建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Annual Report 2013

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

James Sai-Wing WONG *(Chairman)*
Yuen-Keung CHAN *(Vice Chairman and Managing Director)*
James Sing-Wai WONG
Philip Bing-Lun LAM

Non-Executive Director

Herman Man-Hei FUNG

Independent Non-Executive Directors

Yuen-Tin NG
Chi-Chiu WU
Alexander Yan-Zau FANG
Ronald James BLAKE

AUDIT COMMITTEE

Yuen-Tin NG *(Chairman)*
Chi-Chiu WU
Herman Man-Hei FUNG

REMUNERATION COMMITTEE

Chi-Chiu WU *(Chairman)*
Yuen-Tin NG
Herman Man-Hei FUNG

COMPANY SECRETARY

Yun-Sang LO

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Shanghai Commercial Bank Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
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
Website : http://www.driltech.com.hk
E-mail : driltech@driltech.com.hk

Jacobson van den Berg (Hong Kong) Limited

8th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2828-9328
Fax : (852) 2828-9408
Website : http://www.jvdb.com
E-mail : info@jvdb.com

Chinney Alliance Engineering Limited

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

Tel : (852) 2880-3888
Fax : (852) 2811-0974
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 Thursday, 5 June 2014 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 2013 together with the reports of the directors and the independent auditors thereon.

2. To declare a final dividend for the year ended 31 December 2013.

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

NOTICE OF ANNUAL GENERAL MEETING

(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, 25 April 2014

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 Level 22, Hopewell Centre, 183 Queen's Road East, 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.

(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 (the "Bye-laws"). An announcement will be made by the Company following the conclusion of the AGM to inform the results of the AGM.

NOTICE OF ANNUAL GENERAL MEETING

(5) With regard to resolution 3 in this notice, Mr. Ronald James Blake ("Mr. Blake"), who was appointed subsequent to the last annual general meeting of the Company, will hold office until the AGM and, being eligible, offer himself for re-election in accordance with bye-law 86 of the Bye-laws of the Company at the AGM.

Mr. James Sing-Wai Wong ("Mr. Wong") and Mr. Chi-Chiu Wu ("Mr. Wu") will retire by rotation at the AGM in accordance with bye-law 87 of the Bye-laws of the Company. Both Mr. Wong and Mr. Wu, being eligible, will offer themselves for re-election at the AGM.

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

Mr. James Sing-Wai Wong

Aged 50, was appointed an executive director of the Company in August 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 practice 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-five 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 Chinney Alliance Engineering Limited and a director of Chinney Alliance (China) Limited, Jacobson van den Berg (Hong Kong) Limited, Chinney Construction Company, Limited, Kin Wing Engineering Company Limited and Shun Cheong Electrical Engineering Company Limited (all being major subsidiaries of the Company), and a number of subsidiaries of the Company.

Mr. Wong is a director of Chinney Investments, Limited (stock code: 216) which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Chinney Holdings Limited and Lucky Year Finance Limited, all being 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.

Mr. Wong 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) ("SFO"). Save as disclosed above, Mr. Wong 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 no service contract of fixed term entered into between the Company and Mr. Wong. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws. Mr. Wong has an employment contract with the Company which is terminable by either party by serving to another party six months' advance written notice. He is entitled to an annual salary and allowances of HK$2,221,730 which has been fixed by reference to his position, his level of responsibilities and the remuneration policy of the Group. In addition, he is entitled to a discretionary bonus to be determined by the Board and other employment benefits provided by the Group to all eligible staff.

Mr. Wong was a director of Lion Mark Holdings Limited and Lion Foods Limited (collectively the "Lion Group") during the period from May 1995 to July 2007. Lion Group was incorporated in the United Kingdom and engaged in food manufacturing, processing and ingredient trading. Lion Group was put into administration proceedings on 10 October 2002. The entire business was sold by the administrators in the same year and Lion Group was subsequently dissolved in July 2007.

Save as disclosed above, there are no other matters in relation to Mr. Wong that need to be brought to the attention of the shareholders of the Company nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

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Mr. Chi-Chiu Wu

Aged 50, was appointed an independent non-executive director of the Company in March 2012. Mr. Wu had 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, until he resigned on 31 March 2013. Mr. Wu had 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, until he retired on 16 May 2013. 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. 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 are no other matters in relation to Mr. Wu that need to be brought to the attention of the shareholders of the Company nor any information to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules.

Mr. Ronald James Blake

Aged 80, was appointed an independent non-executive director of the Company on 10 June 2013. He retired from the Chief Officer of Kowloon-Canton Railway Corporation ("KCRC") in 2012, previously Chief Executive Officer. He was a Senior Director of KCRC since 1997 responsible for KCRC's HK$70 billion expansion programme of railway and stations in tunnel, on viaduct and at grade. Before joining KCRC in 1997, he was Secretary for Works in the Hong Kong Government between 1991 and 1995, overseeing the implementation of the Airport Core Programme and the harbour wing extension of the Hong Kong Conference and Exhibition Centre. Before that, he served with Paul Y. Construction Company, Limited and was engaged in civil engineering and building contracting from 1972 onwards. Mr. Blake began his career in the United Kingdom as a civil/structural engineer with Boulton and Paul, and following service with the Corp. of Royal Engineers joined Scott Wilson Kirkpatrick & Partners to return to Hong Kong in 1965.

Mr. Blake was qualified as a Chartered Engineer in 1960 and was awarded the Institution of Civil Engineers Gold Medal in 1997. He was the President of the Hong Kong Institution of Engineers between 1991 and 1992 and later became President of the Federation of Engineering Institutions of South East Asia and the Pacific (FEISEAP), having served as a member of the Executive for three years. He is a fellow member of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, The Institution of Structural Engineers, The Chartered Institution of Highways and Transportation, Hong Kong Academy of Engineering Science.

He was a member of Construction Industry Council from 2001 to 2008 and also a member of the HKSAR Election Committee (Engineering Sub-sector) from 1998 to 2011. In January 2013, he has been appointed a member to the Commission on Strategic Development of the Hong Kong Government.

In recognition of his public services, he was awarded OBE and appointed a Justice of Peace by the Hong Kong Government in 1996. He was also awarded the Gold Bauhinia Star by the Hong Kong Government in 2012.

NOTICE OF ANNUAL GENERAL MEETING

Mr. Blake 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. Blake 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. Blake 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. Mr. Blake 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 are no other matters in relation to Mr. Blake that need to be brought to the attention of the shareholders of the Company nor any information to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules.

(7) At the date hereof, the Board comprises of nine directors, of which four are executive directors, namely Dr. James Sai-Wing Wong, Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam; and one is a non-executive director, namely Mr. Herman Man-Hei Fung; and four are independent non-executive directors, namely Mr. Yuen-Tin Ng, Mr. Chi-Chiu Wu, Mr. Alexander Yan-Zau Fang and Mr. Ronald James Blake.

CHAIRMAN'S STATEMENT

RESULTS

Chinney Alliance Group Limited (the "Company" and, collectively with its subsidiaries, the "Group") recorded a turnover of HK$3,201 million for the year ended 31 December 2013 (2012: HK$2,852 million). The profit for the year was HK$104.5 million (2012: HK$49.8 million), which included fair value gains on equity investments of HK$21.7 million (2012: HK$5.6 million) and surplus arising from changes in fair value of investment properties of HK$1.8 million (net of deferred tax) (2012: HK$0.6 million). The surplus arising from changes in value of the Group's land and buildings for own use amounted to HK$47.1 million (net of deferred tax) was credited to reserve as other comprehensive income (2012: HK$82.4 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 from the profit for the year, was HK$81.0 million (2012: HK$43.6 million).

PROPOSED FINAL DIVIDEND

The board of directors of the Company (the "Board") recommend the payment of a final dividend of HK3.5 cents per share for the year ended 31 December 2013 (2012: HK3.0 cents) to the shareholders whose names appear on the Company's register of members on 16 June 2014. It is expected that the final dividend cheques will be despatched to the shareholders on or before 30 June 2014.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 5 June 2014 the ("AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 3 June 2014 to 5 June 2014 (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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (to be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) by no later than 4:30 p.m. on 30 May 2014.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2013 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 12 June 2014 to 16 June 2014 (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 9 June 2014. 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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (to be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) by no later than 4:30 p.m. on 11 June 2014.

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 HK") and other companies, contributed a turnover of HK$489 million (2012: HK$461 million) with operating profit of HK$7.8 million (2012: HK$9.6 million). The year under review was a tough year with lackluster external markets. With limited demand and costs pressure, the division's customers were more aggressive in negotiating prices. Coupled with price competition of suppliers, the profit margin decreased although the turnover increased slightly. The Mainland China will continue to contribute growth to world economy and the management continues to develop the business in China with cost conscious and to develop new supply sources and products to enhance the quality of earnings of the division.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND PROSPECTS *(continued)*

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") contributed turnover of HK$962 million (2012: HK$824 million) and an operating profit of HK$20.6 million (2012: HK$16.6 million). The division's customers included public and private sectors in Hong Kong and Macau. During the year under review, the division was awarded a number of public housing and private development projects, as well as government's term maintenance contracts, which contributed to the increase in both turnover and operating profit. As at 31 December 2013, the division had outstanding contracts on hand of HK$1,374 million. Subsequent to the year end, the division was awarded HK$197 million worth contracts.

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, the "Kin Wing Group"). Turnover for the year was HK$1,181 million (2012: HK$1,051 million) and operating profit was HK$60.7 million (2012: HK$36.8 million). The turnover and profit were mainly contributed from foundation piling projects for private development projects. The increase in profit was partly due to increase in works completed and certified during the year and also due to improved cost control from projects running during the year. The outstanding contracts on hand were HK$1,442 million as at 31 December 2013 with additional HK$242 million worth projects awarded after year end.

Building construction

The division recorded a turnover of HK$545 million (2012: HK$487 million) with an operating profit of HK$20.8 million (2012: HK$10.5 million) which was mainly contributed from Chinney Construction Company, Limited and Chinney Timwill Construction (Macau) Company Limited. While the turnover increased slightly, the operating profit increased sharply, which was mainly due to variation orders agreed during the year. The division's clients included schools, tertiary institutions, property developers, hotels and non-profit organisations. As at 31 December 2013, the division had outstanding contracts on hand of HK$850 million. There were additional HK$324 million worth contracts awarded after 31 December 2013 by the division.

Other businesses

Other businesses include the holding of properties for the Group's own use and Chinney Alliance Engineering Limited ("CAE") which is engaged in the distribution of aviation system and other hi-tech products.

CAE recorded a turnover of HK$24 million (2012: HK$29 million) and an operating profit of HK$0.9 million (2012: loss of HK$3.1 million). The contribution was mainly from Hong Kong Airport related projects. The building of the new third runway project will benefit the division in the coming years. The division is also developing business in China with focus on bringing new technology to customers and exporting hi-tech products from Chinese factories to overseas markets.

The property holding companies recorded a loss of HK$2.3 million (2012: HK$1.6 million) which was due to increased depreciation charges resulted from appreciation of properties held for the Group's own use in accordance with the Group's accounting policy to state properties at fair value.

The Group's share of the profits and losses of associates reported a marginal profit (2012: HK$0.7 million) from the two associates, namely Jiangxi Kaitong New Materials Company Limited which is engaged in the manufacturing of stainless steel and plastic compound pipes in the People's Republic of China (the "PRC") and Fineshade Investments Limited which has an investment in a real estate property consisting of three buildings known as Binjiang Intelligence Port located in Hangzhou, the PRC for rental income.

CHAIRMAN'S STATEMENT

OUTLOOK

The global economy continued to show improvement in the second half of 2013 where the Eurozone economy emerged from recession and the US economy gained more traction. The US Federal Reserve's asset purchase tapering brings uncertainty to the 2014 economy as the policy continues to affect the emerging markets in capital flow, fluctuations of exchange rates and asset prices, and thus intensifying inflation. On the other hand, the recent crisis in Ukraine raises the tension between Russia and the West. The Crimean voted in referendum in favour of leaving Ukraine and the West worried about Russia annexing Crimea. Although the initial sanction action taken by the Eurozone countries against Russia is considered mild, the potential conflict in the region would affect the political and economic stability and hinder the recovery of the economy. In China, Premier Li Keqiang expected a GDP growth target of around 7.5% for 2014 with flexibility to ensure a stable job market, control of inflation and risks and better livelihood of the people. With the goal to give market forces a bigger role, the People's Bank of China doubled the trading band of Renminbi versus US Dollars, although the volatility of exchange rate is expected at least in short term. Besides, the recent announced urbanisation plan for investing more than RMB1 trillion to redevelop shantytowns showed consistent move to promote regional development, increase domestic demand and create jobs, and to improve people's living standard. The economic growth in the Mainland China will continue to be the driving force of the global economy and provides crucial support to Hong Kong's economy. Hong Kong recorded GDP growth of 2.9% for 2013 with unemployment rate at 3.1% for the 3 months ended January 2014, remained in a state of full employment. While the growth of advance economies remains slow, the Group's plastic trading division continues to invest more resources in business in the Mainland and develop new supply sources and new products to enhance long term performance. With the Hong Kong Special Administrative Region Government's investment in infrastructure and target of increasing supply of public housing, and the hotel and casino expansion projects in Macau, the construction industry will continue to be benefited in the next two to three years. Nevertheless, the management is closely monitoring the escalating of staff costs and increasing price competition for tenders to maintain business growth and profitability. The Board are cautiously optimistic with the Group's profitability in the coming year.

APPRECIATION

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

James Sai-Wing Wong
Chairman

Hong Kong, 21 March 2014

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

James Sai-Wing Wong

Aged 75, was appointed as 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 59, was appointed an executive director of the Company in 2007. He was then appointed the vice chairman of the Company in March 2011 and managing director of the Company in March 2012. 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 Electrical Engineering Company Limited and Chinney Construction Company, Limited, 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.

James Sing-Wai Wong

Aged 50, was appointed an executive director of the Company in August 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 practice 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-five 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, Jacobson HK, Chinney Construction Company, Limited, Kin Wing Engineering Company Limited and Shun Cheong Electrical Engineering Company Limited, all being major subsidiaries of the Company.

Mr. Wong is a director of Chinney Investments which is listed on the Main Board of the Stock Exchange, Chinney Holdings Limited and Lucky Year Finance Limited, all being 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

Philip Bing-Lun Lam

Aged 70, was appointed as an executive director of the Company on 17 August 2012. He is the director of Shun Cheong Electrical Engineering Company Limited and Chinney Construction Company, Limited, both being major subsidiaries of the Company. Mr. Lam began his career in 1963 with Hang Seng Bank Limited for eleven years, and then joined the University of Hong Kong ("HKU") in 1975 as an Assistant Finance Director. He then worked as the Chief Accountant and Comptroller in Overseas Bank (Canada) in Vancouver for three years from 1982 to 1985. In 1985, Mr. Lam re-joined HKU and had served as the Director of Finance from 1990 until his retirement on 30 June 2012. Following his retirement in June 2012, he has accepted the invitation of the Vice-Chancellor of HKU to be his Senior Advisor for financial, investment and fund-raising matters.

Mr. Lam obtained a diploma in management studies from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in July 1974. He is a fellow of The Chartered Institute of Management Accountants (UK), the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors and an associate of The Certified Management Accountants (Canada), The Institute of Chartered Secretaries and Administrators (UK) and The Chartered Institute of Bankers (UK).

Mr. Lam is active in community affairs and had served as a member on the Board of Review (Inland Revenue Ordinance) Hong Kong for three years from 1995 to 1998. He had been a member of the Establishment and Finance Committee of the Prince Philip Dental Hospital from early 1990s until his retirement in June 2012. Currently he is a member of the Finance and Administration Committee, the Investment Committee, the Nomination Committee and the Board of Governors of the Canadian International School of Hong Kong.

Mr. Lam had been an independent non-executive director of China New Town Development Company Limited since November 2006, a company listed on the Singapore Exchange Securities Trading Limited (stock code: D4N.si) and the Main Board of the Stock Exchange (stock code: 1278), until he ceased the directorship with effect from 1 June 2013.

NON-EXECUTIVE DIRECTOR

Herman Man-Hei Fung

Aged 76, was appointed as 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 Board of Review (Inland Revenue Ordinance) Hong Kong from November 1996 to June 2005.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yuen-Tin Ng

Aged 62, was appointed as 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. Mr. Ng is 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.

Chi-Chiu Wu

Aged 50, was appointed as an independent non-executive director of the Company in March 2012. Mr. Wu had 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, until he resigned on 31 March 2013. Mr. Wu had 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, until he retired on 16 May 2013. Mr. Wu holds a Bachelor of Science degree from the University of Toronto, Canada.

Alexander Yan-Zau Fang

Aged 42, was appointed as an independent non-executive director of the Company on 17 August 2012. He has over twelve years of experience in business development. He is currently a non-executive director of Hing Lee (HK) Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 396).

Mr. Fang is also a Founder and Managing Partner of eGarden I and II Funds, venture capital funds founded in August 2001 and October 2007 respectively. He was a Co-founder and Managing Director of CMT ChinaValue Capital Partners L.P. from June 2004 to December 2007. Previously, Mr. Fang was a director of GET Manufacturing Limited, one of the largest electronic manufacturing services companies in Asia. Mr. Fang holds a Master of Business Administration degree in General Management from J.L. Kellogg School of Management, Northwestern University, USA and a Bachelor of Science degree in Accounting from University of Southern California, USA.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ronald James Blake

Aged 80, was appointed as an independent non-executive director of the Company on 10 June 2013. He retired from the Chief Officer of Kowloon-Canton Railway Corporation ("KCRC") in 2012, previously Chief Executive Officer. He was a Senior Director of KCRC since 1997 responsible for KCRC's HK$70 billion expansion programme of railway and stations in tunnel, on viaduct and at grade. Before joining KCRC in 1997, he was Secretary for Works in the Hong Kong Government between 1991 and 1995, overseeing the implementation of the Airport Core Programme and the harbour wing extension of the Hong Kong Conference and Exhibition Centre. Before that, he served with Paul Y. Construction Company, Limited and was engaged in civil engineering and building contracting from 1972 onwards. Mr. Blake began his career in the United Kingdom as a civil/structural engineer with Boulton and Paul, and following service with the Corp. of Royal Engineers joined Scott Wilson Kirkpatrick & Partners to return to Hong Kong in 1965.

Mr. Blake was qualified as a Chartered Engineer in 1960 and was awarded the Institution of Civil Engineers Gold Medal in 1997. He was the President of the Hong Kong Institution of Engineers between 1991 and 1992 and later became President of the Federation of Engineering Institutions of South East Asia and the Pacific (FEISEAP), having served as a member of the Executive for three years. He is a fellow member of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, The Institution of Structural Engineers, The Chartered Institution of Highways and Transportation, Hong Kong Academy of Engineering Science.

He was a member of Construction Industry Council from 2001 to 2008 and also a member of the HKSAR Election Committee (Engineering Sub-sector) from 1998 to 2011. In January 2013, he has been appointed a member to the Commission on Strategic Development of the Hong Kong Government.

In recognition of his public services, he was awarded OBE and appointed a Justice of Peace by the Hong Kong Government in 1996. He was also awarded the Gold Bauhinia Star by the Hong Kong Government in 2012.

SENIOR MANAGEMENT

Kwok-Ming Lam

Aged 50, is the managing director of Jacobson HK which is a major subsidiary of the Company engaged in trading of plastics 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 53, 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's degree in Arts (Christian Studies) from The Chinese University of Hong Kong. He is a member of the Hong Kong Institution of Engineers.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Kwok-Leung Wong

Aged 48, is the director and general manager of Chinney Construction Company, Limited, a major subsidiary of the Company engaged in building construction. He has over twenty-five 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 55, 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 54, 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.

Kwok-Keung Wong

Aged 55, is the managing director of CAE, a major subsidiary of the Company engaged in the distribution of aviation system and other hi-tech 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 56, is a director and general manager 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 thirty years of experience in performing and supervising various foundation and site formation works. He holds a Bachelor's degree of Civil Engineering from National Cheng Kung University.

Yun-Sang Lo

Aged 48, is the company secretary and financial controller of the Company. He has twenty-five 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 Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In developing and reviewing its corporate governance policies and practices, the Company has sought to adopt a balanced approach.

Throughout the year ended 31 December 2013, in the opinion of the directors of the Company, the Company has complied with the applicable code provisions of the CG Code, except A.1.1, A.4.1, A.4.2, A.5.1 to A.5.4 and A.6.7, which are discussed in this report.

CORPORATE GOVERNANCE STRUCTURE

The Board believes that a well-balanced corporate governance structure will enable the Company to better manage its business risks and thereby ensure the Company is run in the best interests of its shareholders and other stakeholders. The Board is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. At the same time, it is also charged with the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are currently two board committees, namely Audit Committee and Remuneration Committee. Both the Committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

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 12 to 16 of this Annual Report.

CORPORATE GOVERNANCE REPORT

The Board currently comprises of four executive directors, one non-executive director and four independent non-executive directors. The directors during the financial year and up to the date of the report are as follows:

Name of director	Title
Executive Directors	
Dr. James Sai-Wing Wong	Chairman
Mr. Yuen-Keung Chan	Vice chairman and managing director
Mr. James Sing-Wai Wong	Executive director
Mr. Philip Bing-Lun Lam	Executive director
Mr. Wai-Hong Ling *(retired on 4 June 2013)*	Executive director
Mr. Lawrence Koo-Siong Chong *(resigned on 1 January 2014)*	Executive director
Non-Executive Directors	
Mr. Herman Man-Hei Fung	Non-executive director
Mr. Frank Kwok-Kit Chu *(retired on 4 June 2013)*	Non-executive director
Independent Non-Executive Directors	
Mr. Yuen-Tin Ng	Independent non-executive director
Mr. Chi-Chiu Wu	Independent non-executive director
Mr. Alexander Yan-Zau Fang	Independent non-executive director
Mr. Ronald James Blake *(appointed on 10 June 2013)*	Independent non-executive director
Mr. Anthony Siu-Wing Lau *(retired on 4 June 2013)*	Independent non-executive director

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. James Sing-Wai Wong	1/2
Mr. Philip Bing-Lun Lam	2/2
Mr. Wai-Hong Ling *(retired on 4 June 2013)*	1/1
Mr. Lawrence Koo-Siong Chong *(resigned on 1 January 2014)*	2/2
Non-Executive Directors	
Mr. Herman Man-Hei Fung	2/2
Mr. Frank Kwok-Kit Chu *(retired on 4 June 2013)*	1/1
Independent Non-Executive Directors	
Mr. Yuen-Tin Ng	2/2
Mr. Chi-Chiu Wu	2/2
Mr. Alexander Yan-Zau Fang	1/2
Mr. Ronald James Blake *(appointed on 10 June 2013)*	1/1
Mr. Anthony Siu-Wing Lau *(retired on 4 June 2013)*	1/1

CORPORATE GOVERNANCE REPORT

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.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Herman Man-Hei Fung, Mr. Frank Kwok-Kit Chu (who retired at the 2013 annual general meeting), Mr. Chi-Chiu Wu and Mr. Alexander Yan-Zau Fang, being non-executive directors of the Company, did not attend the 2013 annual general meeting of the Company held on 4 June 2013 due to their engagement in their own official business.

In order to safeguard the interest of individual director, the Company has also arranged directors' and officers' liability insurance for the directors of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. James Sai-Wing Wong, chairman of the Company, is responsible for the management of the Board. Mr. Yuen-Keung Chan is the vice chairman and managing director of the Company. Each division of the Group's business namely Jacobson HK, CAE, Kin Wing Group, Chinney Construction Company, Limited and Shun Cheong is managed by its divisional managing directors and/or general manager.

RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 of the CG Code 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 (the "Bye-laws"). 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.

According to the provisions of the 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.

CORPORATE GOVERNANCE REPORT

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company Secretary updates directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. During the year, the Company has organised in-house training providing timely technical updates, including directors' duties and corporate governance, disclosure obligations under the Listing Rules and the SFO.

Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year for the Company to maintain a training record for its directors. According to the training records maintained by the Company, the training received by each of the directors during the year ended 31 December 2013 is summarised as follows:

Name of director	Type of trainings
Executive Directors	
Dr. James Sai-Wing Wong	B
Mr. Yuen-Keung Chan	A, B
Mr. James Sing-Wai Wong	A, B
Mr. Philip Bing-Lun Lam	A, B
Non-Executive Director	
Mr. Herman Man-Hei Fung	A, B
Independent Non-Executive Directors	
Mr. Yuen-Tin Ng	A, B
Mr. Chi-Chiu Wu	A, B
Mr. Alexander Yan-Zau Fang	B
Mr. Ronald James Blake *(appointed on 10 June 2013)*	A

A: attending seminars/conferences/workshops/forums

B: reading newspapers, journals and updates relating to the economy, environmental protection, business or director's duties and responsibilities etc.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board is collectively responsible for performing the corporate governance duties including:

(a) to develop, review and update the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to review the Company's compliance with the CG Code and disclosure in the "Corporate Governance Report"; and

(e) to perform such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

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.

On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2013. Securities interests in the Company and its associated corporations held by each of the directors of the Company are set out in the Report of the Directors on pages 26 to 32 of this Annual Report.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two independent non-executive directors namely Mr. Chi-Chiu Wu (appointed as a member and the chairman of the Committee on 4 June 2013 in replacement of Mr. Anthony Siu-Wing Lau who ceased as a member and chairman of the Committee upon retirement as a director on 4 June 2013) and Mr. Yuen-Tin Ng and a non-executive director namely Mr. Herman Man-Hei Fung. The role of the Committee is to review and recommend to the Board on the remuneration packages of all executive directors.

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 75 and 77 in this Annual Report.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE *(continued)*

A Remuneration Committee meeting was held in March 2013, during which the remuneration packages of all executive directors for the year have been reviewed individually and the proposal for 2014 remuneration adjustment and 2013 bonus distribution were considered. The attendance of each member is shown as below.

Name of member	Number of meetings attended/eligible to attend
Mr. Chi-Chiu Wu *(appointed as a member and chairman on 4 June 2013)*	N/A
Mr. Yuen-Tin Ng	1/1
Mr. Herman Man-Hei Fung	1/1
Mr. Anthony Siu-Wing Lau *(ceased as a member and chairman upon retirement as a director on 4 June 2013)*	1/1

NOMINATION OF DIRECTORS

Code provisions A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Company has not established a nomination committee. The Board collectively reviews and approves the appointment of any new director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.

During the year, Mr. Ronald James Blake was appointed as an independent non-executive director of the Company on 10 June 2013. Such nomination has been taken into consideration of the nominee's qualifications, abilities and potential contributions to the Company by the Board.

AUDIT COMMITTEE

The Audit Committee currently comprises two independent non-executive directors namely Mr. Yuen-Tin Ng (Chairman of the Audit Committee) and Mr. Chi-Chiu Wu (appointed as a member of the Committee on 4 June 2013 in replacement of Mr. Anthony Siu-Wing Lau who ceased as a member upon retirement as a director on 4 June 2013) and one non-executive director namely Mr. Herman Man-Hei Fung.

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, to review the financial statements of the Group before their submission to the Board for approval and to review the effectiveness of the internal control and risk management system of the Group, both the half year results for the six months ended 30 June 2013 and the annual results for the year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE *(continued)*

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
Mr. Yuen-Tin Ng	2/2
Mr. Chi-Chiu Wu *(appointed as a member on 4 June 2013)*	1/1
Mr. Herman Man-Hei Fung	1/2
Mr. Anthony Siu-Wing Lau *(ceased as a member upon retirement as a director on 4 June 2013)*	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.

The work performed by the Audit Committee for the year ended 31 December 2013 included reviews of the following:

– the directors' report and the consolidated financial statements for the year ended 31 December 2012 of the Group, with a recommendation to the Board for approval;

– the consolidated financial statements for the six months ended 30 June 2013 of the Group, with a recommendation to the Board for approval;

– the audit fees for the year ended 31 December 2012 proposed by the external auditors, with a recommendation to the Board for approval;

– the new accounting policies and practices adopted by the Group;

– the internal control and risk management system of the Group; and

– the litigation cases of the Group.

AUDITORS' REMUNERATION

During the year ended 31 December 2013, the Group has engaged its external auditors, Ernst & Young, to provide the following services and their respective fees charged are set out as follows:

Services rendered	Fees paid/payable *HK$'000*
Audit services	3,410
Non-audit services (review and other services)	174

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 minimise 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 33 and 34.

SHAREHOLDERS' RIGHTS

Shareholders' rights are set out in a number of sources, such as the Bye-laws, the Companies Act 1981 (the "Act") and the Listing Rules. With reference to the above sources, the Company sets out below details of shareholders' rights in the following aspects:–

1. **The way in which shareholders can convene a special general meeting**

   Pursuant to bye-law 58 of the Bye-laws and Section 74 of the Act, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

   The requisition must be signed by the requisitionists and deposited at the principal place of business of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong (the "Principal Place of Business") for the attention of the Company Secretary.

   The requisition will then be verified with the Company's branch share registrar and transfer office in Hong Kong and upon its confirmation that the requisition is proper and in order, the Company Secretary will forward the requisition to the Board and the Board shall convene and hold such general meeting within two months after the deposit of such requisition. Moreover, if within twenty-one days of such deposit, the Board fails to proceed to convene such general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

SHAREHOLDERS' RIGHTS *(continued)*

2. The procedures for sending enquiries to the Board

Shareholders and other stakeholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the Principal Place of Business and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

3. The procedures for making proposals at shareholders' meetings

To put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with the detail contact information to the Company Secretary at the Principal Place of Business. The request will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting. Moreover, the notice period to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to bye-law 59(1) of the Bye-laws:

(a) for an annual general meeting and any special general meeting at which the passing of a special resolution is to be considered, it shall be called by not less than twenty-one clear days' notice (the notice period must include twenty clear business days under the Listing Rules' requirement); and

(b) for all other special general meetings, they may be called by not less than fourteen clear days' notice (the notice period must include ten clear business days under the Listing Rules' requirement).

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR AT A GENERAL MEETING

Pursuant to bye-law 88 of the Bye-Laws, any shareholder (other than the person to be proposed for election as a director), who wishes to propose a person other than a retiring director of the Company for election as a director of the Company at a general meeting, should lodge a duly signed written notice given of his intention to propose such person for election and a notice signed by the person to be proposed of his willingness to be elected at the Company's Principal Place of Business or the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong within the period of not less than 7 days commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than 7 days prior to the date of such general meeting.

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 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries comprise the trading of plastic and chemical products, the 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 and foundation piling and sub-structure works for both public and private sectors in Hong Kong and Macau, distribution of aviation system and other hi-tech products, and investment 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 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 126.

The Board recommend the payment of a final dividend of HK3.5 cents per share for the year ended 31 December 2013 (2012: HK3.0 cents) to the shareholders whose names appear on the Company's register of members on 16 June 2014. 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 30 June 2014. 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$334.4 million as at 31 December 2013 (2012: HK$230.9 million), of which HK$329.7 million or 99% (2012: HK$217.9 million or 94%) were classified as current liabilities, which included bank and other borrowings with repayment-on-demand clause amounting to HK$26.9 million (2012: HK$38.3 million) which will be repaid after one year according to the lenders' repayment schedules. The current portion of the interest-bearing debts were HK$302.8 million or 91% (2012: HK$179.6 million or 78%) based on lenders' repayment schedules. Also included in the current portion of bank and other borrowings were trust receipt loans of HK$153.7 million (2012: HK$130.6 million). The increase in trust receipt loans was mainly due to the purchase of materials and equipment for installation for the projects of Shun Cheong. Current ratio of the Group as at 31 December 2013, measured by total current assets over total current liabilities, was 1.1 (2012: 1.1). Total unpledged cash and bank balances as at 31 December 2013 was HK$312.1 million (2012: HK$165.2 million). The increase in unpledged bank balances was mainly due to fund generated from operations and short-term bank borrowings drawn for working capital near the year end. During the year, the Group used approximately HK$106.5 million for purchases of property, plant and machinery which were mainly for the Group's Foundation Piling division.

The Group had a total of HK$543 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$334.4 million over the equity attributable to the holders of the Company of HK$781.7 million, was 42.8% as at 31 December 2013 (2012: 35.8%).

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, motor vehicle and a time deposit having aggregate book value of HK$263.1 million, HK$0.5 million and HK$1 million respectively as at 31 December 2013 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$15.8 million were pledged to banks to secure the performance/surety bonds issued in favour of the Group's clients on contracting works.

Contingent liability

Details of the Group's and the Company's contingent liabilities as at 31 December 2013 are set out in note 39 to the financial statements.

Employees and remuneration policies

The Group employed approximately 1,400 staff in Hong Kong and other parts of the PRC as at 31 December 2013. 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				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**3,201,083**	2,852,015	2,220,451	1,990,214	2,106,488
PROFIT FOR THE YEAR	**104,500**	49,818	22,941	23,662	77,350
Attributable to:					
– Owners of the Company	**104,500**	49,818	22,941	23,662	77,378
– Non-controlling interests	**–**	–	–	–	(28)

REPORT OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION *(continued)*

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**2,090,706**	1,659,738	1,400,048	1,324,048	1,135,672
TOTAL LIABILITIES	**(1,309,027)**	(1,014,633)	(869,172)	(835,655)	(677,602)
NON-CONTROLLING INTERESTS	**–**	–	–	–	–
	781,679	645,105	530,876	488,393	458,070

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 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 34(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$157,525,000 as at 31 December 2013, of which HK$20,821,000 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 and Managing Director)*	
James Sing-Wai Wong	
Philip Bing-Lun Lam	
Wai-Hong Ling	(retired on 4 June 2013)
Lawrence Koo-Siong Chong	(resigned on 1 January 2014)

Non-Executive Directors:

Herman Man-Hei Fung	
Frank Kwok-Kit Chu	(retired on 4 June 2013)

Independent Non-Executive Directors:

Yuen-Tin Ng	
Chi-Chiu Wu	
Alexander Yan-Zau Fang	
Ronald James Blake	(appointed on 10 June 2013)
Anthony Siu-Wing Lau	(retired on 4 June 2013)

In accordance with bye-law 86 of the Bye-laws, Mr. Ronald James Blake, who was appointed 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 Bye-laws, Mr. James Sing-Wai Wong and Mr. Chi-Chiu Wu will retire by rotation at the forthcoming annual general meeting. Mr. Wong and Mr. Wu, being eligible, will offer themselves 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 12 to 16 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 the section "Connected Transaction" below and in note 35 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 2013, 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 issued share capital
Name of director	Personal interests	Family interests	Corporate interests	Total	
James Sai-Wing Wong	–	–	433,500,216 *(Note)*	433,500,216	72.87%

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

Save as disclosed above, as at 31 December 2013, 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 2013, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests 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 wholly owned by Dr. James Sai-Wing Wong; and

3. 17,162,000 shares are held by Chinney Capital Limited, which is beneficially wholly 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 2013, 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 TRANSACTION

On 31 December 2012, a subsidiary of the Company as the vendor (the "Vendor") entered into a sale and purchase agreement for the disposal of a property located in Shenzhen, the PRC to a subsidiary of Hon Kwok and Chinney Investments (the "Purchaser") for a cash consideration of HK$9,383,000. As Dr. James Sai-Wing Wong, the chairman of the Company, has control in Chinney Investments, Hon Kwok and the Company, the transaction constituted a connected transaction of the Company pursuant to the Listing Rules and was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval. On 31 January 2013, the Vendor received the balance of the consideration for the disposal and passed all title documents to the Purchaser for submission to relevant government departments for title transfer. Details of the transaction were disclosed in an announcement published on 31 December 2012 and in note 35(c) to the financial statements.

Save as disclosed above, 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 35 to the consolidated 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, 21 March 2014

INDEPENDENT AUDITORS' REPORT

EY 安永

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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 35 to 126, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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 2013, 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
21 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**3,201,083**	2,852,015
Cost of sales/services provided		**(2,826,424)**	(2,530,491)
Gross profit		**374,659**	321,524
Other income	5	**8,089**	8,481
Selling and distribution costs		**(9,126)**	(8,907)
Administrative expenses		**(279,663)**	(258,486)
Other operating income/(expenses), net		**3,686**	(756)
Fair value gains on equity investments at fair value through profit or loss, net		**21,712**	5,559
Changes in fair value of investment properties	15	**1,878**	658
Finance costs	6	**(5,967)**	(5,295)
Share of profits and losses of associates		**89**	721
PROFIT BEFORE TAX	7	**115,357**	63,499
Income tax expense	10	**(10,857)**	(13,681)
PROFIT FOR THE YEAR		**104,500**	49,818
Attributable to:			
Owners of the Company	11	**104,500**	49,818
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		**17.6 cents**	8.4 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 2013

	Notes	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR		**104,500**	49,818
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations and net other comprehensive income to be reclassified to profit or loss in subsequent periods		**2,829**	(126)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of land and buildings	*14*	**53,322**	92,528
Income tax effect	*32*	**(6,230)**	(10,144)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**47,092**	82,384
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**49,921**	82,258
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**154,421**	132,076
Attributable to:			
Owners of the Company	*11*	**154,421**	132,076

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**623,284**	514,791
Investment properties	15	**25,052**	32,618
Investments in associates	17	**49,476**	45,087
Investment in a joint venture	18	**–**	–
Goodwill	19	**5,767**	5,767
Deferred tax assets	32	**2,128**	3,607
Other assets	20	**2,345**	2,345
Total non-current assets		**708,052**	604,215
CURRENT ASSETS			
Inventories	21	**85,743**	76,042
Gross amount due from contract customers	22	**235,810**	204,583
Trade receivables	23	**439,818**	357,035
Retention monies receivable	22	**214,526**	167,391
Amount due from a joint venture	18	**967**	967
Prepayments, deposits and other receivables	24	**69,874**	51,906
Equity investments at fair value through profit or loss	25	**–**	15,057
Tax recoverable		**7,048**	2,104
Pledged time deposits	26	**16,781**	15,255
Cash and cash equivalents	26	**312,087**	165,183
Total current assets		**1,382,654**	1,055,523
CURRENT LIABILITIES			
Gross amount due to contract customers	22	**431,855**	287,377
Trade and bills payables	27	**297,013**	288,121
Trust receipt loans	28	**153,690**	130,550
Retention monies payable	22	**93,070**	74,591
Other payables and accruals	29	**83,327**	69,757
Tax payable		**6,091**	7,532
Obligations under finance leases	31	**160**	13,410
Interest-bearing bank borrowings	30	**175,857**	73,945
Total current liabilities		**1,241,063**	945,283
NET CURRENT ASSETS		**141,591**	110,240
TOTAL ASSETS LESS CURRENT LIABILITIES		**849,643**	714,455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**849,643**	714,455
NON-CURRENT LIABILITIES			
Obligations under finance leases	*31*	**229**	7,768
Interest-bearing bank borrowings	*30*	**4,453**	5,264
Deferred tax liabilities	*32*	**63,282**	56,318
Total non-current liabilities		**67,964**	69,350
Net assets		**781,679**	645,105
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*33*	**59,490**	59,490
Reserves	*34(a)*	**701,368**	567,768
Proposed final dividend	*12*	**20,821**	17,847
Total equity		**781,679**	645,105

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 2013

		Attributable to owners of the Company								
	Note	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
At 1 January 2012		59,490	60,978	120,946	73,885	49	360	197,321	17,847	530,876
Profit for the year		–	–	–	–	–	–	49,818	–	49,818
Other comprehensive income for the year:										
Surplus on revaluation of land and buildings, net of tax		–	–	–	82,384	–	–	–	–	82,384
Exchange differences on translation of foreign operations		–	–	–	–	–	(126)	–	–	(126)
Total comprehensive income for the year		–	–	–	82,384	–	(126)	49,818	–	132,076
Release of revaluation reserve on land and buildings to retained profits		–	–	–	(2,450)	–	–	2,450	–	–
Final 2011 dividend declared		–	–	–	–	–	–	–	(17,847)	(17,847)
Proposed 2012 final dividend	12	–	–	–	–	–	–	(17,847)	17,847	–
At 31 December 2012 and 1 January 2013		59,490	60,978*	120,946*	153,819*	49*	234*	231,742*	17,847	645,105
Profit for the year		–	–	–	–	–	–	104,500	–	104,500
Other comprehensive income for the year:										
Surplus on revaluation of land and buildings, net of tax		–	–	–	47,092	–	–	–	–	47,092
Exchange differences on translation of foreign operations		–	–	–	–	–	2,829	–	–	2,829
Total comprehensive income for the year		–	–	–	47,092	–	2,829	104,500	–	154,421
Release of revaluation reserve on land and buildings to retained profits		–	–	–	(5,148)	–	–	5,148	–	–
Final 2012 dividend declared		–	–	–	–	–	–	–	(17,847)	(17,847)
Proposed 2013 final dividend	12	–	–	–	–	–	–	(20,821)	20,821	–
At 31 December 2013		**59,490**	**60,978***	**120,946***	**195,763***	**49***	**3,063***	**320,569***	**20,821**	**781,679**

* *These reserve accounts comprise the consolidated reserves of HK$701,368,000 (2012: HK$567,768,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**115,357**	63,499
Adjustments for:			
Finance costs	6	**5,967**	5,295
Share of profits and losses of associates		**(89)**	(721)
Changes in fair value of investment properties	15	**(1,878)**	(658)
Depreciation	7	**44,942**	36,405
Impairment of trade receivables	7	**18**	278
Bad debts written off	7	**521**	4
Other receivables written off	7	**–**	1,094
Provision for inventories included in cost of inventories sold	7	**294**	868
Fair value gains on equity investments at fair value through profit or loss, net		**(21,712)**	(5,559)
Loss/(gain) on disposal of items of property, plant and equipment	7	**(2,394)**	1,419
Loss on disposal of a subsidiary	7	**–**	44
Loss on disposal of an investment property	7	**467**	–
Interest income	5	**(4,110)**	(3,209)
		137,383	98,759
Increase in inventories		**(9,995)**	(84)
Increase in gross amount due from contract customers		**(30,258)**	(43,626)
Decrease/(increase) in trade receivables		**(83,322)**	3,146
Increase in retention monies receivable		**(47,135)**	(39,172)
Increase in prepayments, deposits and other receivables		**(17,968)**	(10,014)
Increase in gross amount due to contract customers		**144,478**	77,691
Increase in trade and bills payables		**8,892**	15,218
Increase in retention monies payable		**18,479**	16,246
Increase in other payables and accruals		**13,570**	12,915
Cash generated from operations		**134,124**	131,079
Interest received		**1,934**	1,032
Interest paid		**(5,458)**	(4,264)
Interest element of finance lease rental payments		**(509)**	(1,031)
Dividend paid		**(17,847)**	(17,847)
Hong Kong profits tax paid, net		**(14,672)**	(916)
Overseas taxes paid		**(357)**	(1,124)
Net cash flows from operating activities		**97,215**	106,929

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(106,466)**	(54,135)
Purchase of equity investments at fair value through profit or loss		**–**	(2,275)
Proceeds from disposal of equity investments at fair value through profit or loss		**36,769**	–
Proceeds from disposal of items of property, plant and equipment		**8,233**	150
Proceeds from disposal of an investment property		**8,977**	–
Purchase of other investment		**–**	(28)
Proceeds from disposals of a subsidiary		**–**	2,172
Net cash flows used in investing activities		**(52,487)**	(54,116)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in trust receipt loans		**23,140**	26,944
New bank loans		**228,500**	39,000
Repayment of bank loans		**(127,399)**	(52,891)
Decrease/(increase) in pledged time deposits		**(526)**	1,408
Capital element of finance lease rental payments		**(21,229)**	(9,777)
Net cash flows from financing activities		**102,486**	4,684
NET INCREASE IN CASH AND CASH EQUIVALENTS		**147,214**	57,497
Cash and cash equivalents at beginning of year		**165,183**	107,807
Effect of foreign exchange rate changes, net		**690**	(121)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**313,087**	165,183
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*26*	**256,320**	124,494
Non-pledged time deposits with original maturity of less than three months when acquired	*26*	**55,767**	40,689
Cash and cash equivalents as stated in the consolidated statement of financial position		**312,087**	165,183
Time deposit with original maturity of less than three months when acquired, pledged as security for bank overdraft facility	*26*	**1,000**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**313,087**	165,183

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**74**	95
Investments in subsidiaries	16	**219,286**	229,069
Other assets	20	**282**	282
Total non-current assets		**219,642**	229,446
CURRENT ASSETS			
Amounts due from subsidiaries	16	**92,549**	56,909
Prepayments, deposits and other receivables	24	**280**	245
Equity investments at fair value through profit or loss	25	**–**	15,057
Tax recoverable		**–**	812
Cash and cash equivalents	26	**17,862**	1,469
Total current assets		**110,691**	74,492
CURRENT LIABILITIES			
Other payables and accruals	29	**2,753**	4,216
Amounts due to subsidiaries	16	**46,864**	39,343
Tax payable		**2,723**	–
Total current liabilities		**52,340**	43,559
NET CURRENT ASSETS		**58,351**	30,933
Net assets		**277,993**	260,379
EQUITY			
Issued capital	33	**59,490**	59,490
Reserves	34(b)	**197,682**	183,042
Proposed final dividend	12	**20,821**	17,847
Total equity		**277,993**	260,379

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 2013

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
- 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 other hi-tech 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 land and buildings classified as property, plant and equipment, investment properties 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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES 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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

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

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle* (include other standards as appropriate), 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) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled. The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) 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. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011). The application of this new standard has no material financial impact on the Group.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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. Details of the disclosures for subsidiaries, a joint venture and associates are included in notes 16, 18 and 17 to the financial statements.

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. These amendments have no material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

(e) 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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 15 and 42 to the financial statements. The application of this new standard has no material financial impact on the Group.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) 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. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no material financial impact on the Group.

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

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

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual improvements 2010 – 2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual improvements 2011 – 2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2016

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

Further information about those HKFRSs that are expected to be applicable to 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.

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 as 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. 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 other comprehensive income 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.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

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

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Investments in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture 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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or a joint venture is included as part of the Group's investments in associates or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 to measure 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination and goodwill *(continued)*

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 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.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its land and buildings classified as property, plant and equipment, investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 of disposal, 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 statement of profit or loss 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 an 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 statement of profit or loss 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.

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).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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 statement of profit or loss 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 statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss 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 including 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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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 statement of profit or loss in the year in which they arise.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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.

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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. 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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 other income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

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. An impairment exists if one or more events that has occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

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 statement of profit or loss. 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 write-off is later recovered, the recovery is credited to other operating income/expenses, net in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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

The Group's financial liabilities include trade and bills payables, trust receipt loans, retention monies payable, financial liabilities included in other payables and accruals obligations under finance leases and interest-bearing bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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 statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 statement of profit or loss.

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, associates and joint ventures, 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, associates and joint ventures, 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

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 over 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.

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.

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 statement of profit and loss 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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. Upon implementation of the MPF Scheme, the Provident Funds have been frozen and no further contributions have been made by the Group or the eligible employees after that date. 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.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

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 2013

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value 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 the 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, associates and a joint venture 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 prevailing at the end of the reporting period and their statements of profit or loss 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 statement of profit or loss.

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 their accompanying disclosures, and the disclosure of contingent liabilities. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

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.

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 2013 was HK$5,767,000 (2012: HK$5,767,000). Further details are given in note 19.

Estimation of fair value of investment properties and revaluation of land and building

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) income capitalisation method based on the capitalisation of existing rental income and reversionary market rental income, supported by the market rentals expected by investors for similar properties in the neighbourhood and by the market yield derived from analysing the sales transactions of similar properties.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition and appropriate capitalisation rate. The carrying amount of investment properties at 31 December 2013 was HK$25,052,000 (2012: HK$32,618,000)

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. The carrying amount of property, plant and equipment at 31 December 2013 was HK$776,574,000 (2012: HK$644,534,000).

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

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$11,033,318,000 at 31 December 2013 (2012: HK$10,322,011,000). Further details are contained in note 22 to the financial statements.

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 "others" segment consists of distributing aviation system and other hi-tech products, and property holding.

Management monitors the results of the Group's 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. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, fair value gains on equity investments at fair value through profit or loss, net, changes in fair vales of investment properties, share of profits or losses of associates as well as unallocated corporate gains and expenses are excluded from such measurement.

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.

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31 December 2013

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2013

	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	489,037	962,400	1,180,915	544,748	23,983	3,201,083
Intersegment sales	–	7,776	–	–	192	7,968
Other revenue	3,704	275	51	2	1,253	5,285
	492,741	970,451	1,180,966	544,750	25,428	3,214,336
Reconciliation:						
Elimination of intersegment sales						(7,968)
Revenue						3,206,368
Segment results	7,839	20,557	60,685	20,788	(1,434)	108,435
Reconciliation:						
Interest income and unallocated gains						2,804
Unallocated expenses						(19,561)
Fair value gains on equity investments at fair value through profit or loss, net						21,712
Changes in fair value of investment properties						1,878
Share of profits and losses of associates						89
Profit before tax						115,357

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2013 *(continued)*

	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	333,393	454,294	731,950	349,442	173,117	2,042,196
Reconciliation:						
Elimination of intersegment receivables						(29,550)
Investments in associates						49,476
Corporate and other unallocated assets						28,584
Total assets						2,090,706
Segment liabilities	156,141	365,799	472,263	211,846	59,892	1,265,941
Reconciliation:						
Elimination of intersegment payables						(29,550)
Corporate and other unallocated liabilities						72,636
Total liabilities						1,309,027
Other segment information:						
Impairment of trade receivables	–	18	–	–	–	18
Bad debts written off	–	521	–	–	–	521
Provision for inventories included in cost of inventories sold	269	3	–	–	22	294
Depreciation	3,262	880	32,828	3,966	4,006	44,942
Capital expenditure*	478	1,344	96,665	269	8,150	106,906

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2012

	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	461,359	823,906	1,050,775	487,415	28,560	2,852,015
Intersegment sales	–	14,300	–	–	1,255	15,555
Other revenue	1,250	627	16	–	1,205	3,098
	462,609	838,833	1,050,791	487,415	31,020	2,870,668
Reconciliation:						
Elimination of intersegment sales						(15,555)
Revenue						2,855,113
Segment results	9,580	16,577	36,784	10,506	(4,676)	68,771
Reconciliation:						
Interest income and unallocated gains						5,383
Unallocated expenses						(17,593)
Fair value gains on equity investments at fair value through profit or loss, net						5,559
Changes in fair value of investment properties						658
Share of profits and losses of associates						721
Profit before tax						63,499

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2012 *(continued)*

	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	307,443	379,416	542,624	274,226	151,745	1,655,454
Reconciliation:						
Elimination of intersegment receivables						(64,005)
Investments in associates						45,087
Corporate and other unallocated assets						23,202
Total assets						1,659,738
Segment liabilities	145,266	301,895	295,223	202,531	68,021	1,012,936
Reconciliation:						
Elimination of intersegment payables						(64,005)
Corporate and other unallocated liabilities						65,702
Total liabilities						1,014,633
Other segment information:						
Impairment of trade receivables	278	–	–	–	–	278
Bad debts written off	–	4	–	–	–	4
Other receivables written off	105	–	–	989	–	1,094
Provision/(write-back of provision) for inventories included in cost of inventories sold	992	–	–	–	(124)	868
Depreciation	2,460	734	27,173	3,045	2,993	36,405
Capital expenditure*	401	708	50,965	230	1,831	54,135

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**2,861,345**	2,700,288
Mainland China and Macau	**339,738**	151,727
	3,201,083	2,852,015

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

(b) Non-current assets

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**580,752**	491,844
Mainland China and Macau	**67,584**	55,565
	648,336	547,409

The non-current assets information above is based on the locations of the assets and excludes investments in associates, investment in a joint venture, goodwill, deferred tax assets and other assets.

Information about a major customer

During the year, revenue of approximately HK$363,271,000 was derived from transactions with an individual external customer that amounted to 10% or more of the Group's revenue (2012: Nil).

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	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**513,019**	489,920
Construction contracts	**2,688,064**	2,362,095
	3,201,083	2,852,015
Other income		
Interest income	**4,110**	3,209
Commission income	**1,946**	859
Gross rental income	**1,253**	1,205
Others	**780**	3,208
	8,089	8,481

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable		
– within five years	**5,282**	4,064
– after five years	**176**	200
Interest on finance leases	**509**	1,031
	5,967	5,295

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

7. PROFIT BEFORE TAX

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

		Group	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold		**506,331**	484,402
Cost of services provided		**2,320,093**	2,046,089
Depreciation	*14*	**45,911**	37,679
Less: Amount capitalised in contract costs		**(969)**	(1,274)
		44,942	36,405
Minimum lease payments under operating leases in respect of land and buildings		**6,477**	4,455
Auditors' remuneration		**3,881**	3,356
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**357,282**	299,350
Pension scheme contributions		**13,648**	13,247
Less: Forfeited contributions		**(1)**	(2)
Net pension scheme contributions*		**13,647**	13,245
		370,929	312,595
Less: Amount capitalised in contract costs		**(207,832)**	(168,591)
		163,097	144,004
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**229**	227
Impairment of trade receivables#	*23*	**18**	278
Bad debts written off#		**521**	4
Other receivables written off#		**–**	1,094
Provision for inventories included in cost of inventories sold		**294**	868
Loss/(gain) on disposal of items of property, plant and equipment#		**(2,394)**	1,419
Loss on disposal of an investment property#		**467**	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

7. PROFIT BEFORE TAX *(continued)*

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

		Group	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Loan on disposal of a subsidiary#	*40*	**–**	44
Rental income on investment properties less direct operating expenses		**(1,024)**	(978)
Foreign exchange differences, net#		**(2,295)**	(1,866)

* *As at 31 December 2013, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2012: Nil).*

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

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Fees	**299**	178
Other emoluments:		
Salaries, allowances and benefits in kind	**6,151**	6,652
Performance related bonuses*	**2,526**	692
Pension scheme contributions	**126**	299
	8,803	7,643
	9,102	7,821

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	2013 **HK$'000**	2012 *HK$'000*
Anthony Siu-Wing Lau	**21**	50
Yuen-Tin Ng	**50**	50
Chi-Chiu Wu	**50**	38
Alexander Yan-Zau Fang	**50**	19
David Chung-Shing Wu	**–**	21
Ronald James Blake	**28**	–
	199	178

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and non-executive directors

	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*
2013					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Yuen-Keung Chan	–	385	2,000	–	2,385
James Sing-Wai Wong	–	2,018	200	68	2,286
Philip Bing-Lun Lam	–	1,508	126	–	1,634
Wai-Hong Ling	–	638	200	58	896
Lawrence Koo-Siang Chong	–	1,602	–	–	1,602
	–	6,151	2,526	126	8,803
Non-executive directors:					
Herman Man-Hei Fung	–	–	–	–	–
Frank Kwok-Kit Chu	100	–	–	–	100
	100	6,151	2,526	126	8,903

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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*
2012					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Yuen-Keung Chan	–	355	–	–	355
James Sing-Wai Wong	–	1,757	200	68	2,025
Philip Bing-Lun Lam	–	520	–	–	520
Wai-Hong Ling	–	1,363	200	126	1,689
Lawrence Koo-Siang Chong	–	341	–	–	341
Sek-Kee Yu	–	2,316	292	105	2,713
	–	6,652	692	299	7,643
Non-executive directors:					
Herman Man-Hei Fung	–	–	–	–	–
Frank Kwok-Kit Chu	–	–	–	–	–
	–	6,652	692	299	7,643

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

NOTES TO THE FINANCIAL STATEMENTS
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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two (2012: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2012: three) non-directors, highest paid employees for the year are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other benefits in kind	**4,401**	4,420
Bonuses paid and payable	**4,631**	3,300
Pension scheme contributions	**221**	290
	9,253	8,010

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

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**2**	1
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	–
	3	3

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013	2012
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**7,785**	6,880
Over provision in prior years	**(67)**	(77)
Current – Elsewhere		
Charge for the year	**926**	682
Deferred *(note 32)*	**2,213**	6,196
Total tax charge for the year	**10,857**	13,681

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	
	2013	2012
	HK$'000	*HK$'000*
Profit before tax	**115,357**	63,499
Tax at the applicable statutory tax rate	**18,707**	10,430
Over provision in prior years	**(67)**	(77)
Income not subject to tax	**(197)**	(508)
Expenses not deductible for tax	**605**	408
Profits and losses attributable to associates	**(15)**	(119)
Tax losses utilised from previous periods	**(5,162)**	(3,448)
Tax losses not recognised	**601**	1,397
Others	**(3,615)**	5,598
Tax charge for the year	**10,857**	13,681

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a profit of HK$35,461,000 (2012: HK$814,000) which has been dealt with in the financial statements of the Company *(note 34(b))*.

12. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Proposed final – HK3.5 cents (2012: HK3.0 cents) per ordinary share	**20,821**	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 2013 and 2012 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:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**104,500**	49,818

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year	**594,899,245**	594,899,245

NOTES TO THE FINANCIAL STATEMENTS
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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 2013						
At 31 December 2012 and 1 January 2013:						
Cost or valuation	313,291	15,356	298,611	11,542	5,734	644,534
Accumulated depreciation	–	(4,840)	(113,816)	(7,194)	(3,893)	(129,743)
Net carrying amount	313,291	10,516	184,795	4,348	1,841	514,791
At 1 January 2013, net of accumulated depreciation	313,291	10,516	184,795	4,348	1,841	514,791
Additions	8,140	1,003	93,514	1,772	2,477	106,906
Disposals	–	–	(5,672)	(4)	(163)	(5,839)
Surplus on revaluation credited to other comprehensive income	53,322	–	–	–	–	53,322
Depreciation provided during the year	(9,272)	(1,542)	(32,438)	(1,551)	(1,108)	(45,911)
Exchange realignment	–	7	–	5	3	15
At 31 December 2013, net of accumulated depreciation	365,481	9,984	240,199	4,570	3,050	623,284
At 31 December 2013:						
Cost or valuation	365,481	16,381	374,389	13,316	7,007	776,574
Accumulated depreciation	–	(6,397)	(134,190)	(8,746)	(3,957)	(153,290)
Net carrying amount	365,481	9,984	240,199	4,570	3,050	623,284
Analysis of cost or valuation:						
At cost	–	16,381	374,389	13,316	7,007	411,093
At 31 December 2013 valuation	365,481	–	–	–	–	365,481
	365,481	16,381	374,389	13,316	7,007	776,574

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

Group *(continued)*

	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 2012						
At 1 January 2012:						
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
At 1 January 2012, net of accumulated depreciation	227,158	11,446	163,404	2,613	2,755	407,376
Additions	–	502	50,074	3,151	408	54,135
Disposals	–	–	(1,429)	–	(140)	(1,569)
Surplus on revaluation credited to other comprehensive income	92,528	–	–	–	–	92,528
Depreciation provided during the year	(6,395)	(1,432)	(27,254)	(1,416)	(1,182)	(37,679)
At 31 December 2012, net of accumulated depreciation	313,291	10,516	184,795	4,348	1,841	514,791
At 31 December 2012:						
Cost or valuation	313,291	15,356	298,611	11,542	5,734	644,534
Accumulated depreciation	–	(4,840)	(113,816)	(7,194)	(3,893)	(129,743)
Net carrying amount	313,291	10,516	184,795	4,348	1,841	514,791
Analysis of cost or valuation:						
At cost	–	15,356	298,611	11,542	5,734	331,243
At 31 December 2012 valuation	313,291	–	–	–	–	313,291
	313,291	15,356	298,611	11,542	5,734	644,534

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

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

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 December 2013			
At 31 December 2012 and 1 January 2013:			
Cost	**272**	**145**	**417**
Accumulated depreciation	**(237)**	**(85)**	**(322)**
Net carrying amount	**35**	**60**	**95**
At 1 January 2013, net of accumulated depreciation	**35**	**60**	**95**
Additions	**–**	**1**	**1**
Depreciation provided during the year	**(4)**	**(18)**	**(22)**
At 31 December 2013, net of accumulated depreciation	**31**	**43**	**74**
At 31 December 2013:			
Cost	**272**	**146**	**418**
Accumulated depreciation	**(241)**	**(103)**	**(344)**
Net carrying amount	**31**	**43**	**74**
31 December 2012			
At 1 January 2012:			
Cost	272	116	388
Accumulated depreciation	(233)	(70)	(303)
Net carrying amount	39	46	85
At 1 January 2012, net of accumulated depreciation	39	46	85
Additions	–	29	29
Depreciation provided during the year	(4)	(15)	(19)
At 31 December 2012, net of accumulated depreciation	35	60	95
At 31 December 2012:			
Cost	272	145	417
Accumulated depreciation	(237)	(85)	(322)
Net carrying amount	35	60	95

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

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

The Group's land and buildings consist of properties held for own use in Hong Kong and Mainland China.

The Group's land and buildings were revalued individually on 31 December 2013 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an aggregate open market value of HK$365,481,000 based on their existing uses. Revaluation surplus of HK$53,322,000, resulting from the above valuations, have been credited to other comprehensive income.

Details of the land and buildings are as follows:

	2013	2012
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**324,280**	291,700
Mainland China and Macau	**41,201**	21,591
	365,481	313,291

The net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicle at 31 December 2013 amounted to HK$514,000 (2012: plant and machinery of HK$38,328,000) *(note 31)*.

At 31 December 2013, certain of the Group's land and buildings with a net carrying amount of approximately HK$263,100,000 (2012: HK$226,400,000) were pledged to secure banking facilities granted to the Group *(note 30)*.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

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

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's properties held for own use:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) *HK$'000*	**Significant observable inputs (Level 2)** *HK$'000*	**Significant unobservable inputs (Level 3)** *HK$'000*	**Total** *HK$'000*
Recurring fair value measurement for:				
Properties held for own use	**–**	**–**	**365,481**	**365,481**

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.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Properties held for own use *HK$'000*
Carrying amount at 1 January 2013	**313,291**
Additions	**8,140**
Depreciation	**(9,272)**
Surplus on revaluation recognised in other comprehensive income	**53,322**
Carrying amount at 31 December 2013	**365,481**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's properties held for own use:

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Properties held for own use	Direct comparison approach	Premium on characteristic of the properties	-10% to 10%

The fair value of properties held for own use are determined using direct comparison approach to value these properties in their respective existing states and used on the market basis assuming sale with immediate vacant possession and by making reference to comparable sale evidence. The valuations take into account the characteristic of the properties which included the location, size, view, floor level, year of completion and other factors collectively. Higher premium for properties with higher characteristic will result in a higher fair value measurement.

15. INVESTMENT PROPERTIES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Carrying amount at 1 January	**32,618**	31,960
Disposal during the year	**(9,444)**	–
Net gain from a fair value adjustment	**1,878**	658
Carrying amount at 31 December	**25,052**	32,618

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 2013 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$25,052,000.

Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

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15. INVESTMENT PROPERTIES *(continued)*

On 31 December 2012, Lindeteves Jacoberg (China) Limited, a wholly-owned subsidiary of the Company as vendor (the "Vendor"), entered into a sale and purchase agreement (the "Agreement") to dispose of a property located in Shenzhen, the People's Republic of China (the "Property") to China Parking Limited, a subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") and Chinney Investments, Limited ("Chinney Investments") as purchaser (the "Purchaser") for a cash consideration of HK$9,383,000 (equivalent to RMB7,600,000) ("Consideration"). An amount of HK$938,300 was paid by the Purchaser upon the signing of the Agreement as deposit and/or part payment of the Consideration. As Dr. James Sai-Wing Wong, the chairman and controlling shareholder of the Company, is also a director of and has control in Hon Kwok and Chinney Investments, the transaction constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval. On 31 January 2013, the Vendor received the balance of the Consideration of HK$8,444,700 and passed all title documents to the Purchaser for submission to relevant government departments for title transfer of the Property and a loss on disposal incurred of HK$467,000 was charged to the profit or loss during the year.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Commercial properties	–	–	**16,791**	**16,791**
Residential properties	–	–	**8,261**	**8,261**
	–	–	**25,052**	**25,052**

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.

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15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties *HK$'000*	Residential properties *HK$'000*
Carrying amount at 1 January 2013	**15,160**	**17,458**
Net gain from a fair value adjustment recognised in other operating income/(expenses), net in profit or loss	**1,631**	**247**
Disposal during the year	**–**	**(9,444)**
Carrying amount at 31 December 2013	**16,791**	**8,261**

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Commercial properties	Income capitalisation approach	Market rental value (per sq.m. and per month)	HK$4.2 to HK$4.6
		Capitalisation rate	7%
Residential properties	Direct comparison approach	Premium on characteristic of the properties	-10% to 10%

15. INVESTMENT PROPERTIES *(continued)*

The income capitalisation approach

Under the income capitalisation approach, fair value is estimated on the basis of capitalisation of existing rental income and reversionary market rental income.

The market rentals of the investment properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rents are assessed by reference to the rentals achieved in the investment properties as well as other lettings of similar properties in the neighbourhood. The market yield, which is the capitalisation rate adopted, is made by reference to the yields derived from analysing the sales transactions of similar properties and adjusted to take account of the valuers' knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties.

The key inputs were the market rent/market price and the market yield, which a significant increase/decrease in the market rent/market price in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the market yield in isolation would result in a significant decrease/increase in the fair value of the investment properties.

The direct comparison approach

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristic of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per square metre.

The key input was the market price per square metre, which a significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the investment properties.

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16. INVESTMENTS IN SUBSIDIARIES

	Company 2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**185,600**	185,600
Due from subsidiaries	**627,186**	636,975
Due to subsidiaries	**(33,498)**	(33,504)
	779,288	789,071
Impairment#	**(560,002)**	(560,002)
	219,286	229,069

\# *An impairment was recognised for certain unlisted investments and certain amounts due from subsidiaries with an aggregate carrying amount of HK$560,002,000 (before deducting the impairment loss) (2012: HK$560,002,000) because these subsidiaries have been loss-making for some time. The movement of the impairment is as follows:*

	Company 2013 HK$'000	2012 HK$'000
At 1 January	**560,002**	825,604
Amount written off as uncollectible	**–**	(265,602)
At 31 December	**560,002**	560,002

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$92,549,000 (2012: HK$56,909,000) and HK$46,864,000 (2012: HK$39,343,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

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16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
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, mechanical, electrical and building supplies, and other hi-tech 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)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	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

NOTES TO THE FINANCIAL STATEMENTS
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16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	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
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)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
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 Real Estates Limited	Hong Kong	HK$10,000	–	100%	Property holding
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.

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17. INVESTMENTS IN ASSOCIATES

	Group 2013 HK$'000	2012 HK$'000
Share of net assets	**23,732**	21,518
Loan to an associate	**32,944**	30,769
	56,676	52,287
Impairment#	**(7,200)**	(7,200)
	49,476	45,087

\# *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 incorporation/ registration and business	Particulars of registered issued capital held	Percentage of ownership interest attributable to the Group 2013	2012	Principal activities
Fineshade Investments Limited*	British Virgin Islands/ Mainland China	US$1,221,200	**21.5%**	21.5%	Investment holding and property investment
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/ Mainland 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 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 aggregate financial information of the Group's associates that are not individually material:

	2013	2012
	HK$'000	*HK$'000*
Share of the associates' profit for the year	**89**	721
Share of the associates' other comprehensive income	**2,124**	–
Share of the associates' total comprehensive income	**2,213**	721
Aggregate carrying amount of the Group's investments in the associates	**49,476**	45,087

18. INVESTMENT IN A JOINT VENTURE

	Group	
	2013	2012
	HK$'000	*HK$'000*
Share of net assets	**–**	–

The balance with a joint venture is unsecured, interest-free and repayable on demand.

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18. INVESTMENT IN A JOINT VENTURE *(continued)*

Particulars of the Group's joint venture are as follows:

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

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

The following table illustrates the summarised financial information of Chinney P & H adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2013 **HK$'000**	2012 HK$'000
Share of the joint venture's assets and liabilities:		
Current assets	**186**	186
Current liabilities	**(484)**	(484)
Net liabilities	**(298)**	(298)
Share of the joint venture's results:		
Total revenue	**–**	–
Total expenses	**–**	–
Loss after tax	**–**	–

The Group has discontinued the recognition of its share of losses of the joint venture because they exceeded the Group's investment in the joint venture. In the opinion of the directors, the Group will not continue to provide further financial support or capital injection to the joint venture. The Group does not have any unrecognised share of losses of the joint venture for the current year (2012: Nil). At 31 December 2013, the aggregate unrecognised share of losses of the joint venture amounted to HK$298,000 (2012: HK$298,000).

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19. GOODWILL

	Group	
	2013	2012
	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.

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 8% (2012: 6%).

Assumptions used in the value in use calculation for 31 December 2013 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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Club memberships, at cost	**3,283**	3,283	**1,220**	1,220
Provision for impairment#	**(938)**	(938)	**(938)**	(938)
	2,345	2,345	**282**	282

\# *An impairment was recognised for a club membership with an carrying amount of HK$1,220,000 (before deducting the impairment loss) (2012: 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	
	2013	2012
	HK$'000	*HK$'000*
Raw materials	**71,471**	65,047
Finished goods	**14,272**	10,995
	85,743	76,042

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22. CONSTRUCTION CONTRACTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Gross amount due from contract customers	**235,810**	204,583
Gross amount due to contract customers	**(431,855)**	(287,377)
	(196,045)	(82,794)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**11,033,318**	10,322,011
Less: Progress billings	**(11,229,363)**	(10,404,805)
	(196,045)	(82,794)

At 31 December 2013, 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$214,526,000 (2012: HK$167,391,000).

At 31 December 2013, 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$93,070,000 (2012: HK$74,591,000).

23. TRADE RECEIVABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**441,973**	359,175
Impairment	**(2,155)**	(2,140)
	439,818	357,035

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.

23. TRADE RECEIVABLES *(continued)*

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	
	2013	2012
	HK$'000	*HK$'000*
Current to 30 days	**391,112**	316,497
31 to 60 days	**22,823**	18,015
61 to 90 days	**4,557**	3,131
Over 90 days	**21,326**	19,392
	439,818	357,035

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 January	**2,140**	1,995
Impairment losses recognised *(note 7)*	**18**	278
Amount written off as uncollectible	**(3)**	(133)
At 31 December	**2,155**	2,140

The above provision for impairment of trade receivables represented provision for individually impaired trade receivables with a carrying amount before provision of HK$2,155,000 (2012: HK$2,140,000) 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.

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23. TRADE RECEIVABLES *(continued)*

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**278,919**	214,853
Less than 30 days past due	**112,193**	101,644
31 to 90 days past due	**27,380**	21,146
Past due over 90 days	**21,326**	19,392
	439,818	357,035

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.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**2,922**	2,922	**231**	231
Deposits and other receivables	**66,952**	48,984	**49**	14
	69,874	51,906	**280**	245

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.

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25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments in Hong Kong, at market value	**–**	15,057	**–**	15,057

The above equity investments at 31 December 2012 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.

26. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**256,320**	124,494	**17,862**	1,469
Time deposits	**55,767**	40,689	**–**	–
Pledged time deposits	**16,781**	15,255	**–**	–
	328,868	180,438	**17,862**	1,469
Less: Pledged time deposits:				
Pledged for letters of guarantee and performance bonds	**(15,781)**	(15,255)	**–**	–
Pledged for bank overdraft facilities *(note 30)*	**(1,000)**	–	**–**	–
Cash and cash equivalents	**312,087**	165,183	**17,862**	1,469

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$27,561,000 (2012: HK$15,647,000). 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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27. TRADE AND BILLS PAYABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Trade payables	**275,889**	274,577
Bills payable	**21,124**	13,544
	297,013	288,121

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Current to 30 days	**238,787**	239,933
31 to 60 days	**19,601**	15,580
61 to 90 days	**5,399**	7,164
Over 90 days	**12,102**	11,900
	275,889	274,577

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

28. 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.

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**7,011**	10,055	**160**	156
Accruals	**76,316**	59,702	**2,593**	4,060
	83,327	69,757	**2,753**	4,216

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

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	31 December 2013			31 December 2012		
	Effective interest rate %	**Maturity**	***HK$'000***	Effective interest rate %	Maturity	*HK$'000*
Current						
Finance lease payables *(note 31)*	**6.04**	**2014**	**160**	3.25-4.25	2013 or on demand	13,410
Trust receipt loans *(note 28)*	**1.81-2.92**	**on demand**	**153,690**	1.84-2.65	on demand	130,550
Bank loans – unsecured	**2.21-3.21**	**2014 or on demand**	**119,062**	2.26-3.28	2013 or on demand	35,902
Bank loans – secured	**1.41-2.47**	**2014 or on demand**	**56,795**	1.48-2.53	2013 or on demand	38,043
			175,857			73,945
Total current			**329,707**			217,905
Non-current						
Finance lease payables *(note 31)*	**6.04**	**2015-2016**	**229**	3.75-4.25	2014-2015	7,768
Bank loans – secured	**3.10**	**2019**	**4,453**	3.10	2019	5,264
Total non-current			**4,682**			13,032
Total			**334,389**			230,937

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

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Analysed into:		
Bank loans and trust receipt loans repayable:		
Within one year or on demand	**329,547**	204,495
In the second year	**837**	811
In the third to fifth years, inclusive	**2,671**	2,590
Beyond five years	**945**	1,863
	334,000	209,759
Other borrowings repayable:		
Within one year or on demand	**160**	13,410
In the second year	**170**	6,869
In the third to fifth years, inclusive	**59**	899
	389	21,178
	334,389	230,937

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;

(ii) certain land and buildings with an aggregate carrying value at the end of the reporting period of approximately HK$263,100,000 (2012: HK$226,400,000) *(note 14)*; and

(iii) a time deposit of HK$1,000,000 (2012: Nil) *(note 26)*.

Based on the maturity terms of the bank loans 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$302,659,000 (2012: HK$169,448,000); in the second year HK$27,725,000 (2012: HK$8,970,000); in the third to fifth years, inclusive HK$2,671,000 (2012: HK$29,478,000); and beyond five years HK$945,000 (2012: HK$1,863,000).

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$160,000 (2012: HK$10,150,000); in the second year HK$170,000 (2012: HK$8,930,000); and in the third to fifth years, inclusive HK$59,000 (2012: HK$2,098,000).

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31. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its plant and machinery and motor vehicle for its operation. The lease is classified as finance lease and has remaining lease term of three years (2012: ranging from two to five years).

At 31 December 2013, 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**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year or on demand	**179**	14,163	**160**	13,410
In the second year	**179**	7,049	**170**	6,869
In the third to fifth years, inclusive	**60**	960	**59**	899
Total minimum finance lease payments	**418**	22,172	**389**	21,178
Future finance charges	**(29)**	(994)		
Total net finance lease payables	**389**	21,178		
Portion classified as current liabilities *(note 30)*	**(160)**	(13,410)		
Non-current portion *(note 30)*	**229**	7,768		

The lease is secured by motor vehicle with a carrying value of HK$514,000. As at 31 December 2012, the leases were secured by certain plant and machinery with an aggregate carrying value of HK$38,328,000 and corporate guarantees given by certain subsidiaries *(note 14)*.

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32. 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	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**26,505**	17,776	**29,813**	18,912	**56,318**	36,688
Deferred tax charged/ (credited) to the statement of profit or loss during the year *(note 10)*	**4,250**	8,729	**(3,516)**	757	**734**	9,486
Deferred tax charged to the statement of comprehensive income during the year	**–**	–	**6,230**	10,144	**6,230**	10,144
Gross deferred tax liabilities at 31 December	**30,755**	26,505	**32,527**	29,813	**63,282**	56,318

Deferred tax assets

Group

	Related depreciation over depreciation allowance	
	2013	2012
	HK$'000	*HK$'000*
At 1 January	**3,607**	317
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	**(1,479)**	3,290
Gross deferred tax assets at 31 December	**2,128**	3,607

The Group has tax losses arising in Hong Kong of HK$228,441,000 (2012: HK$233,566,000) 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.

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33. SHARE CAPITAL

Shares

	2013	2012
	HK$'000	*HK$'000*
Authorised:		
2,500,000,000 (2012: 2,500,000,000) ordinary shares of HK$0.10 (2012: HK$0.10) each	**250,000**	250,000
Issued and fully paid:		
594,899,245 (2012: 594,899,245) ordinary shares of HK$0.10 (2012: HK$0.10) each	**59,490**	59,490

34. 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 39 of these financial statements.

(b) Company

	Share premium account	**Contributed surplus***	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	60,978	120,946	18,151	200,075
Total comprehensive income for the year	–	–	814	814
Proposed final 2012 dividend *(note 12)*	–	–	(17,847)	(17,847)
At 31 December 2012	60,978	120,946	1,118	183,042
Total comprehensive income for the year	–	–	35,461	35,461
Proposed final 2013 dividend *(note 12)*	–	–	(20,821)	(20,821)
At 31 December 2013	**60,978**	**120,946**	**15,758**	**197,682**

* *The Company's contributed surplus arose from the capital reorganisation which involved the consolidation of the capital reserve and share premium accounts in 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.

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35. 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	**2013** **HK$'000**	2012 HK$'000
Management fees to a major shareholder	*(i)*	**1,500**	3,000
Share of rental and office expenses with a related company	*(ii)*	**2,856**	2,116
Construction contract income from related companies	*(iii)*	**(939)**	(899)
Interest income from an associate	*(iv)*	**(2,772)**	(2,772)

Notes:

(i) The management fee was charged by 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 and Mr. James Sing-Wai Wong are common directors of the Company and Chinney Investments.

(ii) The rental and office expenses were charged by 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) 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.

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

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

	2013 **HK$'000**	2012 HK$'000
Short-term employee benefits	**38,978**	33,777
Post-employment benefits	**1,344**	1,417
Total compensation paid to key management personnel	**40,322**	35,194

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

(c) Other transactions with related parties:

Details of the Group's disposal of an investment property to a related company are included in note 15 to the financial statements.

36. 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 (2012: one year). The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants due as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**105**	101

(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 (2012: one to four years).

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**1,367**	1,477
In the second to fifth years, inclusive	**512**	920
	1,879	2,397

The Company had no operating lease commitments at the end of the reporting period (2012: Nil).

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitment at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Plant and machinery	**12,844**	–

As at 31 December 2013, the Company did not have any capital commitment (2012: Nil).

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38. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) On 18 April 2013, the Company acquired items of property, plant and equipment and certain assets and liabilities from Alsford Holdings Limited. The acquisition was made by way of acquiring 100% equity interest in Alsford Holdings Limited and its subsidiary, Shun Cheong Real Estates Limited (the "Alsford Group") and since then, Alsford Holdings Limited became a wholly-owned subsidiary of the Group.

The transaction was accounted for as purchase of assets and liabilities rather than as business combination because Alsford Group had not carried out any significant business transaction prior to the date of acquisition. The net outflow of cash and cash equivalents from this acquisition reflected in the consolidated statement of cash flows as part of the cash flow movement in individual assets acquired.

The net assets acquired in the acquisition of Alsford Group are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	**8,140**
Account receivables and deposits paid	**335**
Bank balances	**74**
Accruals and deposit received	**(47)**
Tax payable	**(2)**
	8,500

	HK$'000
Satisfied by:	
Cash	**8,500**

	HK$'000
Cash consideration	**8,500**
Cash and bank balances acquired	**(74)**
	8,426

(b) ***Major non-cash transaction***

(i) During the year, the Group has non-cash interest income amounted to HK$2,176,000 (2012: HK$2,177,000).

(ii) 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$440,000 (2012: Nil).

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**1,362,572**	1,131,292

As at 31 December 2013, the total banking facilities utilised by the subsidiaries amounted to HK$739,907,000 (2012: HK$454,981,000).

(b) The Group provided corporate guarantees and indemnities to certain banks and a financial institution for an aggregate amount of HK$352,771,000 (2012: HK$186,420,000) for the issue of performance bonds in its ordinary course of business.

40. DISPOSAL OF A SUBSIDIARY

	2012
	HK$'000
Net assets disposal of:	
Financial assets at fair value through profit or loss	2,188
Other investments	28
Cash and bank balances	6
Trade receivables	6
Accruals and other payables	(6)
	2,222
Loss on disposal of a subsidiary	(44)
Satisfied by:	
Cash	2,178

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary as follows:

	2012
	HK$'000
Cash consideration	2,178
Cash and bank balances disposed of	(6)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	2,172

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41. 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

2013

Financial assets

	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Other assets	–	2,345	2,345
Trade receivables	439,818	–	439,818
Retention monies receivable	214,526	–	214,526
Amounts due from a joint venture	967	–	967
Financial assets included in prepayments, deposits and other receivables *(note 24)*	66,952	–	66,952
Pledged time deposits	16,781	–	16,781
Cash and cash equivalents	312,087	–	312,087
	1,051,131	2,345	1,053,476

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade and bills payables	297,013
Trust receipt loans	153,690
Retention monies payable	93,070
Financial liabilities included in other payables and accruals	52,510
Obligations under finance leases *(note 31)*	389
Interest-bearing bank borrowings *(note 30)*	180,310
	776,982

41. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group *(continued)*

2012

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	–	357,035	–	357,035
Retention monies receivable	–	167,391	–	167,391
Amounts due from a joint venture	–	967	–	967
Financial assets included in prepayments, deposits and other receivables *(note 24)*	–	48,984	–	48,984
Equity investments at fair value through profit or loss	15,057	–	–	15,057
Pledged time deposits	–	15,255	–	15,255
Cash and cash equivalents	–	165,183	–	165,183
	15,057	754,815	2,345	772,217

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade and bills payables	288,121
Trust receipt loans	130,550
Retention monies payable	74,591
Financial liabilities included in other payables and accruals	10,055
Obligations under finance leases *(note 31)*	21,178
Interest-bearing bank borrowings *(note 30)*	79,209
	603,704

NOTES TO THE FINANCIAL STATEMENTS

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41. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

2013

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Other assets	–	282	282
Amounts due from subsidiaries	92,549	–	92,549
Financial assets included in prepayments, deposits and other receivables *(note 24)*	49	–	49
Cash and cash equivalents	17,862	–	17,862
	110,460	282	110,742

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Amounts due to subsidiaries	46,864
Financial liabilities included in other payables and accruals	2,593
	49,457

41. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company *(continued)*

2012

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	–	56,909	–	56,909
Financial assets included in prepayments, deposits and other receivables *(note 24)*	–	14	–	14
Equity investments at fair value through profit or loss	15,057	–	–	15,057
Cash and cash equivalents	–	1,469	–	1,469
	15,057	58,392	282	73,731

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Amounts due to subsidiaries	39,343
Financial liabilities included in other payables and accruals	156
	39,499

NOTES TO THE FINANCIAL STATEMENTS
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42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Equity investments at fair value through profit or loss	**–**	15,057	**–**	15,057
Financial liabilities				
Obligations under finance leases *(note 31)*	**389**	21,178	**389**	21,178
Interest-bearing bank borrowings *(note 30)*	**180,310**	79,209	**180,310**	79,209
	180,699	100,387	**180,699**	100,387

Company

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Equity investments at fair value through profit or loss	**–**	15,057	**–**	15,057

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, retention monies receivable and payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries and amount due from a joint venture approximate to their carrying amounts largely due to the short-term maturities of these instruments.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

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 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 with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables, and interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

Fair value hierarchy

As at 31 December 2013, the Group did not have any financial assets measured at fair value. In the prior year, the Group had equity investments at fair value through profit or loss of HK$15,057,000 with fair value measurement using quoted prices in active markets (Level 1).

The Group did not have any financial liabilities measured at fair value as at 31 December 2013 and 31 December 2012. As at 31 December 2013, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included obligations under finance leases of HK$389,000 (2012: HK$21,178,000) and interest-bearing bank borrowings of HK$180,310,000 (2012: HK$79,209,000). The fair values of these financial liabilities disclosed were 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 2).

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 for both financial assets and financial liabilities (2012: Nil).

The Company did not have any financial assets and liabilities measured at fair value as at 31 December 2013 and 31 December 2012.

43. 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 an associate and a joint venture, 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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43. 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 30 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 statement of profit or loss 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*
2013			
Hong Kong dollar	**50**	**(1,407)**	**–**
Hong Kong dollar	**(50)**	**1,407**	**–**
2012			
Hong Kong dollar	50	(1,199)	–
Hong Kong dollar	(50)	1,199	–

* *Excluding retained profits*

NOTES TO THE FINANCIAL STATEMENTS
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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. 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**	**Increase/ (decrease) in equity***
	%	*HK$'000*	*HK$'000*
2013			
If Hong Kong dollar weakens against United States dollar	**1**	**124**	**–**
If Hong Kong dollar strengthens against United States dollar	**(1)**	**(124)**	**–**
If Hong Kong dollar weakens against Renminbi	**5**	**1,862**	**–**
If Hong Kong dollar strengthens against Renminbi	**(5)**	**(1,862)**	**–**
2012			
If Hong Kong dollar weakens against United States dollar	1	222	–
If Hong Kong dollar strengthens against United States dollar	(1)	(222)	–
If Hong Kong dollar weakens against Renminbi	5	824	–
If Hong Kong dollar strengthens against Renminbi	(5)	(824)	–

* *Excluding retained profits*

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31 December 2013

43. 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, amounts due from an associate and a joint venture, 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

2013

	On demand and/or less than 12 months *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total *HK$'000*
Trade and bills payables	297,013	–	–	–	297,013
Trust receipt loans	153,690	–	–	–	153,690
Retention monies payable	93,070	–	–	–	93,070
Financial liabilities included in other payables and accruals	52,510	–	–	–	52,510
Obligations under finance leases	179	179	60	–	418
Interest-bearing bank borrowings	176,009	963	2,889	961	180,822
	772,471	1,142	2,949	961	777,523

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

Liquidity risk *(continued)*

Group *(continued)*

2012

	On demand and/or less than 12 months *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total *HK$'000*
Trade and bills payables	288,121	–	–	–	288,121
Trust receipt loans	130,550	–	–	–	130,550
Retention monies payable	74,591	–	–	–	74,591
Financial liabilities included in other payables and accruals	10,055	–	–	–	10,055
Obligations under finance leases	14,163	7,049	960	–	22,172
Interest-bearing bank borrowings	74,121	963	2,889	1,923	79,896
	591,601	8,012	3,849	1,923	605,385

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$328,736,000 (2012: HK$203,708,000) and nil (2012: HK$6,219,000), 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 and/or less than 12 months".

Notwithstanding the above clause, the directors do not believe that the loans and obligations under finance leases will be called in their 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 2013 are HK$304,101,000 in 2014, HK$28,127,000 in 2015, HK$2,889,000 from 2016 to 2018 and HK$961,000 beyond 2018.

In accordance with the terms of the Group's obligations under finance leases, the maturity profile of the contractual undiscounted payments at 31 December 2013 are HK$179,000 in 2014, HK$179,000 in 2015, HK$60,000 in 2016 to 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

Liquidity risk *(continued)*

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

2013

	On demand and/or 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*
Amounts due to subsidiaries	**46,864**	–	–	–	**46,864**
Financial liabilities included in other payables and accruals	**2,593**	–	–	–	**2,593**
Guarantees given to banks in connection with facilities granted to subsidiaries	**1,362,572**	–	–	–	**1,362,572**
	1,412,029	–	–	–	**1,412,029**

2012

	On demand and/or 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*
Amounts due to subsidiaries	39,343	–	–	33,504	72,847
Financial liabilities included in other payables and accruals	156	–	–	–	156
Guarantees given to banks in connection with facilities granted to subsidiaries	1,131,292	–	–	–	1,131,292
	1,170,791	–	–	33,504	1,204,295

43. 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 25)* as at 31 December 2012. The Group's listed investments are listed on the 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 prior year to the end of the reporting period, and its respective highest and lowest points during the prior year were as follows:

	31 December 2012	High/low 2012
Hong Kong – Hang Seng Index	22,657	22,719/ 18,056

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 in the prior year.

	Carrying amount of equity investments *HK$'000*	**Change in profit before tax** *HK$'000*
2012		
Investments listed in:		
Hong Kong – Held for trading	15,057	1,506

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 2013 and 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

43. 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 bank 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	
	2013	2012
	HK$'000	*HK$'000*
Trust receipt loans	**153,690**	130,550
Obligations under finance leases	**389**	21,178
Interest-bearing bank borrowings	**180,310**	79,209
Total interest-bearing borrowings	**334,389**	230,937
Equity attributable to owners of the Company	**781,679**	645,105
Gearing ratio	**42.8%**	35.8%

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2014.