng is entitled to a director's fee of HK$50,000 per annum which is based on the Company's remuneration policy adopted for independent non-executive directors of the Company.

Save as disclosed above, there is no information to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules, nor any other matters and information need to be brought to the attention of the shareholders of the Company or required to be disclosed pursuant to any of the requirements of the Listing Rules in respect of Mr. Ng.

Mr. Chi-Chiu Wu

Aged 48, was appointed an independent non-executive director of the Company on 29 March 2012. Mr. Wu has been an executive director of China Motion Telecom International Limited (stock code: 989), a company listed on the Main Board of the Stock Exchange, since February 2006 and the vice chairman and the chief executive officer of the same company since March 2006 and is responsible for business management of that group. Mr. Wu has also been a non-executive director of North Asia Resources Holdings Limited (stock code: 61), a company listed on the Main Board of the Stock Exchange since October 2010 and the deputy chairman of the same company since March 2011. Mr. Wu is an experienced investor in local property and equity investment market. Mr. Wu holds a Bachelor of Science degree from the University of Toronto, Canada.

Mr. Wu does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Wu does not hold any other positions in the Company or any members of the Group, and did not hold any directorships in any listed public companies in the past three years. He does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company.

There is currently no service contract between the Company and Mr. Wu and he is not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the bye-laws of the Company. Mr. Wu is entitled to a director's fee of HK$50,000 per annum which is based on the Company's remuneration policy adopted for independent non-executive directors of the Company.

Save as disclosed above, there is no information to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules, nor any other matters and information need to be brought to the attention of the shareholders of the Company or required to be disclosed pursuant to any of the requirements of the Listing Rules in respect of Mr. Wu.

(7) At the date hereof, the board of directors of the Company comprises of eleven directors, of which five are executive directors, namely Dr. James Sai-Wing Wong, Mr. Yuen-Keung Chan, Mr. Sek-Kee Yu, Mr. Wai-Hong Ling and Mr. James Sing-Wai Wong; and two are non-executive directors, namely Mr. Herman Man-Hei Fung and Mr. Frank Kwok-Kit Chu; and four are independent non-executive directors, namely Mr. David Chung-Shing Wu, Mr. Anthony Siu-Wing Lau, Mr. Yuen-Tin Ng and Mr. Chi-Chiu Wu.

CHAIRMAN'S STATEMENT

RESULTS

Chinney Alliance Group Limited (the "Company", collectively with its subsidiaries, the "Group") recorded a turnover of HK$2,220 million for the year ended 31 December 2011 (2010: HK$1,990 million). The profit for the year was HK$22.9 million (2010: HK$23.7 million), which included fair value losses on equity investments of HK$2.4 million (2010: HK$6.3 million), surplus arising on changes in fair value of investment properties of HK$1.7 million (net of deferred tax) (2010: HK$1.9 million) and the gain on bargain purchase arising from acquisition of an associate of HK$1.9 million. The surplus arising from change in value of the Group's land and buildings for the current year amounted to HK$37.2 million (net of deferred tax) was credited to reserve as other comprehensive income (2010: HK$24.8 million). The profit contributed from the Group's business operation, which was arrived by excluding the effect of fair value changes of the equity investments and property interests, and the gain on bargain purchase arising from acquisition of an associate from the profit for the year, was HK$21.7 million (2010: HK$28.1 million).

PROPOSED FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2011 (2010: HK3.0 cents) to the shareholders whose names appear on the Company's register of members on 8 June 2012. It is expected that the final dividend cheques will be despatched to the shareholders on or before 26 June 2012.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 1 June 2012 (the "AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 30 May 2012 to 1 June 2012 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 29 May 2012.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2011 is subject to the approval by the shareholders at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 8 June 2012 to 12 June 2012 (both days inclusive), during which period no share transfers will be registered. The last day for dealing in the Company's share cum entitlements to the proposed final dividend will be 5 June 2012. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 7 June 2012.

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemical products

The plastic trading division, which consists of Jacobson van den Berg (Hong Kong) Limited ("Jacobson") and other companies, contributed a turnover of HK$466 million (2010: HK$519 million) with operating profit of HK$12.4 million (2010: HK$17.8 million). The decrease in turnover and thus profit of the division was mainly due to the faltering demand in the US and the Europe for consumer goods, which reduced the consumption of raw materials by manufacturers in the region. Although the demand for consumer goods in the Asian countries increased, it was insufficient to replace the advanced economies. The management continues to tightly control the inventory level and debt collection to maintain a sound financial position and to expand the business in the Mainland China market.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") contributed turnover of HK$499 million (2010: HK$350 million) and an operating profit of HK$7.7 million (2010: HK$14.6 million). While the turnover increased, the gross profit decreased, which was mainly due to additional profit contributed from variation orders approved for the division's projects in Macau in 2010, and the delay of certain major projects which have not yet proceeded to the stage to recognize profit in accordance with the Group's accounting policies. With more projects commenced in 2012, the contribution from the division to the Group's profitability will be improved in the second half of the year. As at 31 December 2011, the division had outstanding contracts on hand of HK$1,098 million. Subsequent to the year end, the division was awarded new contracts amounted to HK$55 million.

Building construction

The division recorded a turnover of HK$537 million (2010: HK$361 million) with an operating profit of HK$8.5 million (2010: HK$13.9 million) which was mainly contributed from its principal subsidiary Chinney Construction Company, Limited ("Chinney Construction"). The turnover and profit for the year were mainly contributed from several school projects, a private residential project and a hotel project. With the increase in labour wages and overhead costs in the financial year under review, the profit margin decreased. As at 31 December 2011, the division had outstanding contracts on hand of HK$415 million. There were additional HK$174 million worth contracts awarded after 31 December 2011 by the division.

Foundation piling and ground investigation

The principal subsidiaries of the division include Kin Wing Engineering Company Limited, Kin Wing Foundations Limited and DrilTech Ground Engineering Limited (collectively "Kin Wing Group"). Turnover for the year was HK$705 million (2010: HK$746 million) and operating profit was HK$16.2 million (2010: HK$0.3 million). While the profit of 2010 was decreased due to additional costs as a result of difficult ground condition of three foundation piling projects, the profit returned to normal in the year under review. The turnover and profit were mainly contributed from several foundation piling projects for private residential development and two public housing projects. The outstanding contracts on hand were HK$585 million as at 31 December 2011 with additional HK$696 million worth projects awarded after year end.

Other businesses

Other businesses include the holding of properties for the Group's own use and Chinney Alliance Engineering Limited ("CAE") which engages in the distribution of aviation system and other products. These businesses recorded a turnover of HK$12 million (2010: HK$14 million) and an operating loss of HK$4.7 million (2010: HK$1.7 million). With the progress of the three major projects from the Hong Kong International Airport, the profitability is expected to improve in the forthcoming years.

The Group's share of the profits and losses of associates included the share of the results of Jiangxi Kaitong New Materials Company Limited which is engaged in the manufacturing of stainless steel and plastic compound pipes in the Mainland China and Fineshade Investments Limited ("Fineshade"). As detailed in the Company's announcement of 19 December 2011, the Group acquired 21.5% interests in Fineshade which had 90% indirect interest in a real estate property consisting of three buildings known as Binjiang Intelligence Port located in Hangzhou, the People's Republic of China for rental purpose.

CHAIRMAN'S STATEMENT

OUTLOOK

The global economy remains dim. The economy in the Eurozone shows sign of very mild downturn at the moment. With the focus on cost reduction, the employment rate falls and demand is weak across the region. On the other hand, with the low interest rate and the drop in oil prices, the economic growth in the US shows a slow but steady growth. The weaken demand in Europe and the US for consumer goods affects the export of the Mainland China and there is sign of contraction in Chinese manufacturing. The growth momentum of Chinese economy may slow down and the growth target for 2012 was set at 7.5 percent, lower than the 8 percent goal since 2005. However, with the recovery of the world's economy and stimulus for local demand, the Chinese market is still optimistic. In Hong Kong, the unemployment rate remains low with a 3.4 percent provisional figure for the 3 months ended February 2012. The GDP in the 4th quarter of 2011 recorded 3 percent growth, mainly contributed by increase in domestic private consumption.

Given the difficult external economic environment, the export sale will be affected in 2012. As the customers of Group's plastic trading division are mainly manufacturers, the sales of your Group's plastic trading division would be soft. Nevertheless, the infrastructure works as well as public and private housing development will continue to provide substantial demand for the construction industry, which will benefit the Group's foundation piling and site investigation, building construction and building services divisions and indeed there are substantial sum of contracts awarded by the Group after the end of the financial year. The Group will continue to monitor the projects closely in the continued inflationary environment to maintain profitability. Since the revenue recognition of construction projects is based on the progress of the individual projects, it is expected that the contribution from these construction projects will be more substantial in the second half of 2012 than in the first half. Your directors are cautiously optimistic on the performance of the Group for the whole year of 2012.

APPRECIATION

I would like to thank my fellow directors for their advice and support and all staffs for their dedication and contribution for the success during the past year.

James Sai-Wing Wong
Chairman

Hong Kong, 28 March 2012

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

James Sai-Wing Wong

Aged 73, was appointed an executive director and the chairman of the Company in 1998. He is the chairman of Chinney Investments, Limited (stock code: 216, "Chinney Investments"), a director of Lucky Year Finance Limited, Chinney Holdings Limited, Newsworthy Resources Limited, Multi-Investment Group Limited and Enhancement Investments Limited ("EIL"), all being substantial shareholders of the Company, and a director of Chinney Capital Limited which is a shareholder of the Company. He is also the chairman of Hon Kwok Land Investment Company, Limited (stock code: 160, "Hon Kwok"). Chinney Investments and Hon Kwok are both listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed a Justice of the Peace for Hong Kong in 1987.

Yuen-Keung Chan

Aged 57, was appointed an executive director of the Company in 2007 and the vice chairman of the Company in March 2011. He has over thirty years of experience in the construction industry. He is a member of The Chartered Institute of Building. Mr. Chan is a director of Kin Wing Engineering Company Limited, Shun Cheong and Chinney Construction, all being major subsidiaries of the Company. He is also a director of Hon Kwok which is listed on the Main Board of the Stock Exchange.

Sek-Kee Yu

Aged 60, was appointed an executive director of the Company in 1996 and the managing director of the Company in March 2011. He is a director of Chinney Alliance (China) Limited, CAE, Chinney Construction, Jacobson, Shun Cheong and Kin Wing Engineering Company Limited, all being major subsidiaries of the Company. He has worked with three North American banks for over seventeen years during which he held various posts including the chief executive of a Canadian bank in Hong Kong, prior to joining the Group in 1994. He holds a Bachelor's degree in Computer Science from the University of Western Ontario, Canada and a Master's degree in Finance from the University of British Columbia, Canada.

Wai-Hong Ling

Aged 49, was appointed an executive director of the Company in 2007. He joined the Company in 2001 as Director of Investment. Mr. Ling holds a Bachelor's degree of Science from the University of Hong Kong and a Master's degree in Business Administration from the Chinese University of Hong Kong. Mr. Ling is a director of Jacobson and CAE which are major subsidiaries of the Company.

James Sing-Wai Wong

Aged 48, was appointed an executive director of the Company in 2010. He graduated from the University of Washington with a Bachelor's Degree with honors in Economics. He also holds a Juris Doctor degree from the University of California Hastings College of Law, and a Master Degree in Systems Engineering and Information Systems from the Florida Institute of Technology. He is licensed to practise law in the United States of America and the State of California, where he also holds a Real Estate Broker's License. He has accumulated over twenty-three years of experience in economics, law, management, and information systems in Hong Kong, United States, Canada, the United Kingdom, and the Mainland China. Mr. Wong is the chairman of CAE and a director of Chinney Alliance (China) Limited, Chinney Construction and Shun Cheong Electrical Engineering Company Limited, all being major subsidiaries of the Company.

Mr. Wong is a director of Lucky Year Finance Limited and Chinney Holdings Limited, both of which are substantial shareholders of the Company. He is the son of Dr. James Sai-Wing Wong, the Group's chairman and a substantial shareholder of the Company, and Ms. Madeline May-Lung Wong, who is a substantial shareholder of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Herman Man-Hei Fung

Aged 74, was appointed a non-executive director of the Company in 1998. He is the managing director of Chinney Investments, and a director of Lucky Year Finance Limited, Chinney Holdings Limited, Newsworthy Resources Limited and Multi-Investment Group Limited, all being substantial shareholders of the Company, and a director of Chinney Capital Limited which is a shareholder of the Company. He is also the vice chairman of Hon Kwok. Chinney Investments and Hon Kwok are both listed on the Main Board of the Stock Exchange. Mr. Fung was appointed a member of the Hong Kong Inland Revenue Board of Review from November 1996 to June 2005.

Frank Kwok-Kit Chu

Aged 66, was appointed an executive director of the Company in 1993 and was re-designated as a non-executive director of the Company in 2009. He had worked with a major Singaporean bank for sixteen years before he joined the Group in 1989. He has over thirty years of experience in business, banking and finance in the region. He holds a Bachelor of Arts degree from Stanford University, USA and a Master's degree in Business Administration from Cranfield Institute of Management, United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Chung-Shing Wu

Aged 76, was appointed an independent non-executive director of the Company in 2003. Mr. Wu had been a member of the Hong Kong Inland Revenue Board of Review for thirty-six years. He has substantial experience in the textile industry and securities investment. Prior to his retirement, he was the vice president of a US international investment bank. He holds a Bachelor's degree in Economics from Harvard University, USA.

Anthony Siu-Wing Lau

Aged 71, was appointed an independent non-executive director of the Company in August 2010. He is a director of Pacific Air Limited, the Past President of the Chartered Institute of Logistics and Transport in Hong Kong and a member of the Service Promotion Programme Committee of Hong Kong Trade Development Council. He has served as a council member of Hong Kong Logistics Development Council from 2000 to 2010.

He was the chairman of the Hong Kong Association of Freight Forwarding Agents Limited (HAFFA) from 1997 to 2000 and the chairman of the Airfreight Committee of Hong Kong Shippers' Council from 1998 to 2000, an advisory board member of Hong Kong Civil Aviation Department from 1999 to 2005, a member of the Trade Related Services/Logistics Service Advisory Committee of Hong Kong Trade Development Council from 1996 to 2005 and a member of the China Trade Committee of Hong Kong Trade Development Council from 1999 to 2005. Mr. Lau was awarded the Outstanding Achievement Award in the first Logistics Awards Hong Kong 2005. He has been appointed the Trustee of the Edinburgh Napier University Hong Kong Scholarship since August 2006. In 2007, he was honoured with "2007 Life Time Achievement Award" in the 21st Asian Freight and Supply Chain Award (AFSCA). He was awarded the Bronze Bauhinia Star 2009 by the Hong Kong SAR Government.

Mr. Lau had been the chairman and executive director of BALtrans Holdings Limited and had resigned from the chairman in February 2008 but remained as an executive director of BALtrans Holdings Limited, a company which was delisted from the Stock Exchange in April 2008.

Mr. Lau holds a Master of Business Administration Degree from the University of East Asia, Macau (now known as The University of Macau). He is a fellow member of the Institute of Directors, a fellow member of the Chartered Institute of Logistics and Transport and a fellow member of the Chartered Institute of Marketing.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Yuen-Tin Ng

Aged 60, was appointed an independent non-executive director of the Company in June 2011. Mr. Ng had worked with one of the leading local banks in Hong Kong (the "Bank") for more than thirty-nine years. He was responsible for corporate and institutional banking business of the Bank before his retirement from the Bank. He has wide and good experience in the business of banking and finance. He had also served The Hong Kong Institute of Bankers as a member of its executive committee. He holds the associateship of The Chartered Institute of Bankers, UK and the fellowship of The Hong Kong Institute of Bankers.

SENIOR MANAGEMENT

Kwok-Ming Lam

Aged 48, is the managing director of Jacobson which is a major subsidiary of the Company engaged in trading of plastic and chemicals. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He holds a Master of Science degree in Electronic Commerce from the Hong Kong Polytechnic University.

Wing-Sang Yu

Aged 51, is the managing director of Kin Wing Engineering Company Limited and Kin Wing Foundations Limited and a director of DrilTech Ground Engineering Limited, all are major subsidiaries of the Company engaged in foundation piling and site investigation. He has over twenty years of experience in the foundation piling industry and is responsible for overall development, tendering strategies, team enhancement and leading the management of the Kin Wing Group. He holds a Bachelor's degree in Civil Engineering from the University of Hong Kong and a Master degree in Arts (Christian Studies) from The Chinese University of Hong Kong. He is a member of the Hong Kong Institution of Engineers.

Kwok-Leung Wong

Aged 46, is the director and general manager of Chinney Construction, a major subsidiary of the Company engaged in building construction. He has over twenty-three years of experience in the construction industry. He is a member of The Chartered Institute of Building, Hong Kong Institute of Construction Managers, Australian Institute of Building, The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors and a registered professional surveyor (Q.S.). He holds a Master's degree in Construction Management from The City University of Hong Kong.

Patrick Yu-Fai Au

Aged 53, is the director and general manager of Shun Cheong Electrical Engineering Company Limited, a major subsidiary of the Company engaged in installation and maintenance of electrical and mechanical systems. He has over thirty years of experience in the building services engineering industry. He holds a Bachelor's degree of Engineering (Electrical) from McGill University, Montreal, Canada.

Kwok-Leung Fung

Aged 52, is the director and general manager of Westco Chinney Limited which is a major subsidiary of the Company engaged in installation of air-conditioning systems. He has over thirty years of experience in the field of mechanical engineering. He is a member of American Society of Heating, Refrigerating and Air-conditioning Engineers and Australian Institute of Refrigeration, Airconditioning and Heating.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Kwok-Keung Wong

Aged 53, is the managing director of CAE, a major subsidiary of the Company engaged in the distribution of aviation system and the trading of mechanical and electrical equipment and products. He has over thirty years of experience in marketing of communication and electronic equipment, especially aviation equipment. He holds a Higher Diploma in Marine Electronics from Hong Kong Polytechnic and a Master's degree in Business from The University of Newcastle, Australia. He is a member of The Hong Kong Management Association.

Hin-Kwong So

Aged 54, is a director of Kin Wing Engineering Company Limited and Kin Wing Foundations Limited, both are major subsidiaries of the Company engaged in foundation piling. He has over twenty years of experience in performing and supervising various foundation and site formation designs. He holds a Bachelor's degree of Civil Engineering from National Cheng Kung University.

Yun-Sang Lo

Aged 46, is the company secretary and financial controller of the Company. He has twenty-three years of experience in the accounting field. He holds a Bachelor's degree in Business Administration from The Chinese University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving the standards of corporate conduct and to place importance on its corporate governance systems so as to ensure greater transparency, accountability and protection of shareholders' interests.

This report describes the Company's corporate governance practices and structures that were in place during the financial year, with specific reference to the principles and guidelines of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange. In developing and reviewing its corporate governance policies and practices, the Company has sought to adopt a balanced approach.

The Company has complied with the code provisions laid down in the CG Code throughout the year ended 31 December 2011, except for code provisions A.1.1, A.4.1, A.4.2 and B.1.3, details of which are discussed in this report.

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.

All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2011.

BOARD OF DIRECTORS

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive directors. The biographical details of the directors are set out in the section "Biographies of Directors and Senior Management" on pages 11 to 14.

CORPORATE GOVERNANCE REPORT

The number of board meetings held in the year as well as the attendance of each Board member at those meetings are set out as follows:

Name of director	Number of meetings attended/eligible to attend
Executive Directors	
Dr. James Sai-Wing Wong	2/2
Mr. Yuen-Keung Chan	2/2
Mr. Sek-Kee Yu	2/2
Mr. Wai-Hong Ling	2/2
Mr. James Sing-Wai Wong	1/2
Non-Executive Directors	
Mr. Herman Man-Hei Fung	2/2
Mr. Frank Kwok-Kit Chu	1/2
Independent Non-Executive Directors	
Mr. David Chung-Shing Wu	1/2
Mr. Sou-Tung Chan *(retired on 2 June 2011)*	1/1
Mr. Anthony Ren-Da Fan *(retired on 2 June 2011)*	0/1
Mr. Anthony Siu-Wing Lau	2/2
Mr. Yuen-Tin Ng *(appointed on 3 June 2011)*	1/1

Board meetings of the Company were held twice during the year on a regular basis, which deviated from code provision A.1.1 which stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

In view of the simplicity of the Group's businesses, regular board meetings have not been held quarterly during the year. The interim and annual results together with all corporate transactions happened during the year have been reviewed and discussed amongst the directors at the full board meetings held in the year.

Draft minutes of board meetings are circulated to directors for comments and the signed minutes are kept by the Company Secretary.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. James Sai-Wing Wong, Chairman of the Company, is responsible for the management of the Board. Mr. Sek-Kee Yu is the managing director of the Company. Each division of the Group's business namely Jacobson, CAE, Kin Wing Group, Chinney Construction and Shun Cheong is managed by its divisional managing directors and/or general manager.

RE-ELECTION OF DIRECTORS

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

RE-ELECTION OF DIRECTORS *(continued)*

According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save that the Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments, EIL and Chinney Capital Limited, which collectively holds approximately 72.87% interest in the Company, is the Chairman of the Board to safeguard their investments in the Company. In addition, the Board considers that the continuity of the office of the Chairman and Managing Director provide the Group with a strong and consistent leadership for the smooth operation of the businesses of the Group. As a result, the Board concurred that the Chairman and the Managing Director need not be subject to retirement by rotation.

REMUNERATION COMMITTEE

The Remuneration Committee comprises four directors, of which three are independent non-executive directors. The role of the Committee is to review and recommend to the Board on the remuneration packages of all executive directors.

Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The terms of reference of the Remuneration Committee adopted by the Company on 20 September 2005 has certain deviations from the CG Code provisions that the Remuneration Committee should "review" as opposed to "determine" the specific remuneration packages of "all executive directors" as opposed to "directors and senior management".

The Chairman of the Board receives no remuneration and determines the remuneration of all other executive directors, taking reference to market pay, individual performance and a bonus scheme, which has been in place prior to the establishment of the Remuneration Committee. Details of remuneration packages of the executive directors during the year are set out under heading "Directors' Remuneration" on pages 68 and 70 in this annual report. A Remuneration Committee meeting was held once during the year, during which the remuneration packages of all executive directors for the year have been reviewed individually. The attendance of each member is shown as below.

Name of member	Number of meetings attended/eligible to attend
Non-Executive Director	
Mr. Herman Man-Hei Fung	1/1
Independent Non-Executive Directors	
Mr. David Chung-Shing Wu	1/1
Mr. Sou-Tung Chan *(ceased as a member effective 2 June 2011)*	1/1
Mr. Anthony Ren-Da Fan *(ceased as a member effective 2 June 2011)*	1/1
Mr. Anthony Siu-Wing Lau *(nominated as a member and the chairman effective 30 March 2011)*	N/A
Mr. Yuen-Tin Ng *(nominated as a member effective 3 June 2011)*	N/A

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

On 3 June 2011, Mr. Yuen-Tin Ng was appointed as an independent non-executive director of the Company. Such nomination has been taken into consideration of the nominee's qualifications, abilities and potential contributions to the Company by the Board.

AUDITORS' REMUNERATION

For the year ended 31 December 2011, services provided to the Group by its auditors and the respective fees paid were:

Services rendered	**Fees paid/payable** ***HK$'000***
Audit services	3,428
Non-audit services (review and other services)	169

AUDIT COMMITTEE

The Audit Committee comprises four directors, of which three are independent non-executive directors.

The terms of reference for the Audit Committee has been adopted in line with the CG Code. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditors the financial reporting matters, both the half year results for the six months ended 30 June 2011 and the annual results for the year ended 31 December 2011.

The Audit Committee met two times during the year and the attendance of each member is shown as below.

Name of member	**Number of meetings attended/eligible to attend**
Non-Executive Director	
Mr. Herman Man-Hei Fung	2/2
Independent Non-Executive Directors	
Mr. David Chung-Shing Wu *(nominated as the chairman effective 30 March 2011)*	2/2
Mr. Sou-Tung Chan *(ceased as a member effective 2 June 2011)*	1/1
Mr. Anthony Ren-Da Fan *(ceased as a member effective 2 June 2011)*	1/1
Mr. Anthony Siu-Wing Lau *(nominated as a member effective 30 March 2011)*	1/1
Mr. Yuen-Tin Ng *(nominated as a member effective 3 June 2011)*	1/1

Draft minutes of the Audit Committee meetings are circulated to members of Audit Committee for comments and the signed minutes are kept by the Company Secretary.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance to minimize risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

During the year, the Audit Committee has reviewed the Group's internal control system and considered the internal control report with the Group's executive directors and financial controller. The review covers all material controls, including financial, operational and compliance controls and risk management of the Group and such systems have been considered reasonably effective and adequate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the independent auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditors' Report on pages 27 and 28.

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries comprise the trading of plastic and chemical products, provision of building related contracting services, provision of foundation piling works and sub-structure works, building construction works for both public and private sectors and others, which include distribution of aviation system and energy saving products and property holding. Details of the principal subsidiaries and their activities are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 116.

The Board recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2011 (2010: HK3.0 cents) to the shareholders whose names appear on the Company's register of members on 8 June 2012. Upon the shareholders' approval at the forthcoming annual general meeting of the Company, it is expected that the final dividend cheques will be despatched to the shareholders on or before 26 June 2012. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

A detailed review of the Group's business operations and outlook is included in the Chairman's Statement.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK$231.8 million as at 31 December 2011 (2010: HK$227.0 million), of which HK$210.8 million or 91% (2010: HK$198.3 million or 87%) were classified as current liabilities, which included bank and other borrowings with repayment on demand clause amounted to HK$42.2 million (31 December 2010: HK$59.1 million) which will be repaid after one year according to the lenders' repayment schedules. The current portion of the interest-bearing debts would be HK$168.6 million or 73% (2010: HK$139.2 million or 61%) based on lenders' repayment schedules. Also included in the current portion of bank and other borrowings were trust receipt loans of HK$103.6 million (2010: HK$85.5 million). The increase in trust receipt loans was mainly due to the purchase of generator and other equipment for installation for the projects of Shun Cheong. Current ratio of the Group as at 31 December 2011, measured by total current assets over total current liabilities, was 1.1 (2010: 1.2). Total unpledged cash and bank balances as at 31 December 2011 was HK$112.0 million (2010: HK$218.6 million). The decrease in unpledged bank balances was mainly due to fund used for the investment in Fineshade of HK$39 million, acquisition of property, plant and equipment of HK$48 million and fund used for operation.

The Group had a total of HK$322 million undrawn banking facilities at year-end available for its working capital, trade finance and issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK$231.8 million over the equity attributable to the owners of the Company of HK$530.9 million, was 43.7% as at 31 December 2011 (2010: 46.5%).

REPORT OF THE DIRECTORS

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. Forward contracts of non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group when desirable.

Pledge of assets

Certain properties and plant and machinery having aggregate book value of HK$167.3 million and HK$43.7 million respectively as at 31 December 2011 were pledged to banks to secure certain bank loans, obligations under finance leases and general banking facilities extended to the Group. In addition, time deposits of HK$16.7 million were pledged to banks to secure the performance bonds issued in favour of the Group's clients on contracting works.

Contingent liability

Details of the Group's contingent liabilities as at 31 December 2011 are set out in note 39 to the financial statements.

Employees and remuneration policies

The Group employed approximately 990 staff in Hong Kong and other parts of the People's Republic of China as at 31 December 2011. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**2,220,451**	1,990,214	2,106,488	2,547,004	1,546,750
PROFIT FOR THE YEAR	**22,941**	23,662	77,350	44,771	64,720
Attributable to:					
– Owners of the Company	**22,941**	23,662	77,378	45,532	66,452
– Non-controlling interests	**–**	–	(28)	(761)	(1,732)

REPORT OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION *(continued)*

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,400,048**	1,324,048	1,135,672	1,230,790	1,038,671
TOTAL LIABILITIES	**(869,172)**	(835,655)	(677,602)	(846,599)	(738,455)
NON-CONTROLLING INTERESTS	**–**	–	–	(28)	(789)
	530,876	488,393	458,070	384,163	299,427

The information set out above does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to HK$156,944,000 as at 31 December 2011, of which HK$17,847,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$60,978,000, may be distributed to shareholders of the Company in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

DIRECTORS

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

Executive Directors:

James Sai-Wing Wong *(Chairman)*
Yuen-Keung Chan *(Vice Chairman)*
Sek-Kee Yu *(Managing Director)*
Wai-Hong Ling
James Sing-Wai Wong

Non-Executive Directors:

Herman Man-Hei Fung
Frank Kwok-Kit Chu

Independent Non-Executive Directors:

David Chung-Shing Wu	
Sou-Tung Chan	(retired on 2 June 2011)
Anthony Ren-Da Fan	(retired on 2 June 2011)
Anthony Siu-Wing Lau	
Yuen-Tin Ng	(appointed on 3 June 2011)

In accordance with Bye-law 86 of the Company's Bye-laws, Mr. Yuen-Tin Ng who was appointed director subsequent to the last annual general meeting of the Company will hold office until the forthcoming annual general meeting and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Herman Man-Hei Fung and Mr. David Chung-Shing Wu will retire by rotation at the forthcoming annual general meeting. Mr. Fung, being eligible, will offer himself for re-election while Mr. Wu will not seek for re-election at the forthcoming annual general meeting.

The Company has received from each of its independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and still considers them as independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 14 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

No director has a service contract with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' remuneration is subject to shareholders' approval at general meetings. The remuneration of the directors of the Company is reviewed by the Remuneration Committee having regard to the Company's operating results, individual performance of the directors and comparable market statistics. Details of the directors' remuneration are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 36 to the financial statements, none of the directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				Percentage of the Company's
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**issued share capital**
James Sai-Wing Wong	–	–	433,500,216 *(Note)*	433,500,216	72.87%
Frank Kwok-Kit Chu	48,240	47,840	–	96,080	0.02%
	48,240	47,840	433,500,216	433,596,296	72.89%

Note: Amongst these shares, 173,093,695 shares are held by Multi-Investment Group Limited, 243,244,521 shares are held by EIL and 17,162,000 shares are held by Chinney Capital Limited, all of which Dr. James Sai-Wing Wong is a director and has beneficial interests.

Save as disclosed above, as at 31 December 2011, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2011, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the issued share capital
James Sai-Wing Wong	*1, 2, 3*	Interest through controlled corporations	433,500,216	72.87%
Madeline May-Lung Wong	*1*	Interest through a controlled corporation	173,093,695	29.10%
Lucky Year Finance Limited	*1*	Interest through a controlled corporation	173,093,695	29.10%
Chinney Holdings Limited	*1*	Interest through a controlled corporation	173,093,695	29.10%
Chinney Investments	*1*	Interest through a controlled corporation	173,093,695	29.10%
Newsworthy Resources Limited	*1*	Interest through a controlled corporation	173,093,695	29.10%
Multi-Investment Group Limited	*1*	Beneficial owner	173,093,695	29.10%
EIL	*2*	Beneficial owner	243,244,521	40.89%

Notes:

1. Dr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of the 173,093,695 shares by virtue of Section 316 of the SFO;

2. EIL is beneficially owned by Dr. James Sai-Wing Wong solely; and

3. 17,162,000 shares are held by Chinney Capital Limited, which is beneficially owned by Dr. James Sai-Wing Wong.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Save as disclosed above, as at 31 December 2011, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year under review, there was no transaction or arrangement needed to be disclosed as a connected transaction in accordance with the Listing Rules. The related party transactions as set out in note 36 to the financial statements are connected transactions/continuing connected transactions exempted from disclosure and independent shareholders' approval requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Yuen-Keung Chan
Director

Hong Kong, 28 March 2012

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the shareholders of Chinney Alliance Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chinney Alliance Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 29 to 116, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

To the shareholders of Chinney Alliance Group Limited
(Incorporated in Bermuda with limited liability)

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 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**2,220,451**	1,990,214
Cost of sales/services provided		**(1,974,452)**	(1,751,076)
Gross profit		**245,999**	239,138
Other income	5	**4,805**	6,265
Selling and distribution costs		**(8,815)**	(8,555)
Administrative expenses		**(219,212)**	(200,931)
Other operating income, net		**8,825**	2,331
Fair value losses on equity investments at fair value through profit or loss, net		**(2,395)**	(6,331)
Changes in fair value of investment properties	15	**2,400**	3,091
Finance costs	6	**(5,147)**	(6,541)
Share of profits and losses of associates		**1,898**	(67)
PROFIT BEFORE TAX	7	**28,358**	28,400
Income tax expense	10	**(5,417)**	(4,738)
PROFIT FOR THE YEAR		**22,941**	23,662
Attributable to:			
Owners of the Company	11	**22,941**	23,662
Non-controlling interests		**–**	–
		22,941	23,662
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		**3.9 cents**	4.0 cents

Details of the proposed final dividend for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR		**22,941**	23,662
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation of land and buildings	14	**42,771**	29,887
Income tax effect	33	**(5,611)**	(5,047)
		37,160	24,840
Exchange differences on translation of foreign operations		**229**	(332)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**37,389**	24,508
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**60,330**	48,170
Attributable to:			
Owners of the Company	11	**60,330**	48,170
Non-controlling interests		**–**	–
		60,330	48,170

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**407,376**	358,515
Investment properties	15	**31,960**	29,560
Investments in associates	17	**42,189**	1,381
Investment in a jointly-controlled entity	18	**–**	–
Goodwill	19	**5,767**	5,767
Deferred tax assets	33	**317**	372
Other assets	20	**2,345**	282
Total non-current assets		**489,954**	395,877
CURRENT ASSETS			
Inventories	21	**76,826**	73,890
Gross amount due from contract customers	22	**159,683**	125,047
Trade receivables	23	**360,463**	330,507
Retention monies receivable	22	**128,219**	110,145
Amount due from a jointly-controlled entity	18	**967**	967
Prepayments, deposits and other receivables	25	**42,992**	38,158
Equity investments at fair value through profit or loss	26	**9,411**	11,806
Tax recoverable		**2,908**	6,634
Pledged time deposits	27	**16,663**	12,414
Cash and cash equivalents	27	**111,962**	218,603
Total current assets		**910,094**	928,171
CURRENT LIABILITIES			
Gross amount due to contract customers	22	**209,686**	167,656
Trade and bills payables	28	**272,903**	291,245
Trust receipt loans	29	**103,606**	85,539
Retention monies payable	22	**58,345**	60,451
Amounts due to related companies	24	**–**	3,709
Other payables and accruals	30	**56,848**	51,926
Tax payable		**2,886**	3,351
Obligations under finance leases	32	**15,997**	18,028
Interest-bearing bank borrowings	31	**91,204**	94,778
Total current liabilities		**811,475**	776,683
NET CURRENT ASSETS		**98,619**	151,488
TOTAL ASSETS LESS CURRENT LIABILITIES		**588,573**	547,365

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**588,573**	547,365
NON-CURRENT LIABILITIES			
Obligations under finance leases	32	**14,958**	21,875
Interest-bearing bank borrowings	31	**6,051**	6,816
Deferred tax liabilities	33	**36,688**	30,281
Total non-current liabilities		**57,697**	58,972
Net assets		**530,876**	488,393
EQUITY			
Equity attributable to owners of the Company			
Issued capital	34	**59,490**	59,490
Reserves	35(a)	**453,539**	411,056
Proposed final dividend	12	**17,847**	17,847
		530,876	488,393
Non-controlling interests		**–**	–
Total equity		**530,876**	488,393

On behalf of the Board
James Sai-Wing Wong
Director

On behalf of the Board
Yuen-Keung Chan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

		Attributable to owners of the Company										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Legal reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010		59,490	60,978	120,946	13,537	49	463	184,760	17,847	458,070	–	458,070
Profit for the year		–	–	–	–	–	–	23,662	–	23,662	–	23,662
Other comprehensive income for the year:												
Surplus on revaluation of land and buildings, net of tax		–	–	–	24,840	–	–	–	–	24,840	–	24,840
Exchange differences on translation of foreign operations		–	–	–	–	–	(332)	–	–	(332)	–	(332)
Total comprehensive income for the year		–	–	–	24,840	–	(332)	23,662	–	48,170	–	48,170
Release of revaluation reserve on land and buildings to retained profits		–	–	–	(407)	–	–	407	–	–	–	–
Final 2009 dividend declared		–	–	–	–	–	–	–	(17,847)	(17,847)	–	(17,847)
Proposed 2010 final dividend	12	–	–	–	–	–	–	(17,847)	17,847	–	–	–
At 31 December 2010 and 1 January 2011		59,490	60,978*	120,946*	37,970*	49*	131*	190,982*	17,847	488,393	–	488,393
Profit for the year		–	–	–	–	–	–	22,941	–	22,941	–	22,941
Other comprehensive income for the year:												
Surplus on revaluation of land and buildings, net of tax		–	–	–	37,160	–	–	–	–	37,160	–	37,160
Exchange differences on translation of foreign operations		–	–	–	–	–	229	–	–	229	–	229
Total comprehensive income for the year		–	–	–	37,160	–	229	22,941	–	60,330	–	60,330
Release of revaluation reserve on land and buildings to retained profits		–	–	–	(1,245)	–	–	1,245	–	–	–	–
Final 2010 dividend declared		–	–	–	–	–	–	–	(17,847)	(17,847)	–	(17,847)
Proposed 2011 final dividend	12	–	–	–	–	–	–	(17,847)	17,847	–	–	–
At 31 December 2011		**59,490**	**60,978***	**120,946***	**73,885***	**49***	**360***	**197,321***	**17,847**	**530,876**	**–**	**530,876**

* *These reserve accounts comprise the consolidated reserves of HK$453,539,000 (2010: HK$411,056,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**28,358**	28,400
Adjustments for:			
Finance costs	6	**5,147**	6,541
Share of profits and losses of associates		**(1,898)**	67
Changes in fair value of investment properties	15	**(2,400)**	(3,091)
Depreciation	7	**30,216**	28,165
Impairment of trade receivables	7	**134**	–
Write-back of impairment of trade receivables	7	**(7,710)**	(164)
Bad debts written off	7	**2,038**	–
Write-back of impairment of inventories	7	**(2,756)**	(1,811)
Fair value losses on equity investments at fair value through profit or loss, net		**2,395**	6,331
Loss/(gain) on disposal of items of property, plant and equipment	7	**(1,739)**	442
Gain on disposal of equity investments at fair value through profit or loss	7	**–**	(79)
Gain on disposal of a jointly-controlled entity	7	**–**	(97)
Interest income	5	**(250)**	(491)
		51,535	64,213
Increase in inventories		**(180)**	(20,789)
Increase in gross amount due from contract customers		**(32,801)**	(7,822)
Increase in trade receivables		**(24,418)**	(100,586)
Increase in retention monies receivable		**(18,074)**	(11,912)
Movement in balances with related companies, net		**(3,709)**	(7,253)
Movement in balance with a jointly-controlled entity, net		**–**	(330)
Decrease/(increase) in prepayments, deposits and other receivables		**(4,834)**	3,714
Increase/(decrease) in gross amount due to contract customers		**42,030**	(3,753)
Increase/(decrease) in trade and bills payables		**(18,342)**	133,467
Increase/(decrease) in retention monies payable		**(2,106)**	886
Increase in other payables and accruals		**4,922**	785
Cash generated from/(used in) operations		**(5,977)**	50,620
Interest received		**250**	491
Interest paid		**(3,781)**	(5,122)
Interest element of finance lease rental payments		**(1,366)**	(1,434)
Dividend paid		**(17,847)**	(17,847)
Hong Kong profits tax paid, net		**(219)**	(9,613)
Overseas taxes paid		**(1,120)**	(1,252)
Net cash flows from/(used in) operating activities		**(30,060)**	15,843

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(44,993)**	(81,951)
Proceeds from disposal of items of property, plant and equipment		**12,027**	497
Acquisition of an associate		**(9,981)**	–
Loan to an associate		**(28,592)**	–
Additions to other assets		**(2,063)**	–
Proceeds from disposal of equity investments at fair value through profit or loss		**–**	556
Net cash flows used in investing activities		**(73,602)**	(80,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in trust receipt loans		**18,067**	15,251
New bank loans		**33,000**	59,800
Repayment of bank loans		**(41,494)**	(15,887)
Repayment of a promissory note		**–**	(40,000)
Decrease/(increase) in pledged time deposits		**(4,249)**	35,105
Capital element of finance lease rental payments		**(12,357)**	(10,402)
Net cash flows from/(used in) financing activities		**(7,033)**	43,867
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(110,695)**	(21,188)
Cash and cash equivalents at beginning of year		**218,603**	240,387
Effect of foreign exchange rate changes, net		**(101)**	(596)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**107,807**	218,603
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**109,496**	191,318
Non-pledged time deposits with original maturity of less than three months when acquired	27	**2,466**	27,285
Cash and cash equivalents as stated in the consolidated statement of financial position		**111,962**	218,603
Bank overdrafts	31	**(4,155)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**107,807**	218,603

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**85**	25
Investments in subsidiaries	16	**258,272**	243,169
Other assets	20	**282**	282
Total non-current assets		**258,639**	243,476
CURRENT ASSETS			
Amounts due from subsidiaries	16	**73,743**	71,153
Prepayments, deposits and other receivables	25	**262**	236
Equity investments at fair value through profit or loss	26	**9,411**	11,806
Tax recoverable		**–**	1,729
Cash and cash equivalents	27	**3,560**	4,655
Total current assets		**86,976**	89,579
CURRENT LIABILITIES			
Other payables and accruals	30	**4,424**	4,395
Amounts due to subsidiaries	16	**63,415**	40,000
Tax payable		**364**	–
Total current liabilities		**68,203**	44,395
NET CURRENT ASSETS		**18,773**	45,184
Net assets		**277,412**	288,660
EQUITY			
Issued capital	34	**59,490**	59,490
Reserves	35(b)	**200,075**	211,323
Proposed final dividend	12	**17,847**	17,847
Total equity		**277,412**	288,660

On behalf of the Board
James Sai-Wing Wong
Director

On behalf of the Board
Yuen-Keung Chan
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

1. CORPORATE INFORMATION

Chinney Alliance Group Limited (the "Company") is a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda, and the Company's head office and principal place of business is located at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

During the year, the Group was engaged in the following principal activities:

- trading of plastic and chemical products
- distribution and installation of building supplies, electrical and mechanical products
- provision of building related contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and provision of maintenance services
- superstructure construction works for both public and private sectors in Hong Kong and Macau
- foundation piling and sub-structure construction works for both public and private sectors in Hong Kong and Macau
- distribution of aviation system and energy saving products
- investment holding

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, land and buildings and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 36 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012. The adoption of HKAS 12 Amendments has had no significant financial effect on these financial statements.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures *(continued)*

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investment in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity are included in the consolidated income statement and consolidated reserves, respectively.

Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's investments in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

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3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instance where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, goodwill and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% – 3%
Leasehold improvements	Over the lease terms or 10% – $33^1/_3$%
Plant and machinery	6% – 35%
Furniture, fixtures and equipment	10% – $33^1/_3$%
Motor vehicles	15% – 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, pledged time deposits, trade receivables, retention monies receivable, amounts due from a jointly-controlled entity, deposits and other receivables, equity investments at fair value through profit or loss and other assets.

Subsequent measurement

The subsequent measurement of financial assets depends on this classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

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3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, trust receipt loans, retention monies payable, amounts due to related companies, an amount due to a jointly-controlled entity, other payables, obligations under finance leases and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

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31 December 2011

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(c) from the rendering of services, on the completion of the transactions;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, depends on the nature of the contract works, measured either by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts. When the outcome of the contracts cannot be estimated reliably, revenue is recognised only to the extent of certified work performed that is probable to be recoverable.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the year plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension schemes

The Group operates two types of defined contribution retirement benefit schemes, including a Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance and an Occupational Retirement Schemes Ordinance retirement benefit scheme (the "ORSO Scheme"), for all of its employees who are eligible to participate in the MPF Scheme or ORSO Scheme.

Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension schemes (continued)

The ORSO Scheme is managed by an independent trustee. The Group makes monthly contributions to the scheme at 5% to 15% of the employees' basic salaries while the employees are not required to make any contributions. The employees are entitled to receive 100% of the contributions made by the Group together with the accrued earnings thereon upon retirement or leaving the Group after completing 10 years of service or at a reduced scale of 30% to 90% after completing three to nine years of service. Forfeited contributions and related earnings are used to reduce the contributions payable by the Group.

Prior to the MPF Scheme becoming effective, certain member companies of the Group operated defined contribution provident fund schemes (the "Provident Funds") under the Occupational Retirement Schemes Ordinance for those employees who were eligible to participate. The Provident Funds operated in a similar way to the MPF Scheme, except that when an employee left the Provident Funds prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. The eligible employees are entitled to receive their funds in accordance with the rules of the Provident Funds when they leave the Group.

The assets of both types of scheme are held separately from those of the Group in independently administered funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2011

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, a jointly-controlled entity and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

The preparation of the Group's financial statements requires the use of estimates and assumptions about future events and conditions. In this connection, the directors consider that the significant areas where management's judgement is necessary are those in relation to (i) the valuation of the Group's equity investments at fair value through profit or loss; (ii) the provision for foreseeable losses on the amounts due from contract customers; and (iii) the recognition of losses on the Group's trade and other receivables and retention monies receivable.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable. It should be noted that actual results could differ from those estimates.

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was HK$5,767,000 (2010: HK$5,767,000). Further details are given in note 19.

Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment, in accordance with the accounting policy stated in note 3.1. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates such as future revenue and discount rates.

Outcome of construction contracts

The Group determines whether the outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. The contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date was approximately HK$10,732,456,000 at 31 December 2011 (2010: HK$12,996,761,000). Further details are contained in note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- the plastic and chemical products segment consists of importing, marketing and distributing plastic and chemical products;

- the building related contracting services segment consists of the provision of contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and the provision of maintenance services;

- the foundation piling and ground investigation segment consists of the foundation piling and sub-structure construction works for both public and private sectors;

- the building construction segment consists of superstructure construction works for both public and private sectors; and

- the other segment consists of importing, marketing, distributing and installing aviation system and energy saving, building supplies, electrical and mechanical products and property holding.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted operating profit/(loss) before tax.

Segment assets exclude deferred tax assets, tax recoverable, investments in associates and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the year, the Group's operating segments changed as a result of the change in the Group's internal business reporting structure for more efficient use of the managerial resources. The corresponding information for the year ended 31 December 2010 has been re-presented accordingly.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2011

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Foundation piling and ground investigation *HK$'000*	Building construction *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:						
Sales to external customers	466,366	498,935	705,258	537,485	12,407	2,220,451
Intersegment sales	–	30,286	–	6,514	360	37,160
Other revenue	2,154	13	5	7	1,162	3,341
	468,520	529,234	705,263	544,006	13,929	2,260,952
Reconciliation:						
Elimination of intersegment sales						(37,160)
Revenue						2,223,792
Segment results	12,422	7,700	16,189	8,516	(4,733)	40,094
Reconciliation:						
Interest income and unallocated gains						1,464
Unallocated expenses						(15,103)
Fair value losses on equity investments at fair value through profit or loss, net						(2,395)
Changes in fair value of investment properties						2,400
Share of profits and losses of associates						1,898
Profit before tax						28,358

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2011

	Plastic and chemical products HK$'000	Building related contracting services HK$'000	Foundation piling and ground investigation HK$'000	Building construction HK$'000	Others HK$'000	Total HK$'000
Segment assets	253,020	317,842	441,955	277,053	119,599	1,409,469
Reconciliation:						
Elimination of intersegment receivables						(69,279)
Investments in associates						42,189
Corporate and other unallocated assets						17,669
Total assets						1,400,048
Segment liabilities	125,689	255,416	235,179	220,827	57,075	894,186
Reconciliation:						
Elimination of intersegment payables						(69,279)
Corporate and other unallocated liabilities						44,265
Total liabilities						869,172
Other segment information:						
Write-back of impairment of trade receivables	(60)	(7,650)	–	–	–	(7,710)
Impairment of trade receivables	80	–	–	–	54	134
Bad debts written off	–	2,038	–	–	–	2,038
Write-down/(write-back) of impairment of inventories included in cost of inventories sold	(2,870)	–	–	–	114	(2,756)
Depreciation	2,015	421	23,397	2,513	1,870	30,216
Capital expenditure*	1,223	4,170	36,539	1,370	5,100	48,402

* *Capital expenditure represents additions to property, plant and equipment.*

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2010

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Foundation piling and ground investigation *HK$'000*	Building construction *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:						
Sales to external customers	518,693	350,054	746,320	361,189	13,958	1,990,214
Intersegment sales	–	11,746	–	4,000	2,000	17,746
Other revenue	2,088	1,050	353	125	1,118	4,734
	520,781	362,850	746,673	365,314	17,076	2,012,694
Reconciliation:						
Elimination of intersegment sales						(17,746)
Revenue						1,994,948
Segment results	17,846	14,622	257	13,942	(1,701)	44,966
Reconciliation:						
Interest income and unallocated gains						1,531
Unallocated expenses						(12,884)
Fair value losses on equity investments at fair value through profit or loss, net						(6,331)
Gain on disposal of equity investments at fair value through profit or loss						79
Changes in fair value of investment properties						3,091
Finance costs						(1,985)
Share of profits and losses of an associate						(67)
Profit before tax						28,400

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2010

	Plastic and chemical products HK$'000	Building related contracting services HK$'000	Foundation piling and ground investigation HK$'000	Building construction HK$'000	Others HK$'000	Total HK$'000
Segment assets	263,926	272,093	474,479	235,604	97,643	1,343,745
Reconciliation:						
Elimination of intersegment receivables						(45,147)
Investments in an associate						1,381
Corporate and other unallocated assets						24,069
Total assets						1,324,048
Segment liabilities	129,566	198,208	265,416	195,196	54,374	842,760
Reconciliation:						
Elimination of intersegment payables						(45,147)
Corporate and other unallocated liabilities						38,042
Total liabilities						835,655
Other segment information:						
Write-back of impairment of trade receivables	–	(161)	–	–	(3)	(164)
Write-back of impairment of inventories included in cost of inventories sold	(372)	–	–	–	(1,439)	(1,811)
Depreciation	1,481	294	23,719	2,155	516	28,165
Capital expenditure*	991	309	43,337	1,670	55,978	102,285

* *Capital expenditure represents additions to property, plant and equipment.*

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**2,049,795**	1,835,026
Mainland China and Macau	**170,656**	155,188
	2,220,451	1,990,214

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**388,922**	342,277
Mainland China and Macau	**50,414**	45,798
	439,336	388,075

The non-current assets information above is based on the location of assets and excludes investments in associates, investment in a jointly-controlled entity, goodwill, deferred tax assets and other assets.

Information about a major customer

In the prior year, revenue of approximately HK$295,018,000 was derived from construction contracts services to a single customer.

NOTES TO THE FINANCIAL STATEMENTS

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5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, and an appropriate proportion of contract revenue of construction contracts during the year.

An analysis of the Group's revenue and other income is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**478,244**	531,842
Construction contracts	**1,742,207**	1,458,372
	2,220,451	1,990,214

	Group	
	2011	2010
	HK$'000	*HK$'000*
Other income		
Interest income	**250**	491
Commission income	**1,982**	1,996
Gross rental income	**1,164**	1,125
Management fee income from a related company	**–**	1,000
Others	**1,409**	1,653
	4,805	6,265

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**3,558**	2,874
Interest on bank loans wholly repayable after five years	**223**	248
Interest on a promissory note	**–**	1,985
Interest on obligations under finance leases	**1,366**	1,434
	5,147	6,541

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Group 2011 HK$'000	Group 2010 HK$'000
Cost of inventories sold		**414,926**	477,496
Cost of services provided		**1,559,526**	1,273,580
Depreciation	*14*	**32,051**	29,665
Less: Amount capitalised in contract costs		**(1,835)**	(1,500)
		30,216	28,165
Minimum lease payments under operating leases in respect of land and buildings		**5,097**	5,382
Auditors' remuneration		**3,428**	3,037
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**252,392**	205,438
Pension scheme contributions		**10,649**	9,437
Less: Forfeited contributions		**–**	(171)
Net pension scheme contributions*		**10,649**	9,266
		263,041	214,704
Less: Amount capitalised in contract costs		**(133,167)**	(108,079)
		129,874	106,625
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**225**	237
Impairment of trade receivables#	*23*	**134**	–
Write-back of impairment of trade receivables#	*23*	**(7,710)**	(164)
Bad debts written off#		**2,038**	–
Write-back of impairment of inventories included in cost of inventories sold		**(2,756)**	(1,811)
Loss/(gain) on disposal of items of property, plant and equipment#		**(1,739)**	442
Gain on disposal of equity investments at fair value through profit or loss#		**–**	(79)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

7. PROFIT BEFORE TAX *(continued)*

The Group's profit before tax is arrived at after charging/(crediting): *(continued)*

		Group	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Gain on disposal of a jointly-controlled entity#		**–**	(97)
Rental income on investment properties less direct operating expenses		**(939)**	(888)
Foreign exchange differences, net#		**(1,425)**	(2,433)
Gain on bargain purchase arising from acquisition of an investment in an associate^		**(1,874)**	–

* *As at 31 December 2011, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).*

These expenses/(income) items are included in "Other operating income, net" in the consolidated income statement.

^ *This is included in "Share of profits and losses of associates" in the consolidated income statement.*

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Fees	**171**	167
Other emoluments:		
Salaries, allowances and benefits in kind	**4,813**	3,404
Performance related bonuses*	**930**	1,680
Pension scheme contributions	**348**	278
	6,091	5,362
	6,262	5,529

* *Certain executive directors of the Company are entitled to bonus payments which are determined with reference to profit for the year of the Group.*

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2011	2010
	HK$'000	*HK$'000*
David Chung-Shing Wu	**50**	50
Sou-Tung Chan	**21**	50
Anthony Ren-Da Fan	**21**	50
Anthony Siu-Wing Lau	**50**	17
Yuen-Tin Ng	**29**	–
	171	167

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

(b) Executive directors and non-executive directors

	Fees	**Salaries, allowances and benefits in kind**	**Performance related bonuses**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
2011					
Executive directors:					
James Sai-Wing Wong	**–**	**–**	**–**	**–**	**–**
James Sing-Wai Wong	**–**	**1,582**	**–**	**55**	**1,637**
Sek-Kee Yu	**–**	**1,880**	**750**	**173**	**2,803**
Yuen-Keung Chan	**–**	**51**	**–**	**–**	**51**
Wai-Hong Ling	**–**	**1,300**	**180**	**120**	**1,600**
	–	**4,813**	**930**	**348**	**6,091**
Non-executive directors:					
Herman Man-Hei Fung	**–**	**–**	**–**	**–**	**–**
Frank Kwok-Kit Chu	**–**	**–**	**–**	**–**	**–**
	–	**4,813**	**930**	**348**	**6,091**

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8. DIRECTORS' REMUNERATION *(continued)*

(b) ***Executive directors and non-executive directors*** *(continued)*

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2010					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
James Sing-Wai Wong	–	400	–	–	400
Sek-Kee Yu	–	1,789	1,500	165	3,454
Yuen-Keung Chan	–	–	–	–	–
Wai-Hong Ling	–	1,215	180	113	1,508
	–	3,404	1,680	278	5,362
Non-executive directors:					
Herman Man-Hei Fung	–	–	–	–	–
Frank Kwok-Kit Chu	–	–	–	–	–
	–	3,404	1,680	278	5,362

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included three (2010: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: three) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other benefits in kind	**2,523**	3,276
Bonuses paid and payable	**1,620**	2,400
Pension scheme contributions	**201**	224
	4,344	5,900

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

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

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10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2011	2010
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**3,212**	2,549
Under/(over)provision in prior years	**(1)**	6
Current – Elsewhere		
Charge for the year	**1,355**	2,212
Underprovision in prior years	**–**	1,110
Deferred *(note 33)*	**851**	(1,139)
Total tax charge for the year	**5,417**	4,738

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax charge for the year is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Profit before tax	**28,358**	28,400
Tax at applicable tax rate	**4,001**	4,013
Under/(over)provision in prior years	**(1)**	1,116
Income not subject to tax	**(218)**	(337)
Expenses not deductible for tax	**710**	964
Profits and losses attributable to associates	**(313)**	11
Tax losses utilised from previous periods	**(1,262)**	(3,233)
Tax losses not recognised	**2,259**	4,794
Others	**241**	(2,590)
Tax charge for the year	**5,417**	4,738

NOTES TO THE FINANCIAL STATEMENTS

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11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a profit of HK$6,599,000 (2010: HK$5,595,000) which has been dealt with in the financial statements of the Company *(note 35(b))*.

12. DIVIDEND

	2011	2010
	HK$'000	*HK$'000*
Proposed final – HK3.0 cents (2010: HK3.0 cents) per ordinary share	**17,847**	17,847

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during both years.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**22,941**	23,662

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year	**594,899,245**	594,899,245

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2011						
At 31 December 2010 and at 1 January 2011:						
Cost or valuation	189,577	4,323	228,174	7,391	3,825	433,290
Accumulated depreciation	–	(2,774)	(64,576)	(5,636)	(1,789)	(74,775)
Net carrying amount	189,577	1,549	163,598	1,755	2,036	358,515
At 1 January 2011, net of accumulated depreciation	189,577	1,549	163,598	1,755	2,036	358,515
Additions	–	10,514	34,164	1,741	1,983	48,402
Disposals	–	–	(10,070)	–	(218)	(10,288)
Surplus on revaluation credited to other comprehensive income	42,771	–	–	–	–	42,771
Exchange differences	–	12	–	6	9	27
Depreciation provided during the year	(5,190)	(629)	(24,288)	(889)	(1,055)	(32,051)
At 31 December 2011, net of accumulated depreciation	227,158	11,446	163,404	2,613	2,755	407,376
At 31 December 2011:						
Cost or valuation	227,158	14,854	252,268	9,060	5,600	508,940
Accumulated depreciation	–	(3,408)	(88,864)	(6,447)	(2,845)	(101,564)
Net carrying amount	227,158	11,446	163,404	2,613	2,755	407,376
Analysis of cost or valuation:						
At cost	–	14,854	252,268	9,060	5,600	281,782
At 31 December 2011 valuation	227,158	–	–	–	–	227,158
	227,158	14,854	252,268	9,060	5,600	508,940

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14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2010						
At 1 January 2010:						
Cost or valuation	107,258	2,976	188,111	6,911	2,977	308,233
Accumulated depreciation	(20)	(2,784)	(42,174)	(5,245)	(1,063)	(51,286)
Net carrying amount	107,238	192	145,937	1,666	1,914	256,947
At 1 January 2010, net of accumulated depreciation	107,238	192	145,937	1,666	1,914	256,947
Additions	55,794	1,623	42,855	880	1,133	102,285
Disposals	–	–	(741)	(6)	(192)	(939)
Surplus on revaluation credited to other comprehensive income	29,887	–	–	–	–	29,887
Depreciation provided during the year	(3,342)	(266)	(24,453)	(785)	(819)	(29,665)
At 31 December 2010, net of accumulated depreciation	189,577	1,549	163,598	1,755	2,036	358,515
At 31 December 2010:						
Cost or valuation	189,577	4,323	228,174	7,391	3,825	433,290
Accumulated depreciation	–	(2,774)	(64,576)	(5,636)	(1,789)	(74,775)
Net carrying amount	189,577	1,549	163,598	1,755	2,036	358,515
Analysis of cost or valuation:						
At cost	–	4,323	228,174	7,391	3,825	243,713
At 31 December 2010 valuation	189,577	–	–	–	–	189,577
	189,577	4,323	228,174	7,391	3,825	433,290

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31 December 2011

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group's land and buildings were revalued individually on 31 December 2011 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an aggregate open market value of HK$227,158,000 based on their existing uses. Revaluation surplus of HK$42,771,000, resulting from the above valuations, have been credited to the other comprehensive income.

Details of the land and buildings are as follows:

	2011	2010
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**209,980**	175,340
Mainland China and Macau	**17,178**	14,237
	227,158	189,577

Had these land and buildings been stated at historical cost less depreciation, their carrying amount would have been approximately HK$141,272,000 (2010: HK$145,217,000).

The net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amount of plant and machinery at 31 December 2011 amounted to HK$43,707,000 (2010: HK$58,837,000) *(note 32)*.

The net carrying amounts of the Group's land and buildings pledged to secure banking facilities granted to the Group amounted to HK$167,300,000 (2010: HK$140,580,000) *(note 31)*.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 December 2011			
At 31 December 2010 and 1 January 2011:			
Cost	**232**	**82**	**314**
Accumulated depreciation	**(232)**	**(57)**	**(289)**
Net carrying amount	**–**	**25**	**25**
At 1 January 2011, net of accumulated depreciation	**–**	**25**	**25**
Additions	**40**	**34**	**74**
Depreciation provided during the year	**(1)**	**(13)**	**(14)**
At 31 December 2011, net of accumulated depreciation	**39**	**46**	**85**
At 31 December 2011:			
Cost	**272**	**116**	**388**
Accumulated depreciation	**(233)**	**(70)**	**(303)**
Net carrying amount	**39**	**46**	**85**
31 December 2010			
At 1 January 2010:			
Cost	232	82	314
Accumulated depreciation	(232)	(44)	(276)
Net carrying amount	–	38	38
At 1 January 2010, net of accumulated depreciation	–	38	38
Depreciation provided during the year	–	(13)	(13)
At 31 December 2010, net of accumulated depreciation	–	25	25
At 31 December 2010:			
Cost	232	82	314
Accumulated depreciation	(232)	(57)	(289)
Net carrying amount	–	25	25

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15. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount at 1 January	**29,560**	26,469
Net gain from a fair value adjustment	**2,400**	3,091
Carrying amount at 31 December	**31,960**	29,560

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2011 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$31,960,000 on an open market, existing use basis. Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**185,600**	185,600
Due from subsidiaries	**931,786**	892,688
Due to subsidiaries	**(33,510)**	(9,515)
	1,083,876	1,068,773
Impairment#	**(825,604)**	(825,604)
	258,272	243,169

An impairment was recognised for certain unlisted investments and certain amounts due from subsidiaries with an aggregate carrying amount of HK$825,604,000 (before deducting the impairment loss) (2010: HK$825,604,000) because these subsidiaries have been loss-making for some time. There was no change in the impairment account during the current and prior years.

The balances with the subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and are not repayable within one year. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries. The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$73,743,000 (2010: HK$71,153,000) and HK$63,415,000 (2010: HK$40,000,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Apex Curtain Wall and Windows Company Limited	Hong Kong	HK$10,000	–	100%	Contracting of building aluminium works
Best Treasure Limited*	British Virgin Islands	US$1	–	100%	Investment holding
Chinney Alliance Corporate Treasury Limited	Hong Kong	HK$2	–	100%	Treasury function
Chinney Alliance Engineering Limited	Hong Kong	HK$10,000	–	100%	Distribution and installation of aviation system, energy saving, mechanical, electrical and building supplies products
Chinney Alliance Trading (BVI) Limited*	British Virgin Islands	HK$360,001	100%	–	Investment holding
Chinney Builders Company Limited	Hong Kong	HK$2	–	100%	Building construction
Chinney Construction (BVI) Limited	British Virgin Islands	US$10,000	–	100%	Investment holding
Chinney Construction Company, Limited	Hong Kong	HK$18,000,000	–	100%	Building construction
Chinney Construction Group Limited	British Virgin Islands	US$1	–	100%	Investment holding
Chinney E & M (Maintenance) Limited	Hong Kong	HK$100	–	100%	Maintenance of air-conditioning, electrical generators, water pumps and fire prevention and fighting systems

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16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
Chinney Electrical Supplies Limited	Hong Kong	HK$100,000	–	100%	Trading of electrical, air-conditioning and other building supplies products
Chinney Timfai Construction (Macau) Company Limited*	Macau	MOP1,500,000	–	100%	Property holding
Chinney Timwill Construction (Macau) Company Limited*	Macau	MOP1,500,000	–	100%	Building construction and foundation piling
DMT-Jacobson Holdings Limited	British Virgin Islands	US$2,000,000	–	100%	Investment holding
DrilTech Geotechnical Engineering Limited	Hong Kong	HK$10,000	–	100%	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited	Hong Kong	HK$12,500,000	–	100%	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering (Macau) Limited	Macau	MOP1,000,000	–	100%	Drilling, site investigation and related ground engineering construction
Gina Enterprises Limited	Hong Kong	HK$2	–	100%	Property holding
Jackson Mercantile Trading Company Limited	Hong Kong	Ordinary HK$2,000; Non-voting deferred HK$5,000,000	–	100%	Property holding

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16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Jacobson van den Berg (China) Limited*	Hong Kong	HK$1,000,000	–	100%	Trading of electrical and mechanical products
Jacobson van den Berg (Hong Kong) Limited	Hong Kong	Ordinary HK$1,000; Non-voting deferred HK$35,486,600	–	100%	Investment holding and agency trading of industrial products
Kin Wing Chinney (BVI) Limited	British Virgin Islands	US$208	–	100%	Investment holding
Kin Wing Engineering Company Limited	Hong Kong	HK$20,000,000	–	100%	Foundation piling
Kin Wing Foundations Limited	Hong Kong	HK$10,000	–	100%	Foundation piling
Kin Wing Machinery & Transportation Limited	Hong Kong	HK$100	–	100%	Equipment and machinery leasing
Kinwing Engineering (Macau) Company Limited	Macau	MOP1,000,000	–	100%	Foundation piling
Lei Kee Development Company Limited	Hong Kong	HK$2	–	100%	Property holding
Merchant Choice Limited*	British Virgin Islands	US$1	100%	–	Investment holding
Right Able Limited	Hong Kong	HK$1	–	100%	Property holding
Shun Cheong Building Services (Macau) Limited	Macau	MOP100,000	–	100%	Installation and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems

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16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Shun Cheong Electrical Engineering Company Limited	Hong Kong	"A" ordinary HK$700,000; Non-voting deferred HK$4,000,000	–	100%	Design, installation, repair and maintenance of electrical and mechanical systems
Shun Cheong Investments Limited	British Virgin Islands	US$100	–	100%	Investment holding
Shun Cheong Management Limited	Hong Kong	HK$2	–	100%	Provision of management services
Shun Cheong Trade and Development Company Limited	Hong Kong	HK$663,000	–	100%	Trading of electrical generators
Tegan Holdings Limited	Hong Kong	HK$2	–	100%	Property holding
Westco Airconditioning Limited	Hong Kong	HK$4,700,000	–	100%	Design, installation and maintenance of heating, ventilation and air-conditioning systems
Westco Chinney Limited*	Hong Kong	HK$3,000,000	–	100%	Sale and installation of air-conditioning systems

* *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.*

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

17. INVESTMENTS IN ASSOCIATES

	Group 2011 HK$'000	2010 HK$'000
Share of net assets	**20,797**	8,581
Loan to an associate	**28,592**	–
	49,389	8,581
Impairment#	**(7,200)**	(7,200)
	42,189	1,381

\# *An impairment was recognised because the expected recoverable amount of the Group's investments in associates is less than the Group's share of its net assets. There was no change in the impairment account during the current and prior years.*

The loan to an associate is unsecured, interest-bearing at 9.7% per annum and repayable on demand. In the opinion of the directors, the loan is considered as quasi-equity investments in the associate.

Particulars of the associates are as follows:

Name	Place of registration	Particulars of registered capital/issued capital held	Percentage of ownership interest attributable to the Group 2011	2010	Principal activity
Fineshade Investments Limited*^	British Virgin Islands	US$1,221,200	**21.5%**	–	Investment holding with its subsidiary engaged in investment in real estate
Jiangxi Kaitong New Materials Company Limited 江西省凱通新材料科技有限公司*#	People's Republic of China	RMB12,450,000	**24.9%**	24.9%	Manufacture of stainless steel and plastic compound pipes

* *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.*

^ *This associate is acquired during the year.*

\# *This associate is a sino-foreign joint venture with a duration of business of 15 years which commenced from 11 October 2000.*

The investments in associates are indirectly held by the Company.

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17. INVESTMENTS IN ASSOCIATES *(continued)*

The voting power held and the profit sharing arrangements in relation to the associates are both the same as the ownership interest shown above. The financial years of the above associate are coterminous with those of the Group.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2011	2010
	HK$'000	*HK$'000*
Assets	**302,663**	30,614
Liabilities	**(193,356)**	(974)
Revenue	**6,249**	270
Profit/(loss) for the year	**11,103**	(269)

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2011	2010
	HK$'000	*HK$'000*
Share of net assets	**–**	–

The balance with a jointly-controlled entity is unsecured, interest-free and repayable on demand.

Particulars of the jointly-controlled entity are as follows:

		Percentage of			
Name	**Place of registration**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Chinney P & H Studio Co., Ltd.	Macau	50	50	50	Provision of fitting out works

The investment in a jointly-controlled entity is indirectly held by the Company. The above jointly-controlled entity is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY *(continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entity extracted from their management accounts:

	2011	2010
	HK$'000	*HK$'000*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**186**	204
Non-current assets	**–**	1
Current liabilities	**(484)**	(493)
Net liabilities	**(298)**	(288)
Share of the jointly-controlled entity's results:		
Total revenue	**1**	465
Total expenses	**(11)**	(774)
Loss after tax	**(10)**	(309)

The Group has discontinued the recognition of its share of losses of the jointly-controlled entity because they exceeded the Group's investment in the jointly-controlled entity. In the opinion of the directors, the Group will not continue to provide further financial support or capital injection to the jointly-controlled entity. The Group's aggregate unrecognised share of losses of the jointly-controlled entity for the current year and cumulatively amounted to HK$10,000 (2010: HK$309,000) and HK$298,000 (2010: HK$288,000), respectively.

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19. GOODWILL

	Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount at 1 January and 31 December#	**5,767**	5,767

The amount represented the aggregate amount of pre-acquisition tax losses of the subsidiaries, which were acquired by the Company in prior years, being utilised during prior years. As these pre-acquisition tax losses had not been recognised as deferred tax assets of these subsidiaries at the date of acquisition, the amount forms an adjustment to the related goodwill.

Goodwill acquired through business combination has been allocated to the reportable segment of building related contracting services.

Impairment testing of goodwill

For impairment testing, goodwill acquired through business combination has been allocated to one single cash-generating unit which is involved in building related contracting services.

The recoverable amount of this cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management. The discount rate applied to the cash flow projections is 6% (2010: 6%).

Key assumptions used in the value in use calculation for 31 December 2011 are as follows:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the estimated gross margins related to signed but uncompleted construction contracts on hand.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of building related contracting services industries, budgeted gross margins and discount rates are consistent with external information sources.

20. OTHER ASSETS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Club memberships, at cost	**3,283**	1,220	**1,220**	1,220
Provision for impairment#	**(938)**	(938)	**(938)**	(938)
	2,345	282	**282**	282

An impairment was recognised for a club membership with an carrying amount of HK$1,220,000 (before deducting the impairment loss) (2010: HK$1,220,000) because the recoverable amount of the club membership is less than its carrying amount. There was no change in the impairment account during the current and prior years.

21. INVENTORIES

	Group 2011 HK$'000	2010 HK$'000
Raw materials	**62,922**	67,919
Finished goods	**13,904**	5,971
	76,826	73,890

22. CONSTRUCTION CONTRACTS

	Group 2011 HK$'000	2010 HK$'000
Gross amount due from contract customers	**159,683**	125,047
Gross amount due to contract customers	**(209,686)**	(167,656)
	(50,003)	(42,609)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**10,732,456**	12,996,761
Less: Progress billings	**(10,782,459)**	(13,039,370)
	(50,003)	(42,609)

At 31 December 2011, the retentions held by customers for contract works included in retention monies receivable included in the current assets of the Group amounted to approximately HK$128,219,000 (2010: HK$110,145,000).

At 31 December 2011, the retentions held by the Group for contract works included in retention monies payable included in the current liabilities of the Group amounted to approximately HK$58,345,000 (2010: HK$60,451,000).

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23. TRADE RECEIVABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**362,458**	344,658
Impairment	**(1,995)**	(14,151)
	360,463	330,507

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with good business relationships. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date and net of provisions, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current to 30 days	**334,414**	297,195
31 to 60 days	**9,330**	15,983
61 to 90 days	**5,683**	2,921
Over 90 days	**11,036**	14,408
	360,463	330,507

23. TRADE RECEIVABLES *(continued)*

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**14,151**	17,313
Impairment losses recognised *(note 7)*	**134**	–
Amount written off as uncollectible	**(4,580)**	(2,998)
Impairment losses reversed *(note 7)*	**(7,710)**	(164)
At 31 December	**1,995**	14,151

The above provision for impairment of trade receivables represented provision for individually impaired trade receivables with a carrying amount before provision of HK$1,995,000 (2010: HK$14,151,000) which related to customers that were in default or delinquency in payments. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**267,500**	222,154
Less than 30 days past due	**66,914**	75,041
31 to 90 days past due	**15,013**	18,904
Past due over 90 days	**11,036**	14,408
	360,463	330,507

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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24. BALANCES WITH RELATED COMPANIES

The balances with related companies are unsecured, interest-free and repayable on demand.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**2,831**	5,035	**251**	231
Deposits and other receivables	**40,161**	33,123	**11**	5
	42,992	38,158	**262**	236

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments in Hong Kong, at market value	**9,411**	11,806	**9,411**	11,806

The above equity investments at 31 December 2011 and 2010 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

The market value of the above investments of the Group at the date of approval of these financial statements was approximately HK$9,239,000.

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27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**109,496**	191,318	**3,560**	4,655
Time deposits	**2,466**	27,285	**–**	–
Pledged time deposits	**16,663**	12,414	**–**	–
	128,625	231,017	**3,560**	4,655
Less: Pledged time deposits for letters of guarantee and performance bonds	**(16,663)**	(12,414)	**–**	–
Cash and cash equivalents	**111,962**	218,603	**3,560**	4,655

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$12,867,000 (2010: HK$4,520,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Certain of the Group's cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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28. TRADE AND BILLS PAYABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade payables	**251,825**	278,885
Bills payable	**21,078**	12,360
	272,903	291,245

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current to 30 days	**201,829**	237,287
31 to 60 days	**28,653**	20,237
61 to 90 days	**9,515**	7,285
Over 90 days	**11,828**	14,076
	251,825	278,885

The trade payables are non-interest-bearing and are normally settled within terms of 60 to 120 days.

29. TRUST RECEIPT LOANS

The Group's trust receipt loans were secured by corporate guarantees given by the Company and certain subsidiaries. Trust receipt loans were repayable within six months from the date of advance, and bear interest at floating interest rates.

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**8,896**	5,883	**153**	153
Accruals	**47,952**	46,043	**4,271**	4,242
	56,848	51,926	**4,424**	4,395

Other payables are non-interest-bearing and have an average term of three months.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	31 December 2011			31 December 2010		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Finance lease payables *(note 32)*	3.25 – 4.25	2012 or on demand	15,997	3.25 – 4.25	2011 or on demand	18,028
Trust receipt loans *(note 29)*	1.58 – 2.40	On demand	103,606	1.65 – 2.27	On demand	85,539
Bank overdrafts – unsecured	6.25	On demand	4,155			–
Bank loans – unsecured	2.20 – 3.23	2012 or on demand	45,758	2.20 – 3.31	On demand	52,239
Bank loans – secured	1.43 – 3.10	2012 or on demand	41,291	1.37 – 3.10	2011 or on demand	42,539
			91,204			94,778
Total current			210,807			198,345
Non-current						
Finance lease payables *(note 32)*	3.75 – 4.25	2013 – 2015	14,958	3.75 – 4.25	2012 – 2015	21,875
Bank loans – secured	3.10	2013 – 2019	6,051	3.10	2012 – 2019	6,816
Total non-current			21,009			28,691
Total			231,816			227,036

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31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

The maturity of the above bank and other borrowings is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Analysed into:		
Bank loans and overdrafts and trust receipt loans repayable:		
Within one year or on demand	**194,810**	180,317
In the second year	**787**	763
In the third to fifth years, inclusive	**2,511**	2,434
Beyond five years	**2,753**	3,619
	200,861	187,133
Other borrowings repayable:		
Within one year or on demand	**15,997**	18,028
In the second year	**7,193**	6,900
In the third to fifth years, inclusive	**7,765**	14,975
	30,955	39,903
	231,816	227,036

Notes:

(a) All bank borrowings as set out above are denominated in Hong Kong dollars and bear interest at floating interest rates.

(b) The Group's bank borrowings are secured by:

(i) the corporate guarantees given by the Company and certain subsidiaries; and

(ii) certain land and buildings with an aggregate carrying value at the end of the reporting period of approximately HK$167,300,000 (2010: HK$140,580,000) *(note 14)*.

Based on the maturity terms of the bank loans and overdrafts and trust receipt loans, the amounts repayable in respect of the Group's interest-bearing bank borrowing are: within one year or on demand HK$151,652,000 (2010: HK$127,031,000); in the second year HK$8,898,000 (2010: HK$10,892,000); in the third to fifth years, inclusive HK$37,557,000 (2010: HK$45,591,000); and beyond five years HK$2,754,000 (2010: HK$3,619,000).

Based on the maturity terms of the obligations under finance leases, the amounts repayable in respect of the Group's obligations under finance leases are: within one year or on demand HK$9,778,000 (2010: HK$12,142,000); in the second year HK$10,152,000 (2010: HK$9,121,000); and in the third to fifth years, inclusive HK$11,025,000 (2010: HK$18,640,000).

32. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its plant and machinery for its operation. These leases are classified as finance leases and have remaining lease terms ranging from two to five years.

At 31 December 2011, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		**Present value of minimum lease payments**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year or on demand	**17,281**	19,620	**15,997**	18,028
In the second year	**7,685**	7,685	**7,193**	6,900
In the third to fifth years, inclusive	**8,024**	15,709	**7,765**	14,975
Total minimum finance lease payments	**32,990**	43,014	**30,955**	39,903
Future finance charges	**(2,035)**	(3,111)		
Total net finance lease payables	**30,955**	39,903		
Portion classified as current liabilities *(note 31)*	**(15,997)**	(18,028)		
Non-current portion *(note 31)*	**14,958**	21,875		

The leases are secured by certain plant and machinery with an aggregate carrying value of HK$43,707,000 (2010: HK$58,837,000) and corporate guarantees given by certain subsidiaries *(note 14)*.

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33. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**18,107**	20,077	**12,174**	6,339	**30,281**	26,416
Deferred tax charged/ (credited) to the income statement during the year *(note 10)*	**(331)**	(1,970)	**1,127**	788	**796**	(1,182)
Deferred tax charged to other comprehensive income	**–**	–	**5,611**	5,047	**5,611**	5,047
Gross deferred tax liabilities at 31 December	**17,776**	18,107	**18,912**	12,174	**36,688**	30,281

Deferred tax assets

Group

	Related depreciation over depreciation allowance	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**372**	415
Deferred tax charged to the income statement during the year *(note 10)*	**(55)**	(43)
Gross deferred tax assets at 31 December	**317**	372

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33. DEFERRED TAX *(continued)*

The Group has tax losses arising in Hong Kong of HK$276,428,000 (2010: HK$266,797,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and, in the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. SHARE CAPITAL

Shares

	2011	2010
	HK$'000	*HK$'000*
Authorised:		
2,500,000,000 (2010: 2,500,000,000) ordinary shares of HK$0.10 (2010: HK$0.10) each	**250,000**	250,000
Issued and fully paid:		
594,899,245 (2010: 594,899,245) ordinary shares of HK$0.10 (2010: HK$0.10) each	**59,490**	59,490

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35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 33 of these financial statements.

(b) Company

	Share premium account HK$'000	Contributed surplus* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	60,978	120,946	41,651	223,575
Total comprehensive income for the year	–	–	5,595	5,595
Proposed final 2010 dividend *(note 12)*	–	–	(17,847)	(17,847)
At 31 December 2010	60,978	120,946	29,399	211,323
Total comprehensive income for the year	–	–	6,599	6,599
Proposed final 2011 dividend *(note 12)*	–	–	(17,847)	(17,847)
At 31 December 2011	**60,978**	**120,946**	**18,151**	**200,075**

* *The Company's contributed surplus arose from the capital reorganisation which involved the consolidation of the capital reserve and share premium accounts in a prior year and the capital reduction involving cancellation of a portion of paid-up capital during that year.*

There is no specific provision in the Bermuda Companies Act which regulates the use of contributed surplus save that the Company cannot make a distribution out of the contributed surplus to the shareholders if there are reasonable grounds for believing that Company (i) is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2011** **HK$'000**	2010 HK$'000
Management fee to a major shareholder	*(i)*	**3,000**	3,000
Share of rental and office expenses with a related company	*(ii)*	**1,221**	1,052
Rental expenses to a related company	*(iii)*	**108**	162
Subcontracting fees to related companies	*(iv)*	**370**	1,067
Construction contract income from related companies	*(v)*	**(925)**	(885)
Office management fee income from jointly-controlled entities	*(vi)*	**–**	(105)
Interest expenses on a promissory note to a major shareholder	*(vii)*	**–**	1,985
Management fee income from a related company	*(viii)*	**–**	(1,000)
Interest income from an associate	*(ix)*	**(65)**	–

Notes:

(i) The management fee was charged by Chinney Investments, Limited ("Chinney Investments") based on the time involvement of the personnel providing services. Dr. James Sai-Wing Wong, a director of the Company, is also a director of and has beneficial interests in Chinney Investments. Mr. Herman Man-Hei Fung is a director of the Company and Chinney Investments.

(ii) The rental and office expenses were charged by Hon Kwok Land Investment Company, Limited ("Hon Kwok"), a subsidiary of Chinney Investments, on an actual basis. Dr. James Sai-Wing Wong is a director of and has a beneficial interest in Hon Kwok. Mr. Herman Man-Hei Fung and Mr. Yuen-Keung Chan are common directors of the Company and Hon Kwok.

(iii) The rental expenses were charged by Shun Cheong Real Estates Limited at rates agreed by both parties. Mr. Yuen-Keung Chan and Mr. Sek-Kee Yu, directors of the Company, were also directors of Shun Cheong Real Estates Limited up to 31 May 2011.

(iv) The subcontracting fees were paid to Tinhawk Company Limited ("Tinhawk") and Ever Billion Engineering Limited ("Ever Billion") for the completion of work orders of certain building maintenance contracts for the Group. Mr. Yuen-Keung Chan and Mr. Sek-Kee Yu, directors of the Company, were also directors of Tinhawk and Ever Billion up to 31 May 2011.

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31 December 2011

36. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: (continued)

(v) Construction contract income represented the value of building maintenance works and building services installation work certified during the year from certain subsidiaries of Hon Kwok.

(vi) In the prior year, office management fee income was charged to Chinney Double Mechanic Engineering Company Limited (which was disposed in 2010) and Chinney P & H Studio Co., Ltd. based on the time involvement of personnel providing services.

(vii) In the prior year, the interest expenses were charged by Chinney Investments on the promissory note at 5% per annum.

(viii) In the prior year, management fee income was charged to Tinhawk based on the time involvement of the personnel providing services.

(ix) The interest income was charged on a loan to an associate, Fineshade Investments Limited, at 9.7% per annum.

(b) Outstanding balances with related parties:

Details of the Group's outstanding balances with related companies as at the end of the reporting period are included in note 24 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2011	2010
	HK$'000	*HK$'000*
Short-term employee benefits	**29,720**	26,390
Post-employment benefits	**1,405**	1,151
Total compensation paid to key management personnel	**31,125**	27,541

Further details of directors' emoluments are included in note 8 to the financial statements.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

During the year, the Group leases certain of its investment properties *(note 15)* under operating lease arrangements, with leases negotiated for terms of one year (2010: one year). The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants due as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**97**	93
	97	93

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years (2010: one to four years).

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**1,608**	3,525
In the second to fifth years, inclusive	**1,564**	895
	3,172	4,420

The Company had no operating lease commitments at the end of the reporting period (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

38. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$3,409,000 (2010: HK$20,334,000).

39. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**832,858**	712,259

As at 31 December 2011, the total banking facilities utilised by the subsidiaries amounted to HK$424,506,000 (2010: HK$332,709,000).

(b) The Group provided corporate guarantees and indemnities to certain banks and a financial institution for an aggregate amount of HK$116,162,000 (2010: HK$68,496,000) for the issue of performance bonds in its ordinary course of business.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

2011

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Other assets	–	–	2,345	2,345
Trade receivables	–	360,463	–	360,463
Retention monies receivable	–	128,219	–	128,219
Amount due from a jointly-controlled entity	–	967	–	967
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	40,161	–	40,161
Equity investments at fair value through profit or loss	9,411	–	–	9,411
Pledged time deposits	–	16,663	–	16,663
Cash and cash equivalents	–	111,962	–	111,962
	9,411	658,435	2,345	670,191

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	272,903
Trust receipt loans	103,606
Retention monies payable	58,345
Financial liabilities included in other payables and accruals *(note 30)*	8,896
Obligations under finance leases *(note 32)*	30,955
Interest-bearing bank borrowings *(note 31)*	97,255
	571,960

NOTES TO THE FINANCIAL STATEMENTS
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40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group *(continued)*

2010

Financial assets

	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Other assets	–	–	282	282
Trade receivables	–	330,507	–	330,507
Retention monies receivable	–	110,145	–	110,145
Amount due from a jointly-controlled entity	–	967	–	967
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	33,123	–	33,123
Equity investments at fair value through profit or loss	11,806	–	–	11,806
Pledged time deposits	–	12,414	–	12,414
Cash and cash equivalents	–	218,603	–	218,603
	11,806	705,759	282	717,847

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade and bills payables	291,245
Trust receipt loans	85,539
Retention monies payable	60,451
Amounts due to related companies	3,709
Financial liabilities included in other payables and accruals *(note 30)*	5,883
Obligations under finance leases *(note 32)*	39,903
Interest-bearing bank borrowings *(note 31)*	101,594
	588,324

NOTES TO THE FINANCIAL STATEMENTS
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40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

2011

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Other assets	–	–	282	282
Amounts due from subsidiaries	–	73,743	–	73,743
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	11	–	11
Equity investments at fair value through profit or loss	9,411	–	–	9,411
Cash and cash equivalents	–	3,560	–	3,560
	9,411	77,314	282	87,007

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Amounts due to subsidiaries	96,925
Financial liabilities included in other payables and accruals *(note 30)*	153
	97,078

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company *(continued)*

2010

Financial assets

	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Other assets	–	–	282	282
Amounts due from subsidiaries	–	71,153	–	71,153
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	5	–	5
Equity investments at fair value through profit or loss	11,806	–	–	11,806
Cash and cash equivalents	–	4,655	–	4,655
	11,806	75,813	282	87,901

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Amounts due to subsidiaries	49,515
Financial liabilities included in other payables and accruals *(note 30)*	153
	49,668

41. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		**Fair values**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Other assets	**2,345**	282	**2,345**	282
Trade receivables	**360,463**	330,507	**360,463**	330,507
Retention monies receivable	**128,219**	110,145	**128,219**	110,145
Amount due from a jointly-controlled entity	**967**	967	**967**	967
Financial assets included in prepayments, deposits and other receivables *(note 25)*	**40,161**	33,123	**40,161**	33,123
Equity investments at fair value through profit or loss	**9,411**	11,806	**9,411**	11,806
Pledged time deposits	**16,663**	12,414	**16,663**	12,414
Cash and cash equivalents	**111,962**	218,603	**111,962**	218,603
	670,191	717,847	**670,191**	717,847
Financial liabilities				
Trade and bills payables	**272,903**	291,245	**272,903**	291,245
Trust receipt loans	**103,606**	85,539	**103,606**	85,539
Retention monies payable	**58,345**	60,451	**58,345**	60,451
Amounts due to related companies	**–**	3,709	**–**	3,709
Financial liabilities included in other payables and accruals *(note 30)*	**8,896**	5,883	**8,896**	5,883
Obligations under finance leases *(note 32)*	**30,955**	39,903	**30,955**	39,903
Interest-bearing bank borrowings *(note 31)*	**97,255**	101,594	**97,255**	101,594
	571,960	588,324	**571,960**	588,324

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

41. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Other assets	**282**	282	**282**	282
Amounts due from subsidiaries	**73,743**	71,153	**73,743**	71,153
Financial assets included in prepayments, deposits and other receivables *(note 25)*	**11**	5	**11**	5
Equity investments at fair value through profit or loss	**9,411**	11,806	**9,411**	11,806
Cash and cash equivalents	**3,560**	4,655	**3,560**	4,655
	87,007	87,901	**87,007**	87,901
Financial liabilities				
Amounts due to subsidiaries	**96,925**	49,515	**96,925**	49,515
Financial liabilities included in other payables and accruals *(note 30)*	**153**	153	**153**	153
	97,078	49,668	**97,078**	49,668

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged time deposits, other assets, trade receivables, retention monies receivable, equity investments at fair value through profit or loss, trade and bills payables, trust receipt loans, retention monies payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due to related companies, amount due from a jointly-controlled entity and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current portion of obligations under finance leases and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

41. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2011, the financial instruments measured at fair value held by the Group and the Company comprised of equity investments at fair value through profit or loss and was classified as Level 1.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans and overdrafts, obligations under finance leases, cash and bank balances, and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, retention monies receivable and payable, deposits and other receivables, balances with related companies and a jointly-controlled entity, trade and bills payables, other payables, and trust receipt loans, which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage each of these risks and they are summarised below.

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31 December 2011

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 31 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank borrowings, cash and bank balances, and short-term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expense are credited or charged to the income statement as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity* *HK$'000*
2011			
Hong Kong dollar	**50**	**(1,151)**	**–**
Hong Kong dollar	**(50)**	**1,151**	**–**
2010			
Hong Kong dollar	50	(929)	–
Hong Kong dollar	(50)	929	–

* *Excluding retained profits*

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Renminbi exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate *%*	**Increase/ (decrease) in profit before tax** *HK$'000*	**Increase/ (decrease) in equity*** *HK$'000*
2011			
If Hong Kong dollar weakens against United States dollar	**1**	**53**	**–**
If Hong Kong dollar strengthens against United States dollar	**(1)**	**(53)**	**–**
If Hong Kong dollar weakens against Renminbi	**5**	**807**	**–**
If Hong Kong dollar strengthens against Renminbi	**(5)**	**(807)**	**–**
2010			
If Hong Kong dollar weakens against United States dollar	1	277	–
If Hong Kong dollar strengthens against United States dollar	(1)	(277)	–
If Hong Kong dollar weakens against Renminbi	5	249	–
If Hong Kong dollar strengthens against Renminbi	(5)	(249)	–

* *Excluding retained profits*

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, pledged time deposits, amount due from a jointly-controlled entity, and deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and overdrafts, obligations under finance leases and trust receipt loans. The Group's policy is to maintain the Group at a net current asset position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

2011

	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	272,903	–	–	–	272,903
Trust receipt loans	103,606	–	–	–	–	103,606
Retention monies payable	–	58,345	–	–	–	58,345
Other payables	8,896	–	–	–	–	8,896
Obligations under finance leases	9,596	7,685	7,685	8,024	–	32,990
Interest-bearing bank borrowings	90,441	963	963	2,889	2,887	98,143
	212,539	339,896	8,648	10,913	2,887	574,883

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Group *(continued)*

2010

	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	291,245	–	–	–	291,245
Trust receipt loans	85,539	–	–	–	–	85,539
Retention monies payable	–	60,451	–	–	–	60,451
Amounts due to related companies	3,709	–	–	–	–	3,709
Other payables	5,883	–	–	–	–	5,883
Obligations under finance leases	11,935	7,685	7,685	15,709	–	43,014
Interest-bearing bank borrowings	94,039	963	963	2,889	3,852	102,706
	201,105	360,344	8,648	18,598	3,852	592,547

Included in interest-bearing bank and other borrowings are certain of the Group's bank loans and obligations under finance leases in the amount of HK$194,047,000 (2010: HK$179,578,000) and HK$9,085,000 (2010: HK$11,393,000), respectively, of which the loan and finance lease agreements contain repayment on demand clauses giving the banks the unconditional right to call in the loans and finance leases at any time. Therefore, for the purpose of the above maturity profile, the amounts are classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loans and obligations under finance leases will be called in its entirety within 12 months, and they consider that these borrowings will be repaid in accordance with the maturity dates as set out in the loan and finance lease agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the Group's bank loans, the maturity profile of the contractual undiscounted payments at 31 December 2011 are HK$153,175,000 in 2012, HK$9,739,000 in 2013, HK$38,673,000 from 2014 to 2016 and HK$2,887,000 beyond 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

In accordance with the terms of the Group's obligations under finance leases, the maturity profile of the contractual undiscounted payments at 31 December 2011 are HK$10,803,000 in 2012, HK$10,803,000 in 2013, HK$11,384,000 from 2014 to 2016.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

Company

2011

	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to subsidiaries	**63,415**	**–**	**–**	**–**	**33,510**	**96,925**
Other payables	**153**	**–**	**–**	**–**	**–**	**153**
Guarantees given to banks in connection with facilities granted to subsidiaries	**832,858**	**–**	**–**	**–**	**–**	**832,858**
	896,426	**–**	**–**	**–**	**33,510**	**929,936**

2010

	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to subsidiaries	40,000	–	–	–	9,515	49,515
Other payables	153	–	–	–	–	153
Guarantees given to banks in connection with facilities granted to subsidiaries	712,259	–	–	–	–	712,259
	752,412	–	–	–	9,515	761,927

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss *(note 26)* as at 31 December 2011. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December 2011	**High/low 2011**	31 December 2010	High/low 2010
Hong Kong – Hang Seng Index	**18,434**	**24,469/ 16,170**	23,035	24,989/ 18,972

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments *HK$'000*	**Change in profit before tax** *HK$'000*
2011		
Investments listed in:		
Hong Kong – Held for trading	**9,411**	**941**
2010		
Investments listed in:		
Hong Kong – Held for trading	11,806	1,181

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is total interest-bearing borrowings divided by the total capital. Total interest-bearing borrowings include trust receipt loans, obligations under finances leases and interest-bearing bank borrowings. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trust receipt loans	**103,606**	85,539
Obligations under finance leases	**30,955**	39,903
Interest-bearing bank borrowings	**97,255**	101,594
Total interest-bearing borrowings	**231,816**	227,036
Equity attributable to owners of the Company	**530,876**	488,393
Gearing ratio	**43.7%**	46.5%

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2012.