



建聯集團有限公司<sup>\*</sup>  
**Chinney Alliance Group Limited**

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Annual Report 2014

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# 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](mailto: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](mailto:kwecoltd@kinwing.com.hk)

#### **Shun Cheong Electrical Engineering Company Limited Westco Airconditioning 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](mailto: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](mailto: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](mailto: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](mailto: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](mailto:info@jvdb.com)

#### **Chinney Alliance Engineering Limited**

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

Tel : (852) 2880-3888  
Fax : (852) 2811-0974  
Website : <http://www.chinney-eng.com>  
E-mail : [focal@chinney-eng.com](mailto: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 Monday, 1 June 2015 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 2014 together with the reports of the directors and the independent auditors thereon.
2. To declare a final dividend for the year ended 31 December 2014.
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, 22 April 2015

*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.

# NOTICE OF ANNUAL GENERAL MEETING

Notes: (continued)

- (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 Bye-laws of the Company. An announcement will be made by the Company following the conclusion of the AGM to inform the results of the AGM.
- (5) With regard to resolution 3 in this notice, Mr. Herman Man-Hei Fung ("Mr. Fung") and Mr. Alexander Yan-Zau Fang ("Mr. Fang") will retire by rotation at the AGM in accordance with Bye-law 87 of the Bye-laws of the Company.

Mr. Fung, being eligible, will offer himself for re-election while Mr. Fang will not seek for re-election at the AGM.

- (6) Details of Mr. Fung who stand for re-election at the AGM are set out below:

## **Mr. Herman Man-Hei Fung**

Aged 77, was appointed as a non-executive director of the Company in 1998. He is also the director of certain number of subsidiaries of the Company. He is the managing director of Chinney Investments, Limited (stock code: 216, "Chinney Investments") and a director of Lucky Year Finance Limited, Chinney Holdings Limited, Newsworthy Resources Limited and Multi-Investment Group Limited, all being substantial shareholders of the Company, and a director of Chinney Capital Limited which is a shareholder of the Company. He is also the vice chairman of Hon Kwok Land Investment Company, Limited (stock code: 160, "Hon Kwok"). Chinney Investments and Hon Kwok are both listed on the Main Board of The Stock Exchange of Hong Kong Limited (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.

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

There is currently no service contract between the Company and Mr. Fung and he is not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. During the financial year ended 31 December 2014, Mr. Fung did not receive any director's emoluments.

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

- (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

The board of directors (the "Board") of Chinney Alliance Group Limited (the "Company", collectively with its subsidiaries, the "Group") is pleased to announce that the Group recorded a revenue of HK\$3,813 million for the year ended 31 December 2014 (2013: HK\$3,201 million). The profit for the year was HK\$142.3 million (2013: HK\$104.5 million). In 2013, the profit for the year included fair value gains on equity investments of HK\$21.7 million and surplus arising from changes in fair value of investment properties of HK\$1.8 million (net of deferred tax). Should the effect of these fair value changes of the equity investments and property interests be excluded, the profit from operation of last year would be HK\$81.0 million. The Group's land and buildings held for own use recorded a surplus arising from revaluation of HK\$48.6 million (net of deferred tax) which was credited to reserve as other comprehensive income (2013: HK\$47.1 million).

## PROPOSED FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK4.0 cents per share for the year ended 31 December 2014 (2013: HK3.5 cents) to the shareholders whose names appear on the Company's register of members on 10 June 2015. It is expected that the final dividend cheques will be despatched to the shareholders on or before 24 June 2015.

## CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be held on 1 June 2015. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 28 May 2015 to 1 June 2015 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 27 May 2015.

## CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2014 is subject to the approval by the shareholders of the Company at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 8 June 2015 to 10 June 2015 (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 3 June 2015. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 5 June 2015.

## BUSINESS REVIEW AND PROSPECTS

### *Trading of plastics and chemical products*

The plastic trading division, which is led by Jacobson van den Berg (Hong Kong) Limited ("Jacobson HK"), contributed a revenue of HK\$550 million (2013: HK\$489 million) with operating profit of HK\$9.8 million (2013: HK\$7.8 million). The increase in revenue and operating profit were mainly attributable to new distributorships and products introduced during the year. The division indeed faced a tougher year than before with keen competitions amongst traders while the customers were cost conscience when crude oil price was dropped during the year and kept lower level of inventories. On the other hand, suppliers continued to place pressure on traders to meet higher sale targets in order to keep their production scale. The division continues to broaden the product line and develop the Mainland China market to enhance the earnings and profitability.



# CHAIRMAN'S STATEMENT

## **BUSINESS REVIEW AND PROSPECTS** *(continued)*

### ***Building related contracting services***

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") contributed a revenue of HK\$845 million (2013: HK\$962 million) and an operating profit of HK\$29.2 million (2013: HK\$20.6 million). Although the revenue decreased, profit margin improved as a result of new projects awarded with better price and tighter control on costs. The division's customers included public sector in Hong Kong and private sectors in both Hong Kong and Macau. The contracts awarded during the year include public and private housing development projects and government's term maintenance contracts. As at 31 December 2014, the division had outstanding contracts on hand of HK\$1,479 million. Subsequent to the year end, the division was awarded HK\$192 million worth of contracts.

### ***Foundation piling and ground investigation***

The principal subsidiaries of the division include Kin Wing Engineering Company Limited ("KWE"), Kin Wing Foundations Limited ("KWF") and DrillTech Ground Engineering Limited (collectively, the "Kin Wing Group"). The revenue for the year was HK\$1,382 million (2013: HK\$1,181 million) and operating profit was HK\$110.7 million (2013: HK\$60.7 million). With the enhancement of the plant and machinery fleets during past years, the division increased its capacity to engage more projects at the same time. The revenue thus increased and operating profit improved even better from improved efficiency and cost control. The division's projects are mainly from the private sector. The outstanding contracts on hand were HK\$1,562 million as at 31 December 2014 with additional HK\$325 million worth of projects awarded after year end.

### ***Building construction***

The division recorded a revenue of HK\$1,027 million (2013: HK\$545 million) with an operating profit of HK\$38.7 million (2013: HK\$20.8 million) which was mainly contributed from Chinney Construction Company, Limited ("CCCL") and Chinney Builders Company Limited which operate in Hong Kong and Chinney Timwill Construction (Macau) Company Limited which operates in Macau. The division recorded substantial increase in revenue and the operating profit increased accordingly. The division has diversified client base, which included schools, institutions, property developers, hospitality and non-profit organisations. As at 31 December 2014, the division had outstanding contracts on hand of HK\$1,258 million.

### ***Other businesses***

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

CAE recorded a revenue of HK\$8 million (2013: HK\$24 million) and an operating loss of HK\$5.3 million (2013: profit of HK\$0.9 million). The new air traffic management system of the Hong Kong airport is still in the testing stage and the progress of other related systems to be integrated into the air traffic management system is also affected. The division's revenue and profit from the airport related projects were thus deferred. The endorsement by the government for the building of the third runway for the Hong Kong airport will benefit the division in future years.

The properties holding recorded a loss of HK\$1 million which was mainly due to depreciation charges.

The Group's share of the profits and losses of associates reported net losses of HK\$2.2 million while it recorded a marginal profit for last year. Due to the downward revaluation of property, the associate's investment in a real estate property in Hangzhou, the People's Republic of China (the "PRC"), which is held for rental income, recorded a loss for the year under review. The Group's another investment in Jiangxi Kaitong New Materials Company Limited ("Jiangxi Kaitong") was engaged in the manufacturing of stainless steel and plastic compound pipes in the PRC. Due to the re-zoning of the land usage of the factory land, Jiangxi Kaitong decided to close the factory and to return the land to local government with compensation.

# CHAIRMAN'S STATEMENT

## OUTLOOK

The major economies show divergent trends of recovery in 2014. While the United States and United Kingdom had gathered momentum, the Eurozone recorded sluggish growth with elevated unemployment and rising deflation risks. In October 2014, the US Federal Reserve ended the asset purchases and the market speculated the rise of interest rates. However, in the recent meeting, the Federal Open Market Committee emphasised the further improvement in the labour market and the move back of inflation rate to 2% over the medium term. It is generally expected that the increase in federal fund rate would be in third quarter of 2015 or so. The weak oil price contributes to the global economic growth but at the price of the oil-exporting counties including Russia. The sanctions against Russia by the European Union bring further pressure on the economy of Russia and slow down the economic activities in the European area. In China, the government has cut its growth target for 2015 to 7%, which is the lowest over the past two decades but still outperforms most other countries, indicating that the quality of growth and structural reform are most concerned.

In Hong Kong, a growth rate of 4.6% in GDP was recorded for the fourth quarter of 2014 on a year-on-year basis. With an unemployment rate of 3.3% for the 3 months ended February 2015, Hong Kong remains in the state of full employment. In view of the slow recovery in advanced economies, the Group's plastic trading division will have to develop new products and enhance customer base to improve the quality of earnings. The Group's other three construction related divisions will continue to be benefited from the local government's investment in infrastructure and the building of public and private residential housing. The management is cautious in managing costs and the expecting interest rising to maintain profitability and long-term growth. The Directors 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 hard work and contribution for the success during the past year.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 24 March 2015

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

### James Sai-Wing Wong

Aged 76, 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 60, was appointed as 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 KWE, Shun Cheong Electrical Engineering Company Limited ("SCEE") and CCCL, 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 51, was appointed as 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-six 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, CCCL, KWE and SCEE, 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, and a director of Chinney Capital Limited which is a shareholder 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 71, was appointed as an executive director of the Company in August 2012. He is the director of SCEE and CCCL, 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. He was then asked by the Vice-Chancellor of HKU to be his Senior Advisor for financial, investment and fund-raising matters until June 2014, and since then, he has been the Honorary Advisor to the Chairman of The University of Hong Kong Foundation for Educational Development and Research.

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, 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 from 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. He is an independent non-executive director of Oriental University City Holdings (H.K.) Limited (stock code: 8067), the shares of which have been listed on the GEM Board of the Stock Exchange since 16 January 2015.

### **NON-EXECUTIVE DIRECTOR**

#### **Herman Man-Hei Fung**

Aged 77, was appointed as a non-executive director of the Company in 1998. He is also the director of certain number of subsidiaries of the Company. 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 63, 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 51, 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, now known as Ground Properties Company Limited), 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 43, was appointed as an independent non-executive director of the Company in August 2012. He has over thirteen years of experience in business development. He was formerly a non-executive director of Hing Lee (HK) Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 396) and ceased the directorship with effect from 26 March 2014.

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 81, 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 Corps 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 51, 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 54, is the managing director of KWE and KWF 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 49, is the director and general manager of CCCL, a major subsidiary of the Company engaged in building construction. He has over twenty-six years of experience in the construction industry. He is a member of The Hong Kong Institute of Surveyors, The Royal Institution of Chartered Surveyors, The Chartered Institute of Building, Hong Kong Institute of Construction Managers and Australian Institute of Building and Hong Kong Institute of Real Estate Administrators 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 56, is the director and general manager of SCEE, 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 55, 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 56, 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 57, is a director and general manager of KWE and KWF, 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 49, is the company secretary and financial controller of the Company. He has twenty-six 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 of Hong Kong Limited (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 2014, 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 10 to 14 of this Annual Report.



# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(continued)*

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
<b>Executive Directors</b>	
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
<b>Non-Executive Director</b>	
Mr. Herman Man-Hei Fung	Non-executive Director
<b>Independent Non-Executive Directors</b>	
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	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
<b>Executive Directors</b>	
Dr. James Sai-Wing Wong	2/2
Mr. Yuen-Keung Chan	2/2
Mr. James Sing-Wai Wong	2/2
Mr. Philip Bing-Lun Lam	2/2
<b>Non-Executive Director</b>	
Mr. Herman Man-Hei Fung	2/2
<b>Independent Non-Executive Directors</b>	
Mr. Yuen-Tin Ng	2/2
Mr. Chi-Chiu Wu	2/2
Mr. Alexander Yan-Zau Fang	0/2
Mr. Ronald James Blake	2/2

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.

# CORPORATE GOVERNANCE REPORT

## **BOARD OF DIRECTORS** *(continued)*

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. Chi-Chiu Wu and Mr. Alexander Yan-Zau Fang, being non-executive directors of the Company, did not attend the 2014 annual general meeting of the Company held on 5 June 2014 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, CCCL and Shun Cheong is managed by its divisional managing directors and/or general managers.

## **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 hold approximately 73.28% 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 of the Company 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.

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 2014 is summarized as follows:

<b>Name of director</b>	<b>Type of trainings</b>
<b>Executive Directors</b>	
Dr. James Sai-Wing Wong	B
Mr. Yuen-Keung Chan	B
Mr. James Sing-Wai Wong	A, B
Mr. Philip Bing-Lun Lam	A, B
<b>Non-Executive Director</b>	
Mr. Herman Man-Hei Fung	B
<b>Independent Non-Executive Directors</b>	
Mr. Yuen-Tin Ng	A
Mr. Chi-Chiu Wu	A
Mr. Alexander Yan-Zau Fang	B
Mr. Ronald James Blake	A, B

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 2014. 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 24 to 30 of this Annual Report.

## REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two independent non-executive directors namely Mr. Chi-Chiu Wu (chairman of the Remuneration Committee) 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 72 to 74 in this Annual Report.

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

<b>Name of member</b>	<b>Number of meetings attended/eligible to attend</b>
Mr. Chi-Chiu Wu ( <i>Chairman</i> )	1/1
Mr. Yuen-Tin Ng	1/1
Mr. Herman Man-Hei Fung	1/1

# CORPORATE GOVERNANCE REPORT

## 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 is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates on the basis of their gender, age, professional qualifications and experience as well as educational background.

## 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 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 2014 and the annual results for the year ended 31 December 2014.

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

<b>Name of member</b>	<b>Number of meetings attended/eligible to attend</b>
Mr. Yuen-Tin Ng ( <i>Chairman</i> )	2/2
Mr. Chi-Chiu Wu	2/2
Mr. Herman Man-Hei Fung	2/2

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

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE *(continued)*

The work performed by the Audit Committee for the year ended 31 December 2014 included reviews of the following:

- the directors' report and the consolidated financial statements for the year ended 31 December 2013 of the Group, with a recommendation to the Board for approval;
- the consolidated financial statements for the six months ended 30 June 2014 of the Group, with a recommendation to the Board for approval;
- the audit fees for the year ended 31 December 2013 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 2014, the Group has engaged its external auditors, Ernst & Young, to provide the following services and their respective fees charged are set out as follows:

<b>Services rendered</b>	<b>Fees paid/payable</b> <b>HK\$'000</b>
Audit services	3,500
Non-audit services (review and other services)	574

## INTERNAL CONTROL

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

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

# CORPORATE GOVERNANCE REPORT

## 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 31 and 32.

## SHAREHOLDERS' RIGHTS

Shareholders' rights are set out in a number of sources, such as the Bye-laws, the Bermuda 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.

### 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.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS *(continued)*

### 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 2014.

## 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 works 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 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 118.

The Board recommend the payment of a final dividend of HK4.0 cents per share for the year ended 31 December 2014 (2013: HK3.5 cents) to the shareholders whose names appear on the Company's register of members on 10 June 2015. 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 24 June 2015. 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\$241.8 million as at 31 December 2014 (2013: HK\$334.4 million), of which HK\$238.2 million or 99% (2013: HK\$329.7 million or 99%) were classified as current liabilities. Included in the current portion of bank and other borrowings were trust receipt loans of HK\$165.5 million (2013: HK\$153.7 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 2014, measured by total current assets over total current liabilities, was 1.2 (2013: 1.1). Total unpledged cash and bank balances as at 31 December 2014 was HK\$372.6 million (2013: HK\$312.1 million). The increase in unpledged bank balances was mainly due to surplus funds from cash generated from operations less repayment of bank borrowings and purchases of property, plant and equipment. During the year, the Group used approximately HK\$79.3 million for purchases of property, plant and equipment which were mainly purchases of plant and machinery for the Group's foundation piling division.

The Group had a total of HK\$915 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\$241.8 million over the equity attributable to the holders of the Company of HK\$951.4 million, was 25.4% as at 31 December 2014 (2013: 42.8%)

# 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

As at 31 December 2014, certain properties and a time deposit having aggregate book value of HK\$274.6 million and HK\$1 million respectively were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK\$19.1 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 2014 are set out in note 38 to the financial statements.

#### Employees and remuneration policies

The Group employed approximately 1,470 staff in Hong Kong and other parts of the PRC as at 31 December 2014. 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, assets and liabilities 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				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
REVENUE	<u>3,812,681</u>	<u>3,201,083</u>	<u>2,852,015</u>	<u>2,220,451</u>	<u>1,990,214</u>
PROFIT FOR THE YEAR	<u>142,314</u>	<u>104,500</u>	<u>49,818</u>	<u>22,941</u>	<u>23,662</u>
Attributable to:					
– Owners of the Company	<u>142,314</u>	<u>104,500</u>	<u>49,818</u>	<u>22,941</u>	<u>23,662</u>

# REPORT OF THE DIRECTORS

## SUMMARY OF FINANCIAL INFORMATION *(continued)*

### ASSETS AND LIABILITIES

	As at 31 December				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
TOTAL ASSETS	<b>2,395,763</b>	2,090,706	1,659,738	1,400,048	1,324,048
TOTAL LIABILITIES	<b>(1,444,361)</b>	(1,309,027)	(1,014,633)	(869,172)	(835,655)
	<b>951,402</b>	781,679	645,105	530,876	488,393

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 33(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\$246,142,000 as at 31 December 2014, of which HK\$23,796,000 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

### **Non-Executive Director:**

Herman Man-Hei Fung

### **Independent Non-Executive Directors:**

Yuen-Tin Ng

Chi-Chiu Wu

Alexander Yan-Zau Fang

Ronald James Blake

In accordance with bye-law 87 of the Bye-laws, Mr. Herman Man-Hei Fung and Mr. Alexander Yan-Zau Fang will retire by rotation at the forthcoming annual general meeting. Mr. Fung, being eligible, will offer himself for re-election while Mr. Fang will not seek for re-election at the forthcoming annual general meeting.

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

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 14 of the Annual Report.

## 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.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in the section "Connected transactions" below and in note 34 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 2014, 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:*

Name of director	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Total	
James Sai-Wing Wong	–	–	435,940,216 (Note)	435,940,216	73.28%

Note: Amongst these shares, 19,602,000 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 2014, 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.

## 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.

## REPORT OF THE DIRECTORS

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

As at 31 December 2014, 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:*

<b>Name</b>	<i>Notes</i>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
James Sai-Wing Wong	1, 2, 3	Interest through controlled corporations	435,940,216	73.28%
Madeline May-Lung Wong	1	Interest through a controlled corporation	173,093,695	29.10%
Lucky Year Finance Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Chinney Holdings Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Chinney Investments	1	Interest through a controlled corporation	173,093,695	29.10%
Newsworthy Resources Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Multi-Investment Group Limited	1	Beneficial owner	173,093,695	29.10%
EIL	2	Beneficial owner	243,244,521	40.89%

#### *Notes:*

1. Dr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of the 173,093,695 shares by virtue of Section 316 of the SFO;
2. EIL is beneficially owned by Dr. James Sai-Wing Wong; and
3. 19,602,000 shares are held by Chinney Capital Limited, which is beneficially owned by Dr. James Sai-Wing Wong.

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

# REPORT OF THE DIRECTORS

## CONNECTED TRANSACTION

On 29 May 2014, 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 as the purchaser (the "Purchaser") for a cash consideration of HK\$8,063,000. Since 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 27 June 2014, 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 set out in an announcement published on 29 May 2014.

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 34 to the financial statements are connected transactions/continuing connected transactions exempted from disclosure and independent shareholders' approval requirements under the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

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

## AUDITORS

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

ON BEHALF OF THE BOARD

**Yuen-Keung Chan**

*Director*

Hong Kong, 24 March 2015

# INDEPENDENT AUDITORS' REPORT



**Ernst & Young**  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong  
Tel: +852 2846 9888  
Fax: +852 2868 4432  
www.ey.com

安永會計師事務所  
香港中環添美道1號  
中信大廈22樓  
電話: +852 2846 9888  
傳真: +852 2868 4432

## 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 33 to 118, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 2014, 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

24 March 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>REVENUE</b>	5	<b>3,812,681</b>	3,201,083
Cost of sales/services provided		<u>(3,332,307)</u>	<u>(2,826,424)</u>
Gross profit		<b>480,374</b>	374,659
Other income	5	<b>12,342</b>	8,089
Selling and distribution costs		<b>(11,086)</b>	(9,126)
Administrative expenses		<b>(305,762)</b>	(279,663)
Other operating income/(expenses), net		<b>(957)</b>	3,686
Fair value gains on equity investments at fair value through profit or loss, net		–	21,712
Changes in fair value of investment properties	15	<b>(94)</b>	1,878
Finance costs	6	<b>(6,834)</b>	(5,967)
Share of profits and losses of associates		<u><b>(2,241)</b></u>	<u>89</u>
<b>PROFIT BEFORE TAX</b>	7	<b>165,742</b>	115,357
Income tax expense	10	<u><b>(23,428)</b></u>	<u>(10,857)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>142,314</b></u>	<u>104,500</u>
Attributable to:			
Owners of the Company	11	<u><b>142,314</b></u>	<u>104,500</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	13		
Basic and diluted		<u><b>HK23.9 cents</b></u>	<u>HK17.6 cents</u>

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 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>PROFIT FOR THE YEAR</b>		<b>142,314</b>	104,500
<b>OTHER COMPREHENSIVE INCOME</b>			
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		<b>(407)</b>	2,829
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of land and buildings	14	<b>51,158</b>	53,322
Income tax effect	31	<b>(2,521)</b>	(6,230)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		<b>48,637</b>	47,092
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>48,230</b>	49,921
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>190,544</b>	154,421
Attributable to:			
Owners of the Company	11	<b>190,544</b>	154,421

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	699,626	623,284
Investment properties	15	16,697	25,052
Investments in associates	17	48,460	49,476
Investment in a joint venture	18	–	–
Goodwill	19	5,767	5,767
Deferred tax assets	31	2,229	2,128
Other assets	20	2,345	2,345
Total non-current assets		775,124	708,052
<b>CURRENT ASSETS</b>			
Inventories	21	69,833	85,743
Gross amount due from contract customers	22	198,643	235,810
Trade receivables	23	539,684	439,818
Retention monies receivable	22	311,084	214,526
Amount due from a joint venture	18	967	967
Prepayments, deposits and other receivables	24	105,577	69,874
Tax recoverable		2,219	7,048
Pledged time deposits	25	20,077	16,781
Cash and cash equivalents	25	372,555	312,087
Total current assets		1,620,639	1,382,654
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers	22	617,937	431,855
Trade and bills payables	26	291,164	297,013
Trust receipt loans	27	165,489	153,690
Retention monies payable	22	120,762	93,070
Other payables and accruals	28	87,461	83,327
Tax payable		15,070	6,091
Obligations under finance leases	30	–	160
Interest-bearing bank borrowings	29	72,702	175,857
Total current liabilities		1,370,585	1,241,063
<b>NET CURRENT ASSETS</b>		250,054	141,591
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,025,178	849,643

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,025,178</b>	849,643
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases	30	–	229
Interest-bearing bank borrowings	29	3,617	4,453
Deferred tax liabilities	31	70,159	63,282
Total non-current liabilities		<b>73,776</b>	67,964
Net assets		<b>951,402</b>	781,679
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	32	59,490	59,490
Reserves	33(a)	868,116	701,368
Proposed final dividend	12	23,796	20,821
Total equity		<b>951,402</b>	781,679

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 2014

	Note	Attributable to owners of the Company							Proposed final dividend	Total
		Issued capital	Share premium account	Contributed surplus	Asset revaluation reserve	Legal reserve	Exchange fluctuation reserve	Retained profits		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 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 and 1 January 2014		59,490	60,978*	120,946*	195,763*	49*	3,063*	320,569*	20,821	781,679
Profit for the year		-	-	-	-	-	-	142,314	-	142,314
Other comprehensive income for the year:										
Surplus on revaluation of land and buildings, net of tax		-	-	-	48,637	-	-	-	-	48,637
Exchange differences on translation of foreign operations		-	-	-	-	-	(407)	-	-	(407)
Total comprehensive income for the year		-	-	-	48,637	-	(407)	142,314	-	190,544
Release of revaluation reserve on land and buildings to retained profits		-	-	-	(6,608)	-	-	6,608	-	-
Final 2013 dividend declared		-	-	-	-	-	-	-	(20,821)	(20,821)
Proposed 2014 final dividend	12	-	-	-	-	-	-	(23,796)	23,796	-
<b>At 31 December 2014</b>		<b>59,490</b>	<b>60,978*</b>	<b>120,946*</b>	<b>237,792*</b>	<b>49*</b>	<b>2,656*</b>	<b>445,695*</b>	<b>23,796</b>	<b>951,402</b>

\* These reserve accounts comprise the consolidated reserves of HK\$868,116,000 (2013: HK\$701,368,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>165,742</b>	115,357
Adjustments for:			
Finance costs	6	<b>6,834</b>	5,967
Share of profits and losses of associates		<b>2,241</b>	(89)
Changes in fair value of investment properties	15	<b>94</b>	(1,878)
Depreciation	7	<b>52,634</b>	44,942
Impairment of trade receivables	7	<b>63</b>	18
Bad debts written off	7	<b>–</b>	521
Write-back of impairment of trade receivables	7	<b>(23)</b>	–
Provision/(write-back of provision) for inventories included in cost of inventories sold	7	<b>(647)</b>	294
Fair value gains on equity investments at fair value through profit or loss, net		<b>–</b>	(21,712)
Gain on disposal of items of property, plant and equipment	7	<b>(198)</b>	(2,394)
Loss on disposal of an investment property	7	<b>549</b>	467
Interest income	5	<b>(4,375)</b>	(4,110)
		<b>222,914</b>	137,383
Decrease/(increase) in inventories		<b>16,557</b>	(9,995)
Decrease/(increase) in gross amount due from contract customers		<b>37,709</b>	(30,258)
Increase in trade receivables		<b>(99,906)</b>	(83,322)
Increase in retention monies receivable		<b>(96,558)</b>	(47,135)
Increase in prepayments, deposits and other receivables		<b>(35,703)</b>	(17,968)
Increase in gross amount due to contract customers		<b>186,082</b>	144,478
Increase/(decrease) in trade and bills payables		<b>(5,849)</b>	8,892
Increase in retention monies payable		<b>27,692</b>	18,479
Increase in other payables and accruals		<b>4,134</b>	13,570
Cash generated from operations		<b>257,072</b>	134,124
Interest received		<b>2,194</b>	1,934
Interest paid		<b>(6,822)</b>	(5,458)
Interest element of finance lease rental payments		<b>(12)</b>	(509)
Dividend paid		<b>(20,821)</b>	(17,847)
Hong Kong profits tax paid, net		<b>(4,147)</b>	(14,672)
Overseas taxes paid		<b>(1,206)</b>	(357)
Net cash flows from operating activities		<b>226,258</b>	97,215

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(79,330)	(106,466)
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		1,151	8,233
Proceeds from disposal of an investment property		7,712	8,977
Net cash flows used in investing activities		(70,467)	(52,487)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in trust receipt loans		11,799	23,140
New bank loans		102,000	228,500
Repayment of bank loans		(207,968)	(127,399)
Increase in pledged time deposits		(3,296)	(526)
Capital element of finance lease rental payments		(389)	(21,229)
Net cash flows from/(used in) financing activities		(97,854)	102,486
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		313,087	165,183
Effect of foreign exchange rate changes, net		554	690
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>371,578</b>	<b>313,087</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	25	288,710	256,320
Non-pledged time deposits with original maturity of less than three months when acquired	25	83,845	55,767
Cash and cash equivalents as stated in the consolidated statement of financial position		372,555	312,087
Time deposit with original maturity of less than three months when acquired, pledged as security for bank overdraft facility	25	1,000	1,000
Bank overdrafts	29	(1,977)	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		371,578	313,087



# STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	74	74
Investments in subsidiaries	16	220,882	219,286
Other assets	20	282	282
Total non-current assets		<u>221,238</u>	<u>219,642</u>
<b>CURRENT ASSETS</b>			
Amounts due from subsidiaries	16	116,885	92,549
Prepayments, deposits and other receivables	24	298	280
Tax recoverable		2,157	–
Cash and cash equivalents	25	60,819	17,862
Total current assets		<u>180,159</u>	<u>110,691</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	28	1,304	2,753
Amounts due to subsidiaries	16	33,483	46,864
Tax payable		–	2,723
Total current liabilities		<u>34,787</u>	<u>52,340</u>
<b>NET CURRENT ASSETS</b>			
Net assets		<u>145,372</u>	<u>58,351</u>
<b>EQUITY</b>			
Issued capital	32	59,490	59,490
Reserves	33(b)	283,324	197,682
Proposed final dividend	12	23,796	20,821
Total equity		<u>366,610</u>	<u>277,993</u>

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 2014

## 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"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for land and buildings classified as property, plant and equipment and investment properties, 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 2014. 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 2014

## 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 revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition</i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination</i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

# NOTES TO THE FINANCIAL STATEMENTS

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

Other than explained below regarding the impact of Amendments to HKFRS 10, HKFRS 12, HKAS 27 (2011), HKAS 32, HKAS 39, HK(IFRIC)-Int 21 and Amendment to HKFRS 2, HKFRS 3, HKFRS 13, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

- (a) 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 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. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.
- (b) 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 amendments have had no impact on the Group as the Group does not have any offsetting arrangement.
- (c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.
- (d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.
- (e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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

- (f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.
- (g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

## 2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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	<i>Financial Instruments</i> <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>2</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>5</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>2</sup>
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>2</sup>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>5</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

*HKFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ***Investments in associates and joint ventures*** *(continued)*

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.

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 assets transferred. Goodwill arising from the acquisition of associates or joint ventures 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 of 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.



# NOTES TO THE FINANCIAL STATEMENTS

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

Where goodwill 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 operation disposed of 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

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## 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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).

### ***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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ***Property, plant and equipment and depreciation*** *(continued)*

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 $\frac{1}{3}$ %
Plant and machinery	6% – 35%
Furniture, fixtures and equipment	10% – 33 $\frac{1}{3}$ %
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.

### ***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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ***Investment properties*** *(continued)*

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 2014

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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.

## 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.

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

### ***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.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ***Impairment of financial assets*** *(continued)*

#### *Financial assets carried at amortised cost* *(continued)*

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).

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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### ***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.

#### *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, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### ***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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Cash and cash equivalents**

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

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

### **Provisions**

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the 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 and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Income tax** *(continued)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Employee benefits** *(continued)*

#### *Pension schemes (continued)*

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.

### **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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### *Foreign currencies (continued)*

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 and 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 provision for foreseeable losses on the amounts due from contract customers; and (ii) the recognition of losses on the Group's trade and other receivables and retention monies receivable.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

### ***Estimation uncertainty***

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

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was HK\$5,767,000 (2013: 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 rates. The carrying amount of investment properties and land and buildings at 31 December 2014 was HK\$16,697,000 (2013: HK\$25,052,000) and HK\$405,848,000 (2013: HK\$365,481,000), respectively.

#### *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 net carrying amount of property, plant and equipment at 31 December 2014 was HK\$699,626,000 (2013: HK\$623,284,000).

#### *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\$13,404,219,000 at 31 December 2014 (2013: HK\$11,033,318,000). Further details are contained in note 22 to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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 values of investment properties, share of profits or losses of associates as well as unallocated corporate gains and expenses are excluded from this 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>						
Sales to external customers	550,444	844,850	1,382,390	1,027,310	7,687	3,812,681
Intersegment sales	–	14,235	164	2,203	570	17,172
Other revenue	5,495	2,092	1,004	3	1,261	9,855
	<u>555,939</u>	<u>861,177</u>	<u>1,383,558</u>	<u>1,029,516</u>	<u>9,518</u>	<u>3,839,708</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(17,172)</u>
Revenue						<u>3,822,536</u>
<b>Segment results</b>	<b>9,817</b>	<b>29,211</b>	<b>110,664</b>	<b>38,664</b>	<b>(6,298)</b>	<b>182,058</b>
<i>Reconciliation:</i>						
Interest income and unallocated gains						2,487
Unallocated expenses						(16,468)
Changes in fair value of investment properties						(94)
Share of profits and losses of associates						<u>(2,241)</u>
Profit before tax						<u>165,742</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014 (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
<b>Segment assets</b>	<b>319,293</b>	<b>537,982</b>	<b>866,742</b>	<b>410,594</b>	<b>170,434</b>	<b>2,305,045</b>
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(24,574)
Investments in associates						48,460
Corporate and other unallocated assets						<u>66,832</u>
Total assets						<u>2,395,763</u>
<b>Segment liabilities</b>	<b>140,836</b>	<b>372,787</b>	<b>612,439</b>	<b>201,434</b>	<b>54,663</b>	<b>1,382,159</b>
<i>Reconciliation:</i>						
Elimination of intersegment payables						(24,574)
Corporate and other unallocated liabilities						<u>86,776</u>
Total liabilities						<u>1,444,361</u>
<b>Other segment information:</b>						
Impairment of trade receivables	–	63	–	–	–	63
Write-back of impairment of trade receivables	(5)	(18)	–	–	–	(23)
Provision/(write back of provision) for inventories included in cost of inventories sold	(797)	110	–	–	40	(647)
Depreciation	3,419	1,400	38,506	4,826	4,483	52,634
Capital expenditure*	<u>87</u>	<u>2,954</u>	<u>75,688</u>	<u>162</u>	<u>439</u>	<u>79,330</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>						
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
	<u>492,741</u>	<u>970,451</u>	<u>1,180,966</u>	<u>544,750</u>	<u>25,428</u>	<u>3,214,336</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(7,968)</u>
Revenue						<u>3,206,368</u>
<b>Segment results</b>	7,839	20,557	60,685	20,788	(1,434)	108,435
<i>Reconciliation:</i>						
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						<u>89</u>
Profit before tax						<u>115,357</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013 (continued)

	Plastic and chemical products <i>HK\$'000</i>	Building related contracting services <i>HK\$'000</i>	Foundation piling and ground investigation <i>HK\$'000</i>	Building construction <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	333,393	454,294	731,950	349,442	173,117	2,042,196
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(29,550)
Investments in associates						49,476
Corporate and other unallocated assets						<u>28,584</u>
Total assets						<u>2,090,706</u>
<b>Segment liabilities</b>	156,141	365,799	472,263	211,846	59,892	1,265,941
<i>Reconciliation:</i>						
Elimination of intersegment payables						(29,550)
Corporate and other unallocated liabilities						<u>72,636</u>
Total liabilities						<u>1,309,027</u>
<b>Other segment information:</b>						
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*	<u>478</u>	<u>1,344</u>	<u>96,665</u>	<u>269</u>	<u>8,150</u>	<u>106,906</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 4. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

#### (a) Revenue from external customers

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong	3,140,093	2,861,345
Mainland China and Macau	672,588	339,738
	<u>3,812,681</u>	<u>3,201,083</u>

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

#### (b) Non-current assets

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong	630,509	580,752
Mainland China and Macau	85,814	67,584
	<u>716,323</u>	<u>648,336</u>

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 ended 31 December 2014, none of the Group's revenue was derived from transactions with an individual external customer that amounted to 10% or more of the Group's revenue.

During the year ended 31 December 2013, revenue of HK\$363,271,000 was derived from transactions with an individual external customer that amounted to 10% or more of the Group's revenue.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Sale of goods	<b>558,131</b>	513,019
Construction contracts	<b>3,254,550</b>	2,688,064
	<b>3,812,681</b>	3,201,083
<b>Other income</b>		
Interest income	<b>4,375</b>	4,110
Commission income	<b>4,601</b>	1,946
Gross rental income	<b>1,261</b>	1,253
Others	<b>2,105</b>	780
	<b>12,342</b>	8,089

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts wholly repayable		
– within five years	<b>6,822</b>	5,282
– after five years	–	176
Interest on finance leases	<b>12</b>	509
	<b>6,834</b>	5,967

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 7. PROFIT BEFORE TAX

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

	Notes	<b>Group</b> <b>2014</b> <b>HK\$'000</b>	2013 <b>HK\$'000</b>
Cost of inventories sold		<b>572,649</b>	506,331
Cost of services provided		<b>2,759,658</b>	2,320,093
Depreciation	14	<b>53,176</b>	45,911
Less: Amount capitalised in contract costs		<b>(542)</b>	(969)
		<b>52,634</b>	44,942
Minimum lease payments under operating leases in respect of land and buildings		<b>7,649</b>	6,477
Auditors' remuneration		<b>3,799</b>	3,881
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		<b>445,683</b>	357,282
Pension scheme contributions		<b>16,113</b>	13,648
Less: Forfeited contributions		<b>–</b>	(1)
Net pension scheme contributions*		<b>16,113</b>	13,647
		<b>461,796</b>	370,929
Less: Amount capitalised in contract costs		<b>(300,172)</b>	(207,832)
		<b>161,624</b>	163,097
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		<b>230</b>	229
Impairment of trade receivables#	23	<b>63</b>	18
Write-back of impairment of trade receivables#	23	<b>(23)</b>	–
Bad debts written off#		<b>–</b>	521
Provision/(write-back of provision) for inventories included in cost of inventories sold		<b>(647)</b>	294
Gain on disposal of items of property, plant and equipment#		<b>(198)</b>	(2,394)
Loss on disposal of an investment property#		<b>549</b>	467
Rental income on investment properties less direct operating expenses		<b>(1,031)</b>	(1,024)
Foreign exchange differences, net#		<b>566</b>	(2,295)

\* As at 31 December 2014, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2013: Nil).

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Fees	<u>200</u>	<u>299</u>
Other emoluments:		
Salaries, allowances and benefits in kind	4,171	6,151
Performance-related bonuses*	3,534	2,526
Pension scheme contributions	<u>73</u>	<u>126</u>
	<u>7,778</u>	<u>8,803</u>
	<u>7,978</u>	<u>9,102</u>

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

### (a) Independent non-executive directors

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Anthony Siu-Wing Lau	–	21
Yuen-Tin Ng	50	50
Chi-Chiu Wu	50	50
Alexander Yan-Zau Fang	50	50
Ronald James Blake	<u>50</u>	<u>28</u>
	<u>200</u>	<u>199</u>

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 8. DIRECTORS' REMUNERATION (continued)

### (b) Executive directors and non-executive directors

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Performance- related bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<b>2014</b>					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Yuen-Keung Chan	–	385	2,000	–	2,385
James Sing-Wai Wong	–	2,197	345	73	2,615
Philip Bing-Lun Lam	–	1,589	1,189	–	2,778
	–	4,171	3,534	73	7,778
Non-executive director:					
Herman Man-Hei Fung	–	–	–	–	–
	–	4,171	3,534	73	7,778

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 8. DIRECTORS' REMUNERATION (continued)

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

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Performance- related bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<b>2013</b>					
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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included three (2013: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2013: three) non-directors, highest paid employees for the year are as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	<i>HK\$'000</i>
Basic salaries, housing allowances and other benefits in kind	<b>3,766</b>	4,401
Bonuses paid and payable	<b>4,679</b>	4,631
Pension scheme contributions	<b>197</b>	221
	<b>8,642</b>	9,253

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

	<b>Number of employees</b>	
	<b>2014</b>	2013
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	<b>1</b>	–
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$6,000,001 to HK\$6,500,000	<b>1</b>	–
	<b>2</b>	3

## 10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

	<b>2014</b>	2013
	<b>HK\$'000</b>	<i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	<b>14,179</b>	7,785
Over provision in prior years	<b>(110)</b>	(67)
Current – Elsewhere		
Charge for the year	<b>5,104</b>	926
Deferred ( <i>note 31</i> )	<b>4,255</b>	2,213
Total tax charge for the year	<b>23,428</b>	10,857

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 10. INCOME TAX (continued)

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:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Profit before tax	<b>165,742</b>	115,357
Tax at the applicable statutory tax rate	<b>25,879</b>	18,707
Over provision in prior years	<b>(110)</b>	(67)
Income not subject to tax	<b>(312)</b>	(197)
Expenses not deductible for tax	<b>1,565</b>	605
Profits and losses attributable to associates	<b>370</b>	(15)
Tax losses utilised from previous periods	<b>(5,932)</b>	(5,162)
Tax losses not recognised	<b>965</b>	601
Others	<b>1,003</b>	(3,615)
Tax charge for the year	<b>23,428</b>	10,857

## 11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a profit of HK\$109,438,000 (2013: HK\$35,461,000) which has been dealt with in the financial statements of the Company (note 33(b)), including dividend income from subsidiaries of HK\$110,000,000 (2013: HK\$20,900,000).

## 12. DIVIDENDS

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Proposed final – HK4.0 cents (2013: HK3.5 cents) per ordinary share	<b>23,796</b>	20,821

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic and diluted earnings per share is based on:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<hr/>		
<b>Earnings</b>		
Profit attributable to owners of the Company	<u>142,314</u>	<u>104,500</u>
	<b>Number of shares</b>	
	<b>2014</b>	2013
<hr/>		
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year	<u>594,899,245</u>	<u>594,899,245</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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
<b>31 December 2014</b>						
At 31 December 2013 and 1 January 2014:						
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	<u>365,481</u>	<u>9,984</u>	<u>240,199</u>	<u>4,570</u>	<u>3,050</u>	<u>623,284</u>
At 1 January 2014, net of accumulated depreciation	365,481	9,984	240,199	4,570	3,050	623,284
Additions	–	1,107	71,582	2,320	4,321	79,330
Disposals	–	–	(323)	(16)	(614)	(953)
Surplus on revaluation credited to other comprehensive income	51,158	–	–	–	–	51,158
Depreciation provided during the year	(10,791)	(1,700)	(37,297)	(1,804)	(1,584)	(53,176)
Exchange realignment	–	(4)	–	(3)	(10)	(17)
At 31 December 2014, net of accumulated depreciation	<u>405,848</u>	<u>9,387</u>	<u>274,161</u>	<u>5,067</u>	<u>5,163</u>	<u>699,626</u>
At 31 December 2014:						
Cost or valuation	405,848	17,473	445,548	14,939	8,220	892,028
Accumulated depreciation	–	(8,086)	(171,387)	(9,872)	(3,057)	(192,402)
Net carrying amount	<u>405,848</u>	<u>9,387</u>	<u>274,161</u>	<u>5,067</u>	<u>5,163</u>	<u>699,626</u>
Analysis of cost or valuation:						
At cost	–	17,473	445,548	14,939	8,220	486,180
At 31 December 2014 valuation	<u>405,848</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>405,848</u>
	<u>405,848</u>	<u>17,473</u>	<u>445,548</u>	<u>14,939</u>	<u>8,220</u>	<u>892,028</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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
<b>31 December 2013</b>						
At 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	<u>313,291</u>	<u>10,516</u>	<u>184,795</u>	<u>4,348</u>	<u>1,841</u>	<u>514,791</u>
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	<u>365,481</u>	<u>9,984</u>	<u>240,199</u>	<u>4,570</u>	<u>3,050</u>	<u>623,284</u>
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	<u>365,481</u>	<u>9,984</u>	<u>240,199</u>	<u>4,570</u>	<u>3,050</u>	<u>623,284</u>
Analysis of cost or valuation:						
At cost	–	16,381	374,389	13,316	7,007	411,093
At 31 December 2013 valuation	<u>365,481</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>365,481</u>
	<u>365,481</u>	<u>16,381</u>	<u>374,389</u>	<u>13,316</u>	<u>7,007</u>	<u>776,574</u>



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

### Company

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
<b>31 December 2014</b>			
At 31 December 2013 and 1 January 2014:			
Cost	272	146	418
Accumulated depreciation	(241)	(103)	(344)
Net carrying amount	31	43	74
At 1 January 2014, net of accumulated depreciation	31	43	74
Additions	–	35	35
Depreciation provided during the year	(4)	(16)	(20)
Disposals	–	(15)	(15)
At 31 December 2014, net of accumulated depreciation	27	47	74
At 31 December 2014:			
Cost	272	105	377
Accumulated depreciation	(245)	(58)	(303)
Net carrying amount	27	47	74
<b>31 December 2013</b>			
At 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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

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

The Group's land and buildings were revalued individually on 31 December 2014 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an aggregate open market value of HK\$405,848,000 based on their existing uses. Revaluation surplus of HK\$51,158,000, resulting from the above valuations, have been credited to other comprehensive income.

Details of the land and buildings are as follows:

	2014 HK\$'000	2013 HK\$'000
Medium term leases:		
Hong Kong	337,710	324,280
Mainland China and Macau	68,138	41,201
	<u>405,848</u>	<u>365,481</u>

The Group did not have any property, plant and equipment held under finance leases at 31 December 2014. In the prior year, the net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles at 31 December 2013 amounted to HK\$514,000 (note 30).

At 31 December 2014, certain of the Group's land and buildings with a net carrying amount of approximately HK\$274,610,000 (2013: HK\$263,100,000) were pledged to secure banking facilities granted to the Group (note 29).

### 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 2014 using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
Properties held for own use	—	—	405,848	<u>405,848</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

### Fair value hierarchy (continued)

	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 (2013: Nil).

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

	<b>Properties held for own use</b> 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 and 1 January 2014	365,481
Depreciation	(10,791)
Surplus on revaluation recognised in other comprehensive income	51,158
<b>Carrying amount at 31 December 2014</b>	<b>405,848</b>

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 or weighted average 2014	2013
Properties held for own use	Direct comparison approach	Premium on characteristic of the properties	<b>-10% to 10%</b>	-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 use 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. INVESTMENT PROPERTIES

	Group	
	2014	2013
	HK\$'000	HK\$'000
Carrying amount at 1 January	25,052	32,618
Disposal during the year	(8,261)	(9,444)
Net gain/(loss) from a fair value adjustment	(94)	1,878
Carrying amount at 31 December	16,697	25,052

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 2014 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK\$16,697,000.

Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

On 29 May 2014, Lindeteves Jacoberg (China) Limited, a wholly-owned 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 People's Republic of China (the "PRC") to China Parking Limited, a subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") and Chinney Investments, Limited ("Chinney Investments") as the purchaser (the "Purchaser") for a cash consideration of HK\$8,063,000 (equivalent to RMB6,450,000). Since 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 27 June 2014, 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 and loss on disposal of HK\$549,000 was charged to the profit or loss during the year.

In the prior year, the Vendor entered into a sale and purchase agreement to dispose of another property located in Shenzhen, the PRC to the Purchaser for a cash consideration of HK\$9,383,000 (equivalent to RMB7,600,000). 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. A loss on disposal of HK\$467,000 was charged to the profit or loss in last year.

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. INVESTMENT PROPERTIES (continued)

### 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 2014 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:

Commercial properties	–	–	16,697	16,697
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	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:

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 (2013: Nil).

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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:

	<b>Commercial properties</b> <i>HK\$'000</i>	<b>Residential properties</b> <i>HK\$'000</i>
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 and 1 January 2014	16,791	8,261
Net loss from a fair value adjustment recognised in other operating income/(expenses), net in profit or loss	(94)	–
Disposal during the year	–	(8,261)
<b>Carrying amount at 31 December 2014</b>	<b>16,697</b>	<b>–</b>

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

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Range or weighted average</b>	
			<b>2014</b>	2013
Commercial properties	Income capitalisation approach	Market rental value (per sq.m. and per month) Capitalisation rate	<b>HK\$4.2 to HK\$4.6</b>  <b>7%</b>	HK\$4.2 to HK\$4.6  7%
Residential properties	Direct comparison approach	Premium on characteristic of the properties	<b>-10% to 10%</b>	-10% to 10%

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. INVESTMENT PROPERTIES (continued)

### *The income capitalisation approach (continued)*

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.

## 16. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>185,600</b>	185,600
Due from subsidiaries	<b>628,777</b>	627,186
Due to subsidiaries	<b>(33,493)</b>	(33,498)
	<b>780,884</b>	779,288
Impairment <sup>#</sup>	<b>(560,002)</b>	(560,002)
	<b>220,882</b>	219,286

<sup>#</sup> 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) (2013: HK\$560,002,000) because these subsidiaries have been loss-making for some time. There was no change in the impairment accounts during the current and prior years.

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK\$116,885,000 (2013: HK\$92,549,000) and HK\$33,483,000 (2013: HK\$46,864,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

The amounts advanced to the subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these advances are considered as part of the Company's investments in its subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	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



# 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	Issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Chinney Electrical Supplies Limited	Hong Kong	HK\$100,000	–	100%	Trading of electrical, air-conditioning and other building supplies products
Chinney Shun Cheong Investment Co. Ltd.	Macau	MOP100,000	–	100%	Trading of generators, electrical and mechanical engineering materials and equipment
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

31 December 2014

## 16. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
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 Island	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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 16. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Shun Cheong Electrical Engineering Company Limited	Hong Kong	"A" ordinary HK\$700,000; Non-voting deferred HK\$4,000,000	–	100%	Design, installation, repair and maintenance of electrical and mechanical systems
Shun Cheong Investments Limited	British Virgin Islands	US\$100	–	100%	Investment holding
Shun Cheong Management Limited	Hong Kong	HK\$2	–	100%	Provision of management services
Shun Cheong 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. INVESTMENTS IN ASSOCIATES

	Group	
	2014 HK\$'000	2013 HK\$'000
Share of net assets	20,534	23,732
Loan to an associate	35,126	32,944
	<b>55,660</b>	56,676
Impairment <sup>#</sup>	<b>(7,200)</b>	(7,200)
	<b>48,460</b>	49,476

<sup>#</sup> 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 part of the Company's net 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		Principal activities
			2014	2013	
Fineshade Investments Limited ("Fineshade")*	British Virgin Islands/ Mainland China	US\$1,221,200	21.5%	21.5%	Investment holding
Jiangxi Kaitong New Materials Company Limited 江西省凱通新材料 科技有限公司**	PRC/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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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:

	2014 HK\$'000	2013 HK\$'000
Share of the associates' profit/(loss) for the year	(2,241)	89
Share of the associates' other comprehensive income	(957)	2,124
Share of the associates' total comprehensive income	(3,198)	2,213
Aggregate carrying amount of the Group's investments in the associates	<u>48,460</u>	<u>49,476</u>

## 18. INVESTMENT IN A JOINT VENTURE

	Group 2014 HK\$'000	2013 HK\$'000
Share of net assets	<u>-</u>	<u>-</u>

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

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

Name	Place of registration and business	Percentage of			Principal activities
		Ownership interest	Voting power	Profit sharing	
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.

# NOTES TO THE FINANCIAL STATEMENTS

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

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:

	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
Share of the joint venture's assets and liabilities:		
Current assets	<b>186</b>	186
Current liabilities	<b>(484)</b>	(484)
Net liabilities	<b>(298)</b>	(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 (2013: Nil). At 31 December 2014, the aggregate unrecognised share of losses of the joint venture amounted to HK\$298,000 (2013: HK\$298,000).

# NOTES TO THE FINANCIAL STATEMENTS

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## 19. GOODWILL

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Carrying amount at 1 January and 31 December <sup>#</sup>	<b>5,767</b>	5,767

<sup>#</sup> 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 10% (2013: 8%).

Assumptions used in the value in use calculation for 31 December 2014 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

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Club memberships, at cost	<b>3,283</b>	3,283	<b>1,220</b>	1,220
Provision for impairment <sup>#</sup>	<b>(938)</b>	(938)	<b>(938)</b>	(938)
	<b>2,345</b>	2,345	<b>282</b>	282

<sup>#</sup> An impairment was recognised for a club membership with a carrying amount of HK\$1,220,000 (before deducting the impairment loss) (2013: 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 21. INVENTORIES

	Group	
	2014	2013
	HK\$'000	HK\$'000
Raw materials	54,649	71,471
Finished goods	15,184	14,272
	<u>69,833</u>	<u>85,743</u>

## 22. CONSTRUCTION CONTRACTS

	Group	
	2014	2013
	HK\$'000	HK\$'000
Gross amount due from contract customers	198,643	235,810
Gross amount due to contract customers	<u>(617,937)</u>	<u>(431,855)</u>
	<u>(419,294)</u>	<u>(196,045)</u>
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	13,404,219	11,033,318
Less: Progress billings	<u>(13,823,513)</u>	<u>(11,229,363)</u>
	<u>(419,294)</u>	<u>(196,045)</u>

At 31 December 2014, 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\$311,084,000 (2013: HK\$214,526,000).

At 31 December 2014, 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\$120,762,000 (2013: HK\$93,070,000).



# NOTES TO THE FINANCIAL STATEMENTS

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## 23. TRADE RECEIVABLES

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>541,879</b>	441,973
Impairment	<b>(2,195)</b>	(2,155)
	<b>539,684</b>	439,818

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

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

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current to 30 days	<b>340,082</b>	302,584
31 to 60 days	<b>107,600</b>	76,805
61 to 90 days	<b>61,158</b>	36,060
Over 90 days	<b>30,844</b>	24,369
	<b>539,684</b>	439,818

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

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>2,155</b>	2,140
Impairment losses recognised (note 7)	<b>63</b>	18
Impairment losses reversed (note 7)	<b>(23)</b>	–
Amount written off as uncollectible	<b>–</b>	(3)
At 31 December	<b>2,195</b>	2,155

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 23. TRADE RECEIVABLES (continued)

The above provision for impairment of trade receivables represented provision for individually impaired trade receivables with a carrying amount before provision of HK\$2,195,000 (2013: HK\$2,155,000) which related to customers that were in default or delinquency in payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2014	2013
	HK\$'000	HK\$'000
Neither past due nor impaired	321,058	278,919
Less than 30 days past due	136,565	112,193
31 to 90 days past due	59,103	27,380
Past due over 90 days	22,958	21,326
	539,684	439,818

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	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	3,974	2,922	262	231
Deposits and other receivables	101,603	66,952	36	49
	105,577	69,874	298	280

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash and bank balances	<b>288,710</b>	256,320	<b>20,817</b>	17,862
Time deposits	<b>83,845</b>	55,767	<b>40,002</b>	–
Pledged time deposits	<b>20,077</b>	16,781	–	–
	<b>392,632</b>	328,868	<b>60,819</b>	17,862
Less: Pledged time deposits:				
Pledged for letters of guarantee and performance bonds	<b>(19,077)</b>	(15,781)	–	–
Pledged for bank overdraft facilities (note 29)	<b>(1,000)</b>	(1,000)	–	–
Cash and cash equivalents	<b>372,555</b>	312,087	<b>60,819</b>	17,862

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$36,278,000 (2013: HK\$27,561,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 26. TRADE AND BILLS PAYABLES

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	275,315	275,889
Bills payable	15,849	21,124
	<u>291,164</u>	<u>297,013</u>

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

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	196,142	238,787
31 to 60 days	52,272	19,601
61 to 90 days	11,951	5,399
Over 90 days	14,950	12,102
	<u>275,315</u>	<u>275,889</u>

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

## 27. TRUST RECEIPT LOANS

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

## 28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	9,533	7,011	164	160
Accruals	77,928	76,316	1,140	2,593
	<u>87,461</u>	<u>83,327</u>	<u>1,304</u>	<u>2,753</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 29. INTEREST-BEARING BANK AND OTHER BORROWINGS

### Group

	31 December 2014			31 December 2013		
	Effective interest rate %	Maturity	HK\$'000	Effective interest rate %	Maturity	HK\$'000
<b>Current</b>						
Finance lease payables (note 30)			–	6.04	2014	160
Trust receipt loans (note 27)	1.85 – 2.91	on demand	165,489	1.81 – 2.92	on demand	153,690
Bank overdrafts – unsecured	6.50	on demand	1,977			–
Bank loans – unsecured	2.23 – 3.14	2015 or on demand	43,176	2.21 – 3.21	2014 or on demand	119,062
Bank loans – secured	1.44 – 3.10	2015 or on demand	27,549	1.41 – 2.27	2014 or on demand	56,795
			<b>72,702</b>			<b>175,857</b>
Total current			<b>238,191</b>			<b>329,707</b>
<b>Non-current</b>						
Finance lease payables (note 30)			–	6.04	2015 – 2016	229
Bank loan – secured	3.10	2019	3,617	3.10	2019	4,453
Total non-current			<b>3,617</b>			<b>4,682</b>
<b>Total</b>			<b>241,808</b>			<b>334,389</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

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

	Group	
	2014	2013
	HK\$'000	HK\$'000
Analysed into:		
Bank loans and overdrafts and trust receipt loans repayable:		
Within one year or on demand	238,191	329,547
In the second year	863	837
In the third to fifth years, inclusive	2,754	2,671
Beyond five years	–	945
	241,808	334,000
Other borrowings repayable:		
Within one year or on demand	–	160
In the second year	–	170
In the third to fifth years, inclusive	–	59
	–	389
	241,808	334,389

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\$274,610,000 (2013: HK\$263,100,000) (note 14); and
  - (iii) a time deposit of HK\$1,000,000 (2013: HK\$1,000,000) (note 25).

Based on the maturity terms of the bank loans, overdrafts and trust receipt loans, the amounts repayable in respect of the Group's interest-bearing bank borrowing are: within one year or on demand HK\$238,191,000 (2013: HK\$302,659,000); in the second year HK\$863,000 (2013: HK\$27,725,000); in the third to fifth years, inclusive HK\$2,754,000 (2013: HK\$2,671,000); and nil beyond five years (2013: HK\$945,000).

As at 31 December 2013, based on the maturity terms of the obligations under finance leases, the amounts repayable in respect of the Group's obligations under finance leases were: within one year or on demand HK\$160,000; in the second year HK\$170,000; and in the third to fifth years, inclusive HK\$59,000.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 30. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2013, the Group leased certain of its plant and machinery and motor vehicle for its operation. The lease was classified as finance lease and had remaining lease term of three years. 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Amounts payable:				
Within one year or on demand	–	179	–	160
In the second year	–	179	–	170
In the third to fifth years, inclusive	–	60	–	59
Total minimum finance lease payments	–	418	–	389
Future finance charges	–	(29)		
Total net finance lease payables	–	389		
Portion classified as current liabilities ( <i>note 29</i> )	–	(160)		
Non-current portion ( <i>note 29</i> )	–	229		

As at 31 December 2013, the leases were secured by a motor vehicle with a carrying value of HK\$514,000.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 31. 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
At 1 January	30,755	26,505	32,527	29,813	63,282	56,318
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	5,538	4,250	(1,182)	(3,516)	4,356	734
Deferred tax charged to other comprehensive income	—	—	2,521	6,230	2,521	6,230
Gross deferred tax liabilities at 31 December	36,293	30,755	33,866	32,527	70,159	63,282

### Deferred tax assets

#### Group

	Related depreciation over depreciation allowance	
	2014 HK\$'000	2013 HK\$'000
At 1 January	2,128	3,607
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	101	(1,479)
Gross deferred tax assets at 31 December	2,229	2,128

The Group has tax losses arising in Hong Kong of approximately HK\$194,240,000 (2013: HK\$228,441,000) 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 32. SHARE CAPITAL

### Shares

	2014 HK\$'000	2013 HK\$'000
Authorised:		
2,500,000,000 (2013: 2,500,000,000) ordinary shares of HK\$0.10 (2013: HK\$0.10) each	<u>250,000</u>	<u>250,000</u>
Issued and fully paid:		
594,899,245 (2013: 594,899,245) ordinary shares of HK\$0.10 (2013: HK\$0.10) each	<u>59,490</u>	<u>59,490</u>

## 33. 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 37 of these financial statements.

### (b) Company

	Share premium account HK\$'000	Contributed surplus* HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2013	60,978	120,946	1,118	183,042
Total comprehensive income for the year	–	–	35,461	35,461
Proposed final 2013 dividend (note 12)	<u>–</u>	<u>–</u>	<u>(20,821)</u>	<u>(20,821)</u>
At 31 December 2013 and at 1 January 2014	60,978	120,946	15,758	197,682
Total comprehensive income for the year	–	–	109,438	109,438
Proposed final 2014 dividend (note 12)	<u>–</u>	<u>–</u>	<u>(23,796)</u>	<u>(23,796)</u>
<b>At 31 December 2014</b>	<b><u>60,978</u></b>	<b><u>120,946</u></b>	<b><u>101,400</u></b>	<b><u>283,324</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 33. RESERVES (continued)

### (b) Company (continued)

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

There is no specific provision in the Bermuda Companies Act which regulates the use of contributed surplus save that the Company cannot make a distribution out of the contributed surplus to the shareholders if there are reasonable grounds for believing that the 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.

## 34. 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	2014 HK\$'000	2013 HK\$'000
Management fees to a major shareholder	(i)	–	1,500
Share of rental and office expenses with a related company	(ii)	2,927	2,856
Construction contract income from related companies	(iii)	(920)	(939)
Interest income from an associate	(iv)	(2,779)	(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, at 9.7% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 34. RELATED PARTY TRANSACTIONS (continued)

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

	2014 HK\$'000	2013 HK\$'000
Short term employee benefits	41,174	38,978
Post-employment benefits	1,386	1,344
Total compensation paid to key management personnel	42,560	40,322

### (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.

## 35. 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 two years (2013: one year). The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants due as follows:

	Group 2014 HK\$'000	2013 HK\$'000
Within one year	1,264	105
In the second to fifth years, inclusive	211	–
	1,475	105

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 35. OPERATING LEASE ARRANGEMENTS (continued)

### (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 three years (2013: one to four years).

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Within one year	5,028	1,367
In the second to fifth years, inclusive	5,599	512
	<u>10,627</u>	<u>1,879</u>

The Company had no operating lease commitments at the end of the reporting period (2013: Nil).

## 36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitment at the end of the reporting period:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Plant and machinery	<u>11,654</u>	<u>12,844</u>

As at 31 December 2014, the Company did not have any capital commitment (2013: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) In the prior year, on 18 April 2013, the Company acquired items of property, plant and equipment and certain assets and liabilities 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 were as follows:

	<i>HK\$'000</i>
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)
	<u>8,500</u>

	<i>HK\$'000</i>
Satisfied by:	
Cash	<u>8,500</u>

	<i>HK\$'000</i>
Cash consideration	8,500
Cash and bank balances acquired	<u>(74)</u>
	<u>8,426</u>

### (b) Major non-cash transaction

- (i) During the year, the Group has non-cash interest income amounted to HK\$2,181,000 (2013: HK\$2,176,000).
- (ii) In the prior 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 38. CONTINGENT LIABILITIES

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

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	–	–	1,743,193	1,362,572

As at 31 December 2014, the total banking facilities utilised by the subsidiaries amounted to HK\$795,376,000 (2013: HK\$739,907,000).

- (b) The Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of HK\$466,063,000 (2013: HK\$352,771,000) for the issue of performance bonds in its ordinary course of business. Certain of these performance bonds were also secured by time deposits amounted to HK\$19,077,000 (2013: HK\$15,781,000).

## 39. 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

2014

#### Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	HK\$'000	HK\$'000	HK\$'000
Other assets	–	2,345	2,345
Trade receivables	539,684	–	539,684
Retention monies receivable	311,084	–	311,084
Amounts due from a joint venture	967	–	967
Financial assets included in prepayments, deposits and other receivables	101,603	–	101,603
Pledged time deposits	20,077	–	20,077
Cash and cash equivalents	372,555	–	372,555
	<u>1,345,970</u>	<u>2,345</u>	<u>1,348,315</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

2014 (continued)

### Financial liabilities

	<b>Financial liabilities at amortised cost HK\$'000</b>
Trade and bills payables	291,164
Trust receipt loans	165,489
Retention monies payable	120,762
Financial liabilities included in other payables and accruals	52,991
Interest-bearing bank borrowings	76,319
	<b>706,725</b>

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	66,952	–	66,952
Pledged time deposits	16,781	–	16,781
Cash and cash equivalents	312,087	–	312,087
	<b>1,051,131</b>	<b>2,345</b>	<b>1,053,476</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

**Group** (continued)

**2013** (continued)

### 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	389
Interest-bearing bank borrowings	180,310
	<u>776,982</u>

**Company**

**2014**

### 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	116,885	–	116,885
Financial assets included in prepayments, deposits and other receivables	36	–	36
Cash and cash equivalents	60,819	–	60,819
	<u>177,740</u>	<u>282</u>	<u>178,022</u>

### Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Amounts due to subsidiaries	33,483
Financial liabilities included in other payables and accruals	1,127
	<u>34,610</u>



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company (continued)

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	49	–	49
Cash and cash equivalents	17,862	–	17,862
	<u>110,460</u>	<u>282</u>	<u>110,742</u>

### Financial liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

### Group

	Carrying amounts		Fair values	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial liabilities</b>				
Obligations under finance leases (note 30)	–	389	–	389
Interest-bearing bank borrowings (note 29)	<u>76,319</u>	<u>180,310</u>	<u>76,319</u>	<u>180,310</u>
	<u>76,319</u>	<u>180,699</u>	<u>76,319</u>	<u>180,699</u>

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, loan to an associate and amount due from a joint venture approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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 interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

### Fair value hierarchy

As at 31 December 2014 and 31 December 2013, the Group did not have any financial assets measured at fair value.

The Group did not have any financial liabilities measured at fair value as at 31 December 2014 and 31 December 2013. As at 31 December 2014, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included obligations under finance leases of nil (2013: HK\$389,000) and interest-bearing bank borrowings of HK\$76,319,000 (2013: HK\$180,310,000). 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 (2013: Nil).

The Company did not have any financial assets and liabilities measured at fair value as at 31 December 2014 and 31 December 2013.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 41. 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.

### *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 29 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.

	<b>Increase/ (decrease) in basis points</b>	<b>Increase/ (decrease) in profit before tax HK\$'000</b>	<b>Increase/ (decrease) in equity* HK\$'000</b>
<b>2014</b>			
Hong Kong dollar	50	(1,477)	–
Hong Kong dollar	(50)	1,477	–
<b>2013</b>			
Hong Kong dollar	50	(1,407)	–
Hong Kong dollar	(50)	1,407	–

\* Excluding retained profits

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 41. 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 HK\$'000	Increase/ (decrease) in equity* HK\$'000
<b>2014</b>			
If Hong Kong dollar weakens against United States dollar	1	192	–
If Hong Kong dollar strengthens against United States dollar	(1)	(192)	–
If Hong Kong dollar weakens against Renminbi	5	2,166	–
If Hong Kong dollar strengthens against Renminbi	(5)	(2,166)	–
<b>2013</b>			
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)	–

\* Excluding retained profits

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 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 2014

	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	291,164	–	–	–	291,164
Trust receipt loans	165,489	–	–	–	165,489
Retention monies payable	120,762	–	–	–	120,762
Financial liabilities included in other payables and accruals	52,991	–	–	–	52,991
Interest-bearing bank borrowings	72,828	963	2,887	–	76,678
	<u>703,234</u>	<u>963</u>	<u>2,887</u>	<u>–</u>	<u>707,084</u>

#### 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
	<u>772,471</u>	<u>1,142</u>	<u>2,949</u>	<u>961</u>	<u>777,523</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

Included in interest-bearing bank and other borrowings are certain of the Group's bank loans in the amount of HK\$237,354,000 (2013: HK\$328,736,000), of which the loan 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 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 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 2014 are HK\$239,210,000 in 2015, HK\$963,000 in 2016, HK\$2,887,000 from 2017 to 2019 and nil beyond 2019.

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

	<b>On demand and/or less than 12 months</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Amounts due to subsidiaries	<b>33,483</b>	46,864
Financial liabilities included in other payables and accruals	<b>1,127</b>	2,593
Guarantees given to banks in connection with facilities granted to subsidiaries	<b>1,743,193</b>	1,362,572
	<b>1,777,803</b>	1,412,029

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 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 2014 and 31 December 2013.

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 finance 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:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Trust receipt loans	<b>165,489</b>	153,690
Obligations under finance leases	–	389
Interest-bearing bank borrowings	<b>76,319</b>	180,310
Total interest-bearing borrowings	<b>241,808</b>	334,389
Equity attributable to owners of the Company	<b>951,402</b>	781,679
Gearing ratio	<b>25.4%</b>	42.8%

## 42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2015.