



建聯集團有限公司^{*}
Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Annual Report 2015

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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 Directors

Herman Man-Hei FUNG
Wendy Kim-See GAN

Independent Non-Executive Directors

Yuen-Tin NG
Chi-Chiu WU
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
2 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

BUSINESS ADDRESSES AND CONTACTS

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Hong Kong Spinners Industrial Building, Phase VI
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Tel : (852) 2415-6509
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Shun Cheong Electrical Engineering Company Limited Westco Airconditioning Limited

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Westco Chinney Limited

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DrilTech Ground Engineering Limited DrilTech Geotechnical Engineering Limited

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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 Wednesday, 1 June 2016 at 4:30 p.m. at Full Moon Shanghai Restaurant, Macau Jockey Club, 3/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 for the year ended 31 December 2015 together with the reports of the directors and the independent auditors thereon.
2. To declare a final dividend for the year ended 31 December 2015.
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, 28 April 2016

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, Ms. Wendy Kim-See Gan (“Ms. Gan”), who was appointed subsequent to the last annual general meeting of the Company, will hold office until the AGM and, being eligible, offer herself for re-election in accordance with bye-law 86(2) of the Bye-laws of the Company at the AGM.

Mr. Philip Bing-Lun Lam (“Mr. Lam”) and Mr. Yuen-Tin Ng (“Mr. Ng”) will retire by rotation at the AGM in accordance with bye-law 87 of the Bye-laws of the Company. Both Mr. Lam and Mr. Ng, being eligible, will offer themselves for re-election at the AGM.

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

Wendy Kim-See Gan

Aged 51, was appointed as a non-executive director of the Company on 10 June 2015. She has extensive experience in property development and management and expertise in the sales and marketing of projects in Hong Kong and overseas. She had been the executive director and sales and marketing director of Pacific Century Premium Developments Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (stock code: 432), from August 2005 until her resignation with effect from 18 March 2015. She was responsible for the overall market positioning, sales, leasing and marketing of property assets in Asia-Pacific. Before joining the Pacific Century Group, she was head of sales and marketing at Swire Properties Limited, looking after that company’s portfolio of residential, office and retail developments.

Ms. Gan’s marketing campaigns have repeatedly received top honours at the HKMA/TVB Marketing Excellence Award, the MAXI Award from the International Council of Shopping Centers, HK 4A’s Awards and the Hong Kong Institute of Surveyors’ top awards in property marketing.

Ms. Gan holds a Bachelor of Arts degree with First Class Honours from the University of Hong Kong (“HKU”). She also holds an Executive Master of Business Administration degree jointly awarded by the Kellogg School of Management of the Northwestern University in USA and the Business School of the Hong Kong University of Science and Technology (“HKUST”) and is an alumna of the Harvard Graduate School of Design. She sits on the HKUST Business School Advisory Council and is a member of the Administrative Appeals Board of the HKSAR Government. Ms. Gan is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors, the Real Estate Developers Association of Hong Kong and the China Institute of Real Estate Appraisers and Agents. In 2011, she received the “China’s 100 Outstanding Female Entrepreneurs” award. Ms. Gan is currently a member of the Court of HKU and an Honorary Director of HKU Foundation for Educational Development and Research. She sits on the Management Board of HKU School of Professional and Continuing Education and is a Director of HKS Education Fund Limited. In 2014, Ms. Gan was made an Honorary Fellow of HKU.

Ms. Gan 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, Ms. Gan 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. She 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 Ms. Gan and she 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 2015, Ms. Gan 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 Ms. Gan.

NOTICE OF ANNUAL GENERAL MEETING

Notes: (continued)

(6) (continued)

Philip Bing-Lun Lam

Aged 73, was appointed as an executive director of the Company in August 2012. He is the director of Shun Cheong Electrical Engineering Company Limited and Chinney Construction Company, Limited, both being major subsidiaries of the Company. Mr. Lam began his career in 1963 with Hang Seng Bank Limited for eleven years, and then joined 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 and the Board of Governors of the Canadian International School of Hong Kong.

Mr. Lam 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. He 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.

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

There is no service contract of fixed term entered into between the Company and Mr. Lam. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. Mr. Lam has an employment contract with the Company which is terminable by either party by serving to another party six months' advance written notice. He will be entitled to an annual salary of HK\$2,080,000 which has been fixed by reference to his position, his level of responsibilities and the remuneration policy of the Group. In addition, he is also entitled to a discretionary bonus to be determined by the Board and other employment benefits provided by the Group to all eligible staff.

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. Lam.

NOTICE OF ANNUAL GENERAL MEETING

Notes: (continued)

(6) (continued)

Yuen-Tin Ng

Aged 64, 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.

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

There is currently no service contract between the Company and Mr. Ng and he is not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the By-laws of the Company. Mr. Ng is entitled to a director's fee of HK\$100,000 per annum which is based on the Company's remuneration policy adopted for independent non-executive directors of the Company.

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

(7) At the date hereof, the board of directors of the Company 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 two are non-executive directors, namely Mr. Herman Man-Hei Fung and Ms. Wendy Kim-See Gan; and three are independent non-executive directors, namely Mr. Yuen-Tin Ng, Mr. Chi-Chiu Wu and Mr. Ronald James Blake.

RESULTS

The board of directors (the "Board") of Chinney Alliance Group Limited (the "Company" and, collectively with its subsidiaries, the "Group") is pleased to announce that the Group recorded a revenue of HK\$4,552 million for the year ended 31 December 2015 (2014: HK\$3,813 million). The net profit attributable to shareholders of the Company for the year was HK\$169.1 million (2014: HK\$142.3 million), which included a gain on reclassification of exchange fluctuation reserve upon realisation of the Group's investment in an associate of HK\$2.1 million. Should this one-off gain be excluded, the profit would be HK\$167.0 million. The Group's land and buildings held for own use recorded a surplus arising from revaluation of HK\$7.7 million (net of deferred tax) which was credited to reserve as other comprehensive income (2014: HK\$48.6 million).

PROPOSED FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK5.0 cents per share for the year ended 31 December 2015 (2014: HK4.0 cents) to the shareholders of the Company whose names appear on the Company's register of members on 10 June 2016. It is expected that the final dividend cheques will be despatched to the shareholders on or before 27 June 2016.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 1 June 2016. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 30 May 2016 to 1 June 2016 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, 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 2016.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2015 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 8 June 2016 to 10 June 2016 (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 2016. 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 7 June 2016.

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemical products

The Plastic Trading division, consists of Jacobson van den Berg (Hong Kong) Limited ("Jacobson HK") and its fellow subsidiaries, contributed a revenue of HK\$567 million (2014: HK\$550 million) and an operating profit of HK\$7.3 million (2014: HK\$9.8 million). With the strong business relationship with suppliers and effort of the management and front line staff, the division provided more competitive products and packages to customers which attributed to the increase in sales. However, the sharp decrease in oil prices over the year reduced the selling prices of the division's products. Manufacturers in South China, which were major customers of the division, were hit by the devaluation of Renminbi and were keen on bargain to strive for profitability. As a result, the profit margin of the division was reduced. Nevertheless, the division continues to develop closer relationship with suppliers to broaden the product line to enhance the quality of earnings.

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\$1,325 million (2014: HK\$845 million) and an operating profit of HK\$30.9 million (2014: HK\$29.2 million). During the year, the division was awarded more contracts which attributed to the increase in revenue. With more sizeable contracts are running, the management is cautious to monitor the progress and reserve prudent level of buffer for the expecting increase in costs, especially labour costs. Besides, the division employed more staff at all levels to cater for the newly awarded contracts and increase in business volume. So the increase operating profit was not in proportion to the increase in revenue of the year under review. Shun Cheong has diversified portfolio in both public and private sectors for residential development, commercial buildings, hotels and resorts, and maintenance contracts. The division had outstanding contract sum of approximately HK\$3,039 million as at 31 December 2015 and was awarded approximately HK\$401 million worth contracts subsequent to the year end date.

Building construction

The division consists of 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. During the year, the division contributed a revenue of HK\$1,120 million (2014: HK\$1,027 million) and an operating profit of HK\$35.1 million (2014: HK\$38.7 million). While revenue and profit margin maintained at similar level of last year, staff costs and other overhead increased to match business development and so the operating profit decreased slightly. With the site works of contracts awarded in 2015 commenced in second half of 2015 and 2016, the division is working at full capacity. The current contracts included staff quarters, hostel, residential and commercial development in both public and private sectors. The outstanding contract sum was approximately HK\$1,597 million as at year end and approximately HK\$825 million worth contracts were awarded after year end.

Foundation piling and ground investigation

As mentioned in the 2015 interim report and subsequent announcements and circular to shareholders of the Company, the Group spun-off its foundation division for separate listing. The trading of the shares of Chinney Kin Wing Holdings Limited ("Chinney Kin Wing"), the holding company of the foundation division, on the Main Board of the Stock Exchange commenced on 11 November 2015 and Chinney Kin Wing has become a 74.5% subsidiary of the Company since then.

The principal subsidiaries of Chinney Kin Wing are Kin Wing Engineering Company Limited ("KWE") and Kin Wing Foundations Limited engaged in foundation business and DrillTech Ground Engineering Limited engaged in drilling business. During the year under review, the division contributed revenue of HK\$1,515 million (2014: HK\$1,382 million) and operating profit of HK\$168.9 million (2014: HK\$110.7 million) to the Group. The increase in revenue was mainly due to the efforts in pursuing projects of relatively larger scale in terms of contract sum. Profit margin was also improved for more technically complex and sizeable projects and the stringent project costs control. Despite the increase in staff costs and depreciation for plant and machinery acquired during the year, and the one-off expenses incurred for listing, the division's operating profit recorded significant increase. As at 31 December 2015, the division had 14 and 39 projects in progress with contract sum of approximately HK\$2,003 million and HK\$226 million in foundation business and drilling business respectively. Subsequent to the year-end, the division was awarded 4 foundation contracts and 12 drilling contracts with total contract sum of approximately HK\$219 million.

BUSINESS REVIEW AND PROSPECTS *(continued)*

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\$25 million (2014: HK\$8 million) and an operating loss of HK\$6.5 million (2014: loss of HK\$5.3 million). The new air traffic management system of the Hong Kong airport was under the testing stage and CAE invoiced for the works done according to the progress and the revenue increase. Such increase in revenue and profit was set-off by impairment of trade debts although the management is still pursuing for recovery. The new air traffic management system is intended to be in operation in 2016 and CAE will recognise the revenue in accordance with the progress. The proposed Three-Runway System will be the major development of the Hong Kong International Airport to meet the expected air traffic growth. Subject to necessary statutory procedures and government approval, this proposed project would bring significant business opportunity to CAE in future years.

The properties holding recorded a loss of HK\$1.1 million which was mainly due to depreciation charges.

The Group's investment in Jiangxi Kaitong New Materials Company Limited ("Jiangxi Kaitong"), which was engaged in the manufacturing of stainless steel and plastic compound pipes in the People's Republic of China (the "PRC"), was de-recognised as an associate after the expiry of the operation period approved by local government and is currently under the process of dissolution. The investment was reclassified to current asset as loans and receivables and the attributable exchange reserve of HK\$2.1 million was reclassified as profit. The process of dissolution is expected to complete in 2016.

The Group's share of the profits and losses of associates reported net losses of HK\$0.4 million (2014: losses of HK\$2.2 million). These represented the share of the results of the Group's investment in Fineshade Investments Limited ("Fineshade") which holds interests in a real estate property in Hangzhou, the PRC as investment properties. With the improving occupancy of the investment properties in the year under review, Fineshade managed to reduce its loss.

OUTLOOK

The long waiting rise of interest rates of the US Federal Reserve started in December 2015. But the Federal Open Market Committee's meeting in March 2016 decided, based on the potential impact from weaker global growth and financial market turmoil on the US economy, that no increase in borrowing costs and scaled back forecasts for the 2016 to 0.5%, down from 1% forecast in December 2015. Other advance economies are still weak. The Eurozone and Japan continue quantitative easing policies and adopt negative interest rate to stimulate consumption. So the growth momentum of the global economy in 2016 would be slow and unsteady. The China Government tunes down the forecast of target GDP growth to 6.5% to 7.0% from previous 7.0%. China's economy has slowed steadily as the government tries to replace the reliance on trade and investment model with self-sustaining growth driven by domestic consumption.

CHAIRMAN'S STATEMENT

OUTLOOK *(continued)*

The Hong Kong economy recorded a 2.4% growth in 2015, which was below the average annual growth of 3.4% in the past ten years. Given the decline in domestic demand and the weak global economic outlook, the local government estimated only 1% to 2% growth in the local economy in 2016. Nevertheless, the building construction sector would continue to grow under the intensive public construction works and ongoing private sector building activity. The Group's Plastic Trading division would face another tough year given the weak global economy and the transformation of the China economy. Although there are still sufficient tenders for building construction works for the public and private sectors, the competition is very keen as reflected in the tender prices. The Group's three construction related divisions continue to seek new tender opportunities and monitor costs to maintain profitability and liquidity. The Foundation division as a separate listed company continues to improve its competitive strength and given its strong financial resources, will be able to have a sustainable development in the future. 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 continued support and staff of all levels for their hard working and contribution for the success during the past year.

James Sai-Wing Wong
Chairman

Hong Kong, 30 March 2016

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

James Sai-Wing Wong

Aged 77, 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 ("Stock Exchange"). He was appointed a Justice of the Peace for Hong Kong in 1987.

Yuen-Keung Chan

Aged 61, 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, a director and vice chairman of Chinney Kin Wing (stock code: 1556) both are listed on the Main Board of the Stock Exchange.

James Sing-Wai Wong

Aged 52, 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-seven 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 Company's Chairman and a substantial shareholder of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(continued)*

Philip Bing-Lun Lam

Aged 73, 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 and the Board of Governors of the Canadian International School of Hong Kong.

Mr. Lam 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. He 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.

NON-EXECUTIVE DIRECTORS

Herman Man-Hei Fung

Aged 78, was appointed as a non-executive director of the Company in 1998. He is 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 and the chairman of Chinney Kin Wing. Chinney Investments, Hon Kwok and Chinney Kin Wing are all 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

NON-EXECUTIVE DIRECTORS *(continued)*

Wendy Kim-See Gan

Aged 51, was appointed as a non-executive director of the Company on 10 June 2015. She has extensive experience in property development and management and expertise in the sales and marketing of projects in Hong Kong and overseas. She had been the executive director and sales and marketing director of Pacific Century Premium Developments Limited (a company listed on the Main Board of the Stock Exchange (stock code: 432), from August 2005 until her resignation with effect from 18 March 2015. She was responsible for the overall market positioning, sales, leasing and marketing of property assets in Asia-Pacific. Before joining the Pacific Century Group, she was head of sales and marketing at Swire Properties Limited, looking after that company's portfolio of residential, office and retail developments.

Ms. Gan's marketing campaigns have repeatedly received top honours at the HKMA/TVB Marketing Excellence Award, the MAXI Award from the International Council of Shopping Centers, HK 4A's Awards and the Hong Kong Institute of Surveyors' top awards in property marketing.

Ms. Gan holds a Bachelor of Arts degree with First Class Honours from HKU. She also holds an Executive Master of Business of Administration degree jointly awarded by the Kellogg School of Management of the Northwestern University in USA and the Business School of the Hong Kong University of Science and Technology ("HKUST") and is an alumna of the Harvard Graduate School of Design. She sits on the HKUST Business School Advisory Council and is a member of the Administrative Appeals Board of the HKSAR Government. Ms. Gan is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors, the Real Estate Developers Association of Hong Kong and the China Institute of Real Estate Appraisers and Agents. In 2011, she received the "China's 100 Outstanding Female Entrepreneurs" award. Ms. Gan is currently a member of the Court of HKU and an Honorary Director of HKU Foundation for Educational Development and Research. She sits on the Management Board of HKU School of Professional and Continuing Education and is a Director of HKS Education Fund Limited. In 2014, Ms. Gan was made an Honorary Fellow of HKU.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yuen-Tin Ng

Aged 64, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Chi-Chiu Wu

Aged 52, was appointed as an independent non-executive director of the Company in March 2012. Mr. Wu is now a director and the chief executive officer of Golden Glory Group Pte. Ltd., a company incorporated in Singapore as the holding company to develop and operate mixed-use properties in Myanmar, comprising residential, commercial, retail, hotel, and industrial township. He 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 9 February 2006 and the vice chairman and the chief executive officer of that company since 6 March 2006, until he resigned on 31 March 2013. Besides, 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 22 October 2010 and the deputy chairman of the same company since 15 March 2011, until he retired on 16 May 2013. Mr. Wu holds a Bachelor of Science degree from the University of Toronto, Canada.

Ronald James Blake

Aged 81, was appointed as an independent non-executive director of the Company in 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 KCRS'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 (Engineer 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Kwok-Ming Lam

Aged 52, 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 55, is an executive director and concurrently serves as the managing director of Chinney Kin Wing which is listed on the Main Board of the Stock Exchange and a major subsidiary 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 formulating corporate and business strategies and leading and training the core management team of Chinney Kin Wing. He holds a Bachelor's degree in Civil Engineering from HKU 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.

Kwok-Leung Wong

Aged 50, is the director and general manager of CCCL, a major subsidiary of the Company engaged in building construction. He has over twenty-seven 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 57, 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 56, is the director and general manager of Westco Chinney Limited which is a major subsidiary of the Company engaged in installation of air-conditioning systems. He has over thirty years of experience in the field of mechanical engineering. He is a member of American Society of Heating, Refrigerating and Air-conditioning Engineers and Australian Institute of Refrigeration, Airconditioning and Heating.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT *(continued)*

Kwok-Keung Wong

Aged 57, 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 58, is an executive director and concurrently serves as the general manager of Chinney Kin Wing which is listed on the Main Board of the Stock Exchange and a major subsidiary of the Company engaged in foundation piling and site investigation. Mr. So is responsible for the overall management and supervision of the operations of Chinney Kin Wing. 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 50, is the company secretary and financial controller of the Company. He has twenty-seven years of experience in the accounting field. He holds a Bachelor's degree in Business Administration from The Chinese University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

This report describes the Company's corporate governance practices and structures that were in place during the financial year, with specific reference to the principles and guidelines of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange. 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 2015, in the opinion of the directors of the Company, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except A.1.1, A.4.1, A.4.2, A.5.1 to A.5.4 and A.6.7, which is 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 13 to 18 of this Annual Report.

The Board currently comprises of four executive directors, two non-executive directors and three independent non-executive directors. The directors during the financial year and up to the date of this report are set out on page 30 of this Annual Report and are currently as follows:

Name of director

Executive Directors

Dr. James Sai-Wing Wong (*Chairman*)
Mr. Yuen-Keung Chan (*Vice Chairman and Managing Director*)
Mr. James Sing-Wai Wong
Mr. Philip Bing-Lun Lam

Non-Executive Directors

Mr. Herman Man-Hei Fung
Ms. Wendy Kim-See Gan

Independent Non-Executive Directors

Mr. Yuen-Tin Ng
Mr. Chi-Chiu Wu
Mr. Ronald James Blake

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Independent non-executive directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in board meetings.

The Board considers that each independent non-executive director of the Company is independent in character and judgment. The Company has received from each independent non-executive director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

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

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

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

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Herman Man-Hei Fung, Mr. Chi-Chiu Wu and Mr. Alexander Yan-Zau Fang, being non-executive directors of the Company, did not attend the 2015 annual general meeting of the Company held on 1 June 2015 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, Chinney Kin Wing, 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.

CORPORATE GOVERNANCE REPORT

RE-ELECTION OF DIRECTORS *(continued)*

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

Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments, EIL and Chinney Capital Limited, which collectively holds approximately 73.43% 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.

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 2015 is summarized as follows:

Name of director	Type of trainings
Executive Directors	
Dr. James Sai-Wing Wong	B
Mr. Yuen-Keung Chan	A
Mr. James Sing-Wai Wong	B
Mr. Philip Bing-Lun Lam	A, B
Non-Executive Directors	
Mr. Herman Man-Hei Fung	A
Ms. Wendy Kim-See Gan	A
Independent Non-Executive Directors	
Mr. Yuen-Tin Ng	A
Mr. Chi-Chiu Wu	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 on 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 2015. Securities interests in the Company and its associated corporations held by each of the directors of the Company are set out in the section "Report of the Directors" on pages 27 to 33 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 in note 8 to the financial statement on pages 76 and 77 in this Annual Report.

A Remuneration Committee meeting was held in March 2015, during which the remuneration packages of all executive directors for the year have been reviewed individually and the proposal for year 2015 remuneration adjustment and 2014 bonus distribution were considered. Draft minutes of the Remuneration Committee meeting are circulated to members for comments and the signed minutes are kept by the Company Secretary.

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 2015 and the annual results for the year ended 31 December 2015.

The work performed by the Audit Committee during the year ended 31 December 2015 included reviews of the following:

- the directors' report and the consolidated financial statements for the year ended 31 December 2014 of the Group, with a recommendation to the Board for approval;
- the consolidated financial statements for the six months ended 30 June 2015 of the Group, with a recommendation to the Board for approval;
- the audit fees for the year ended 31 December 2014 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.

The Audit Committee met two times during the year. 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

ATTENDANCE AT MEETINGS OF THE BOARD, REMUNERATION AND AUDIT COMMITTEES AND GENERAL MEETING

Name of Director	Attended/Eligible to attend During the year ended 31 December 2015			
	Board Meetings	Remuneration Committee Meeting	Audit Committee Meeting	Annual General Meeting held on 1 June 2015
Executive Directors				
Dr. James Sai-Wing Wong	2/2	N/A	N/A	1/1
Mr. Yuen-Keung Chan	2/2	N/A	N/A	1/1
Mr. James Sing-Wai Wong	2/2	N/A	N/A	1/1
Mr. Philip Bing-Lun Lam	2/2	N/A	N/A	1/1
Non-Executive Directors				
Mr. Herman Man-Hei Fung	2/2	1/1	1/1	0/1
Ms. Wendy Kim-See Gan <i>(appointed on 10 June 2015)</i>	1/1	N/A	N/A	N/A
Independent Non-Executive Directors				
Mr. Yuen-Tin Ng	2/2	1/1	1/1	1/1
Mr. Chi-Chiu Wu	2/2	1/1	1/1	0/1
Mr. Ronald James Blake	2/2	N/A	N/A	1/1
Mr. Alexander Yan-Zau Fang <i>(retired on 1 June 2015)</i>	0/1	N/A	N/A	0/1

NOMINATION OF DIRECTORS

Code provisions A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Company has not established a nomination committee. The Board 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.

AUDITORS' REMUNERATION

During the year ended 31 December 2015, the Group has engaged its external auditors, Ernst & Young, to provide the following services and their respective fees charged are set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	4,610
Non-audit services (review and other services)	4,474

INTERNAL CONTROL

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the independent auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditors' Report on pages 34 to 35.

SHAREHOLDERS' RIGHTS

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 Companies Act 1981, 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(continued)*

2. Procedures for shareholders to propose a person for election as a director of the Company

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 and Transfer Office, 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.

3. 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.

4. The procedures for putting forward 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).

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 1 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 2015 and the Group's financial position at that date are set out in the financial statements on pages 36 to 116.

The Board recommend the payment of a final dividend of HK5.0 cents per share for the year ended 31 December 2015 (2014: HK4.0 cents) to the shareholders whose names appear on the Company's register of members on 10 June 2016. 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 27 June 2016.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2015 and outlook are set out in the Chairman's Statement on pages 9 to 12 of this Annual Report and in the "Management Discussion and Analysis" section below. The Group's capital and financial risk management objectives and policies are set out in note 40 to the financial statements on pages 110 to 114 of this Annual Report.

The Group is committed to build an environmental-friendly corporation with the aim to conserve natural resources. The Group has taken initiatives to reduce energy consumption and encourage recycle of office supplies and other materials. The Group will continue to review and promote its environmental policies.

During the year ended 31 December 2015, there were no material breach of or non-compliance with applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's relationships with its employees are set out in the "Management Discussion and Analysis" section below.

The Group recognises the importance of maintaining good relationships with business partners, customers, suppliers and sub-contractors to achieve its long-term business growth and development. Accordingly, the Group has kept good communications and shared business updates with them when appropriate.

REPORT OF THE DIRECTORS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK\$178.2 million as at 31 December 2015 (2014: HK\$241.8 million), of which HK\$175.4 million or 98% (2014: HK\$238.2 million or 99%) were classified as current liabilities. Included in the current portion of bank and other borrowings were trust receipt loans of HK\$171.5 million (2014: HK\$165.5 million), which represented trade financing for purchase of goods by the Group's plastic trading division and the purchase of materials and equipment for installation for the projects of the Group's building services division. Current ratio of the Group as at 31 December 2015, measured by total current assets over total current liabilities, was 1.3 (2014: 1.2). Total unpledged cash and bank balances as at 31 December 2015 was HK\$792.6 million (2014: HK\$372.6 million). The increase in unpledged bank balances was mainly due to cash received from operations, proceeds from the spin-off and separate listing of Chinney Kin Wing, the Group's foundation division, in November 2015 (net of share issue expenses) of HK\$213.6 million, less capital expenditure in purchases of properties, plant and equipment of HK\$167.5 million and net repayment of bank loans of HK\$70.7 million during the year.

The Group had a total of HK\$763 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\$178.2 million over the equity attributable to the owners of the parent of HK\$1,229.3 million, was 14.5% as at 31 December 2015 (2014: 25.4%).

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 2015, certain properties and a time deposit having aggregate book value of HK\$270.2 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\$18.5 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 contingent liabilities as at 31 December 2015 are set out in note 37 to the financial statements.

Employees and remuneration policies

The Group employed approximately 1,460 staff in Hong Kong and other parts of the PRC as at 31 December 2015. 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.

REPORT OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
REVENUE	4,551,870	3,812,681	3,201,083	2,852,015	2,220,451
PROFIT FOR THE YEAR	173,961	142,314	104,500	49,818	22,941
Attributable to:					
– Owners of the parent	169,087	142,314	104,500	49,818	22,941
– Non-controlling interests	4,874	–	–	–	–
	173,961	142,314	104,500	49,818	22,941

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
TOTAL ASSETS	2,939,255	2,395,763	2,090,706	1,659,738	1,400,048
TOTAL LIABILITIES	(1,619,897)	(1,444,361)	(1,309,027)	(1,014,633)	(869,172)
NON-CONTROLLING INTERESTS	(90,013)	–	–	–	–
	1,229,345	951,402	781,679	645,105	530,876

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

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.

REPORT OF THE DIRECTORS

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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group throughout the year.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to HK\$393,260,000 as at 31 December 2015, of which HK\$29,745,000 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.

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 Directors:

Herman Man-Hei Fung

Wendy Kim-See Gan (*appointed on 10 June 2015*)

Independent Non-Executive Directors:

Yuen-Tin Ng

Chi-Chiu Wu

Alexander Yan-Zau Fang (*retired on 1 June 2015*)

Ronald James Blake

In accordance with bye-law 86(2) of the Bye-laws, Ms. Wendy Kim-See Gan will retire at the forthcoming annual general meeting. Ms. Gan, being eligible, will offer herself for re-election.

In accordance with bye-law 87 of the Bye-laws, Mr. Philip Bing-Lun Lam and Mr. Yuen-Tin Ng will retire by rotation at the forthcoming annual general meeting. Mr. Lam and Mr. Ng, being eligible, will offer themselves for re-election.

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.

REPORT OF THE DIRECTORS

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 13 to 18 of this 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 remuneration of the directors of the Company is reviewed by the Remuneration Committee having regard to the Company's operating results, individual performance of the directors and comparable market statistics. Details of the directors' remuneration are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in note 33 to the financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company's subsidiaries was a party during the year.

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

As at 31 December 2015, 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 position 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	–	–	436,000,216 (Note)	436,000,216	73.29%

Note: Amongst these shares, 19,662,000 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 2015, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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

As at 31 December 2015, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1, 2, 3	Interest through controlled corporations	436,000,216	73.29%
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%

REPORT OF THE DIRECTORS

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

Notes:

1. Dr. James Sai-Wing 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. 19,662,000 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 2015, 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.

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 number of issued shares were 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, 30 March 2016

INDEPENDENT AUDITORS' REPORT



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To the shareholders of Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chinney Alliance Group Limited (the "Company") and its subsidiaries set out on pages 36 to 116, which comprise the consolidated statement of financial position as at 31 December 2015, 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.



OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
REVENUE	5	4,551,870	3,812,681
Cost of sales/services provided		(3,913,295)	(3,332,307)
Gross profit		638,575	480,374
Other income	5	10,675	12,342
Selling and distribution costs		(12,381)	(11,086)
Administrative expenses		(405,775)	(305,762)
Other operating expenses, net		(13,570)	(957)
Changes in fair value of investment properties	14	167	(94)
Finance costs	6	(5,150)	(6,834)
Share of profits and losses of associates		(352)	(2,241)
PROFIT BEFORE TAX	7	212,189	165,742
Income tax expense	10	(38,228)	(23,428)
PROFIT FOR THE YEAR		173,961	142,314
Attributable to:			
Owners of the parent		169,087	142,314
Non-controlling interests		4,874	–
		173,961	142,314
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		HK28.4 cents	HK23.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
PROFIT FOR THE YEAR		173,961	142,314
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(1,382)	(407)
Exchange fluctuation reserve reclassified to profit or loss upon realisation of investment in an associate		(2,126)	–
Net other comprehensive expense to be reclassified to profit or loss in subsequent periods		(3,508)	(407)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of land and buildings	13	12,753	51,158
Income tax effect	27	(5,081)	(2,521)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		7,672	48,637
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		4,164	48,230
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		178,125	190,544
Attributable to:			
Owners of the parent		173,251	190,544
Non-controlling interests		4,874	–
		178,125	190,544

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	810,598	699,626
Investment properties	14	16,864	16,697
Investments in associates	15	47,043	48,460
Investment in a joint venture	16	–	–
Goodwill	17	12,528	5,767
Deferred tax assets	27	612	2,229
Other assets	18	2,345	2,345
Total non-current assets		889,990	775,124
CURRENT ASSETS			
Inventories	19	87,317	69,833
Gross amount due from contract customers	20	274,368	198,643
Trade receivables	21	420,532	539,684
Retention monies receivable	20	395,830	311,084
Amount due from a joint venture	16	967	967
Prepayments, deposits and other receivables	22	57,378	105,577
Tax recoverable		853	2,219
Pledged time deposits	23	19,465	20,077
Cash and cash equivalents	23	792,555	372,555
Total current assets		2,049,265	1,620,639
CURRENT LIABILITIES			
Gross amount due to contract customers	20	785,272	617,937
Trade and bills payables	24	295,372	291,164
Trust receipt loans	26	171,545	165,489
Retention monies payable	20	148,537	120,762
Other payables and accruals	25	113,673	87,461
Tax payable		19,519	15,070
Interest-bearing bank borrowings	26	3,891	72,702
Total current liabilities		1,537,809	1,370,585
NET CURRENT ASSETS		511,456	250,054
TOTAL ASSETS LESS CURRENT LIABILITIES		1,401,446	1,025,178

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,401,446	1,025,178
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	2,754	3,617
Deferred tax liabilities	27	79,334	70,159
Total non-current liabilities		82,088	73,776
Net assets		1,319,358	951,402
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	59,490	59,490
Reserves	29	1,169,855	891,912
Non-controlling interests		1,229,345	951,402
		90,013	–
Total equity		1,319,358	951,402

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 2015

	Note	Attributable to owners of the parent							Non-controlling interests	Total equity	
		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	HK\$'000	
At 1 January 2014		59,490	60,978	120,946	195,763	49	3,063	341,390	781,679	-	781,679
Profit for the year		-	-	-	-	-	-	142,314	142,314	-	142,314
Other comprehensive income for the year:											
Surplus on revaluation of land and buildings, net of tax		-	-	-	48,637	-	-	-	48,637	-	48,637
Exchange differences on translation of foreign operations		-	-	-	-	-	(407)	-	(407)	-	(407)
Total comprehensive income for the year		-	-	-	48,637	-	(407)	142,314	190,544	-	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)	-	(20,821)
At 31 December 2014 and 1 January 2015		59,490	60,978*	120,946*	237,792*	49*	2,656*	469,491**	951,402	-	951,402
Profit for the year		-	-	-	-	-	-	169,087	169,087	4,874	173,961
Other comprehensive income for the year:											
Surplus on revaluation of land and buildings, net of tax		-	-	-	7,672	-	-	-	7,672	-	7,672
Exchange differences on translation of foreign operations		-	-	-	-	-	(1,382)	-	(1,382)	-	(1,382)
Reclassification upon realisation of investment in an associate		-	-	-	-	-	(2,126)	-	(2,126)	-	(2,126)
Total comprehensive income for the year		-	-	-	7,672	-	(3,508)	169,087	173,251	4,874	178,125
Deemed disposal of partial interests in a subsidiary without losing control upon shares issued by a subsidiary to non-controlling interests	31	-	-	-	-	-	-	128,488	128,488	85,139	213,627
Release of revaluation reserve on land and buildings to retained profits		-	-	-	(7,980)	-	-	7,980	-	-	-
Final 2014 dividend declared		-	-	-	-	-	-	(23,796)	(23,796)	-	(23,796)
At 31 December 2015		59,490	60,978*	120,946*	237,484*	49*	(852)*	751,250*	1,229,345	90,013	1,319,358

* These reserve accounts comprise the consolidated reserves of HK\$1,169,855,000 (2014: HK\$891,912,000) in the consolidated statement of financial position.

Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 3.1 to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		212,189	165,742
Adjustments for:			
Finance costs	6	5,150	6,834
Share of profits and losses of associates		352	2,241
Changes in fair value of investment properties	14	(167)	94
Depreciation	7	65,737	52,634
Impairment of trade receivables	7	11,107	63
Write-back of impairment of trade receivables	7	–	(23)
Write-off of other receivables	7	39	–
Write-back of provision for inventories included in cost of inventories sold	7	(1,678)	(647)
Reclassification of exchange fluctuation reserve to profit or loss upon realisation of investment in an associate	7	(2,126)	–
Loss/(gain) on disposal of items of property, plant and equipment, net	7	2,763	(198)
Loss on disposal of an investment property	7	–	549
Interest income	5	(3,890)	(4,375)
		289,476	222,914
Decrease/(increase) in inventories		(13,975)	16,557
Decrease/(increase) in gross amount due from contract customers		(75,108)	37,709
Decrease/(increase) in trade receivables		111,263	(99,906)
Increase in retention monies receivable		(84,746)	(96,558)
Decrease/(increase) in prepayments, deposits and other receivables		49,936	(35,703)
Increase in gross amount due to contract customers		167,335	186,082
Increase/(decrease) in trade and bills payables		3,490	(5,849)
Increase in retention monies payable		27,775	27,692
Increase in other payables and accruals		26,005	4,134
		501,451	257,072
Cash generated from operations		501,451	257,072
Interest received		1,714	2,194
Interest paid		(5,150)	(6,822)
Interest element of finance lease rental payments		–	(12)
Dividend paid		(23,796)	(20,821)
Hong Kong profits tax paid, net		(23,804)	(4,147)
Overseas taxes paid		(2,849)	(1,206)
		447,566	226,258
Net cash flows from operating activities		447,566	226,258

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(167,495)	(79,330)
Proceeds from disposal of items of property, plant and equipment		186	1,151
Proceeds from disposal of an investment property		–	7,712
Acquisition of a subsidiary	30	(11,614)	–
Net cash flows used in investing activities		(178,923)	(70,467)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from deemed disposal of partial interests in a subsidiary, net of expenses	31	213,627	–
Increase in trust receipt loans		6,056	11,799
New bank loans		64,563	102,000
Repayment of bank loans		(135,288)	(207,968)
Decrease/(increase) in pledged time deposits		612	(3,296)
Capital element of finance lease rental payments		–	(389)
Net cash flows from/(used in) financing activities		149,570	(97,854)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		371,578	313,087
Effect of foreign exchange rate changes, net		736	554
CASH AND CASH EQUIVALENTS AT END OF YEAR		790,527	371,578
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	410,527	288,710
Non-pledged time deposits with original maturity of less than three months when acquired	23	382,028	83,845
Cash and cash equivalents as stated in the consolidated statement of financial position		792,555	372,555
Time deposit with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	23	1,000	1,000
Bank overdrafts	26	(3,028)	(1,977)
Cash and cash equivalents as stated in the consolidated statement of cash flows		790,527	371,578

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP 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, 2 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 drilling and site investigation for both public and private sectors in Hong Kong and Macau
- distribution of aviation system and other hi-tech products
- investment holding

Information about subsidiaries

Particulars of the Company's 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
Apex Aluminium Fabricator Company Limited	Hong Kong	HK\$9,452,000	–	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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's 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 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\$18,800,000	–	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
Chinney Electrical Supplies Limited	Hong Kong	HK\$100,000	–	100%	Trading of electrical, air-conditioning and other building supplies products
Chinney Kin Wing Holdings Limited**	Bermuda	HK\$150,000,000	74.5%	–	Investment holding
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's 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	
DrilTech Geotechnical Engineering Limited**	Hong Kong	HK\$10,000	–	74.5%	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited**	Hong Kong	HK\$12,500,000	–	74.5%	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering (Macau) Limited**	Macau	MOP1,000,000	–	74.5%	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
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	–	74.5%	Investment holding
Kin Wing Engineering Company Limited**	Hong Kong	HK\$20,000,000	–	74.5%	Foundation piling

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's 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	
Kin Wing Foundations Limited**	Hong Kong	HK\$10,000	–	74.5%	Foundation piling
Kin Wing Machinery & Transportation Limited**	Hong Kong	HK\$100	–	74.5%	Equipment and machinery leasing
Kinwing Engineering (Macau) Company Limited**	Macau	MOP1,000,000	–	74.5%	Foundation piling
Lei Kee Development Company Limited	Hong Kong	HK\$2	–	100%	Property holding
Merchant Choice Limited*	British Virgin Islands	US\$1	100%	–	Investment holding
Right Able Limited	Hong Kong	HK\$1	–	100%	Property holding
Shun Cheong Building Services (Macau) Limited	Macau	MOP100,000	–	100%	Installation and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems
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 Electrical Products Factory Limited	Hong Kong	HK\$1,000,000	–	100%	Trading of electrical installation products
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's 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 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.

** Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") together with its subsidiaries are separately listed on the Main Board of the Stock Exchange during the year (note 31).

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

31 December 2015

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for land and buildings classified as property, plant and equipment 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 2015. 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 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

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 above. 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 for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

Annual Improvements to HKFRSs 2010-2012 Cycle

Annual Improvements to HKFRSs 2011-2013 Cycle

Other than as explained below regarding the impact of *Annual Improvements to HKFRSs 2010-2012 Cycle* and *Annual Improvements to HKFRSs 2011-2013 Cycle*, the adoption of the above revised standards has had no significant financial effect on these financial statements.

(a) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year 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. The amendments have had no impact on the Group.
- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group.
- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The Group received key management personnel services from Chinney Investments, Limited ("Chinney Investments") and the details of the transaction have been disclosed in note 33 to the financial statements.

(b) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ 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

⁴ No mandatory effective date yet determined but available for adoption

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 is currently assessing the impact 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

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 to account for 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. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations 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 is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

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3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (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);
 - (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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Investment properties

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

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

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

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

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3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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.

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.

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31 December 2015

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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 occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

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 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.

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 and interest-bearing bank borrowings.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) 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
- (e) dividend income, when the shareholders' right to receive payment has been established.

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 using 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts *(continued)*

Revenue from cost plus construction contracts is recognised using 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 or 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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension schemes (continued)

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 are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, associates and a joint venture are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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.

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 2015 was HK\$12,528,000 (2014: HK\$5,767,000). Further details are given in note 17.

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

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

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) the 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 amounts of investment properties and land and buildings at 31 December 2015 were HK\$16,864,000 (2014: HK\$16,697,000) and HK\$406,439,000 (2014: HK\$405,848,000), 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 carrying amount of property, plant and equipment at 31 December 2015 was HK\$810,598,000 (2014: HK\$699,626,000).

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 amounted to approximately HK\$16,996,760,000 at 31 December 2015 (2014: HK\$13,404,219,000). Further details are contained in note 20 to the financial statements.

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31 December 2015

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, changes in fair value 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.

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31 December 2015

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015

	Plastic and chemical products HK\$'000	Building- related contracting services HK\$'000	Building construction HK\$'000	Foundation piling and ground investigation HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:						
Sales to external customers	566,682	1,324,504	1,120,036	1,515,393	25,255	4,551,870
Intersegment sales	139	91,466	–	3,533	–	95,138
Other revenue	5,827	489	4	389	1,243	7,952
	<u>572,648</u>	<u>1,416,459</u>	<u>1,120,040</u>	<u>1,519,315</u>	<u>26,498</u>	<u>4,654,960</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						(95,138)
Revenue						<u>4,559,822</u>
Segment results	7,278	30,919	35,124	168,961	(7,622)	234,660
<i>Reconciliation:</i>						
Interest income and unallocated gains						2,723
Unallocated expenses						(25,009)
Changes in fair value of investment properties						167
Share of profits and losses of an associate						(352)
Profit before tax						<u>212,189</u>
Segment assets	322,982	603,053	505,776	1,050,415	173,618	2,655,844
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(18,790)
Investments in an associate						47,043
Corporate and other unallocated assets						255,158
Total assets						<u>2,939,255</u>
Segment liabilities	128,798	453,729	275,640	643,432	28,133	1,529,732
<i>Reconciliation:</i>						
Elimination of intersegment payables						(18,790)
Corporate and other unallocated liabilities						108,955
Total liabilities						<u>1,619,897</u>
Other segment information:						
Impairment of trade receivables	214	975	–	–	9,918	11,107
Write-off of other receivables	–	–	–	–	39	39
Write-back of provision for inventories included in cost of inventories sold	(1,619)	(38)	–	–	(21)	(1,678)
Depreciation	3,585	1,705	5,726	49,971	4,750	65,737
Capital expenditure*	<u>158</u>	<u>2,212</u>	<u>1,000</u>	<u>163,992</u>	<u>133</u>	<u>167,495</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Plastic and chemical products HK\$'000	Building- related contracting services HK\$'000	Building construction HK\$'000	Foundation piling and ground investigation HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:						
Sales to external customers	550,444	844,850	1,027,310	1,382,390	7,687	3,812,681
Intersegment sales	–	14,235	2,203	164	570	17,172
Other revenue	5,495	2,092	3	1,004	1,261	9,855
	<u>555,939</u>	<u>861,177</u>	<u>1,029,516</u>	<u>1,383,558</u>	<u>9,518</u>	<u>3,839,708</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						(17,172)
Revenue						<u>3,822,536</u>
Segment results	9,817	29,211	38,664	110,664	(6,298)	182,058
<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						(2,241)
Profit before tax						<u>165,742</u>
Segment assets	319,293	537,982	410,594	866,742	170,434	2,305,045
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(24,574)
Investments in associates						48,460
Corporate and other unallocated assets						66,832
Total assets						<u>2,395,763</u>
Segment liabilities	140,836	372,787	201,434	612,439	54,663	1,382,159
<i>Reconciliation:</i>						
Elimination of intersegment payables						(24,574)
Corporate and other unallocated liabilities						86,776
Total liabilities						<u>1,444,361</u>
Other segment information:						
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	4,826	38,506	4,483	52,634
Capital expenditure*	<u>87</u>	<u>2,954</u>	<u>162</u>	<u>75,688</u>	<u>439</u>	<u>79,330</u>

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

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31 December 2015

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	4,101,375	3,140,093
Mainland China and Macau	450,495	672,588
	4,551,870	3,812,681

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

(b) Non-current assets

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	758,451	630,509
Mainland China and Macau	69,011	85,814
	827,462	716,323

The non-current asset 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 years ended 31 December 2015 and 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.

NOTES TO THE FINANCIAL STATEMENTS

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5. REVENUE AND OTHER INCOME

Revenue 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 revenue and other income is as follows:

	2015 HK\$'000	2014 HK\$'000
Revenue		
Sale of goods	591,937	558,131
Construction contracts	3,959,933	3,254,550
	<u>4,551,870</u>	<u>3,812,681</u>
Other income		
Interest income	3,890	4,375
Commission income	4,704	4,601
Gross rental income	1,243	1,261
Others	838	2,105
	<u>10,675</u>	<u>12,342</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK\$'000	2014 HK\$'000
Interest on bank loans and overdrafts	5,150	6,822
Interest on finance leases	–	12
	<u>5,150</u>	<u>6,834</u>

NOTES TO THE FINANCIAL STATEMENTS

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7. PROFIT BEFORE TAX

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

	Notes	2015 HK\$'000	2014 HK\$'000
Cost of inventories sold		568,971	572,649
Cost of services provided		3,344,324	2,759,658
Depreciation	13	66,354	53,176
Less: Amount capitalised in contract costs		(617)	(542)
		<u>65,737</u>	<u>52,634</u>
Minimum lease payments under operating leases in respect of land and buildings		8,340	7,649
Auditors' remuneration		4,888	3,799
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		552,823	445,683
Pension scheme contributions		19,869	16,113
Less: Forfeited contributions		–	–
Net pension scheme contributions*		<u>19,869</u>	<u>16,113</u>
		<u>572,692</u>	<u>461,796</u>
Less: Amount capitalised in contract costs		<u>(366,380)</u>	<u>(300,172)</u>
		<u>206,312</u>	<u>161,624</u>
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		229	230
Impairment of trade receivables#	21	11,107	63
Write-back of impairment of trade receivables#	21	–	(23)
Write-off of other receivables#		39	–
Write-back of provision for inventories included in cost of inventories sold		(1,678)	(647)
Loss/(gain) on disposal of items of property, plant and equipment, net#		2,763	(198)
Loss on disposal of an investment property#		–	549
Reclassification of exchange fluctuation reserve to profit or loss upon realisation of investment in an associate#		(2,126)	–
Foreign exchange differences, net#		<u>1,787</u>	<u>566</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

7. PROFIT BEFORE TAX (continued)

* As at 31 December 2015, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2014: Nil).

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

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a) and (b) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 HK\$'000	2014 HK\$'000
Fees	383	200
Other emoluments:		
Salaries, allowances and benefits in kind	4,428	4,171
Performance-related bonuses*	10,000	3,534
Pension scheme contributions	79	73
	<u>14,507</u>	<u>7,778</u>
	<u>14,890</u>	<u>7,978</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:

	2015 HK\$'000	2014 HK\$'000
Yuen-Tin Ng	100	50
Chi-Chiu Wu	100	50
Alexander Yan-Zau Fang	41	50
Ronald James Blake	100	50
	<u>341</u>	<u>200</u>

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

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31 December 2015

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance- related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2015					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Yuen-Keung Chan	21	385	8,000	–	8,406
James Sing-Wai Wong	–	2,331	500	79	2,910
Philip Bing-Lun Lam	–	1,712	1,500	–	3,212
	<u>21</u>	<u>4,428</u>	<u>10,000</u>	<u>79</u>	<u>14,528</u>
Non-executive directors:					
Herman Man-Hei Fung	21	–	–	–	21
Wendy Kim-See Gan	–	–	–	–	–
	<u>42</u>	<u>4,428</u>	<u>10,000</u>	<u>79</u>	<u>14,549</u>
2014					
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
	<u>–</u>	<u>4,171</u>	<u>3,534</u>	<u>73</u>	<u>7,778</u>
Non-executive director:					
Herman Man-Hei Fung	–	–	–	–	–
	<u>–</u>	<u>4,171</u>	<u>3,534</u>	<u>73</u>	<u>7,778</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two (2014: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2014: two) non-director highest paid employees for the year are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Basic salaries, housing allowances and other benefits in kind	5,876	3,766
Bonuses paid and payable	15,120	4,679
Pension scheme contributions	201	197
	21,197	8,642

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

	Number of employees	
	2015	2014
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$6,000,001 to HK\$6,500,000	–	1
HK\$13,500,001 to HK\$14,000,000	1	–
	3	2

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	30,563	14,179
Overprovision in prior years	(212)	(110)
Current – Elsewhere		
Charge for the year	2,173	5,104
Overprovision in prior years	(29)	–
Deferred (<i>note 27</i>)	5,733	4,255
	<u>38,228</u>	<u>23,428</u>
Total tax charge for the year	<u>38,228</u>	<u>23,428</u>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before tax	212,189	165,742
Tax at the applicable statutory tax rate	34,203	25,879
Overprovision in prior years	(241)	(110)
Income not subject to tax	(1,476)	(312)
Expenses not deductible for tax	4,037	1,565
Profits and losses attributable to associates	58	370
Tax losses utilised from previous periods	(2,396)	(5,932)
Tax losses not recognised	2,988	965
Others	1,055	1,003
	<u>38,228</u>	<u>23,428</u>
Tax charge for the year	<u>38,228</u>	<u>23,428</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

11. DIVIDENDS

	2015 HK\$'000	2014 HK\$'000
Proposed final – HK5.0 cents (2014: HK4.0 cents) per ordinary share	<u>29,745</u>	<u>23,796</u>

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

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the years ended 31 December 2015 and 2014 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the years ended 31 December 2015 and 2014.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

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

	2015 HK\$'000	2014 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent	<u>169,087</u>	<u>142,314</u>
	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year	<u>594,899,245</u>	<u>594,899,245</u>

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13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2015						
At 31 December 2014 and 1 January 2015:						
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	405,848	9,387	274,161	5,067	5,163	699,626
At 1 January 2015, net of accumulated depreciation	405,848	9,387	274,161	5,067	5,163	699,626
Arising on acquisition of a subsidiary	–	–	12	3	24	39
Additions	–	509	162,841	2,579	1,566	167,495
Disposals	–	–	(2,912)	(4)	(33)	(2,949)
Surplus on revaluation credited to other comprehensive income	12,753	–	–	–	–	12,753
Depreciation provided during the year	(12,162)	(1,823)	(48,330)	(1,991)	(2,048)	(66,354)
Exchange realignment	–	(1)	–	(1)	(10)	(12)
At 31 December 2015, net of accumulated depreciation	406,439	8,072	385,772	5,653	4,662	810,598
At 31 December 2015:						
Cost or valuation	406,439	17,953	573,550	17,321	9,009	1,024,272
Accumulated depreciation	–	(9,881)	(187,778)	(11,668)	(4,347)	(213,674)
Net carrying amount	406,439	8,072	385,772	5,653	4,662	810,598

NOTES TO THE FINANCIAL STATEMENTS

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2014						
At 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	365,481	9,984	240,199	4,570	3,050	623,284
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	405,848	9,387	274,161	5,067	5,163	699,626
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	405,848	9,387	274,161	5,067	5,163	699,626

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's land and buildings were revalued individually on 31 December 2015 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an aggregate open market value of HK\$406,439,000 based on their existing uses. Revaluation surplus of HK\$12,753,000, resulting from the above valuations, has been credited to other comprehensive income.

The Group did not have any property, plant and equipment held under finance leases at 31 December 2015 and 2014.

At 31 December 2015, certain of the Group's land and buildings with a net carrying amount of approximately HK\$270,230,000 (2014: HK\$274,610,000) were pledged to secure banking facilities granted to the Group (note 26).

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 2015 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	–	–	406,439	406,349
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
Properties held for own use	–	–	405,848	405,848

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 (2014: Nil).

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value hierarchy (continued)

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

	Properties held for own use HK\$'000
Carrying amount at 1 January 2014	365,481
Depreciation	(10,791)
Surplus on revaluation recognised in other comprehensive income	51,158
Carrying amount at 31 December 2014 and 1 January 2015	405,848
Depreciation	(12,162)
Surplus on revaluation recognised in other comprehensive income	12,753
Carrying amount at 31 December 2015	406,439

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	
			2015	2014
Properties held for own use	Direct comparison approach	Premium on characteristics of the properties	-10% to 10%	-10% to 10%

The fair value of properties held for own use is determined using direct comparison approach for valuing 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 characteristics 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.

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14. INVESTMENT PROPERTIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Carrying amount at 1 January	16,697	25,052
Disposal during the year	–	(8,261)
Net gain/(loss) from a fair value adjustment	167	(94)
Carrying amount at 31 December	16,864	16,697

The Group's investment properties were revalued on 31 December 2015 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK\$16,864,000.

Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(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 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 profit or loss during the last year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14. 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 2015 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	–	–	16,864	16,864
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	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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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 (2014: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

	Commercial properties HK\$'000	Residential properties HK\$'000
Carrying amount at 1 January 2014	16,791	8,261
Net loss from a fair value adjustment recognised in other operating expenses, net in profit or loss	(94)	–
Disposal during the year	–	(8,261)
Carrying amount at 31 December 2014 and 1 January 2015	16,697	–
Net gain from a fair value adjustment recognised in other operating expenses, net in profit or loss	167	–
Carrying amount at 31 December 2015	16,864	–

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

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2015	2014
Commercial properties	Income capitalisation approach	Market rental value (per sq.m. and per day) Capitalisation rate	HK\$4.8 to HK\$6.9 7%	HK\$4.2 to HK\$4.6 7%
Residential properties	Direct comparison approach	Premium on characteristics of the properties	N/A	–10% to 10%

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31 December 2015

14. INVESTMENT PROPERTIES (continued)

The income capitalisation approach

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

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

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

The direct comparison approach

Under the market approach, fair value is estimated using 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 characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and others 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

15. INVESTMENTS IN ASSOCIATES

	2015 HK\$'000	2014 HK\$'000
Share of net assets	9,741	20,534
Loan to an associate	37,302	35,126
	47,043	55,660
Impairment#	–	(7,200)
	47,043	48,460

An impairment was recognised in prior years because the expected recoverable amount of the Group's investment in an associate is less than the Group's share of its net assets. The impairment was reversed upon realisation of investment in an associate.

The movement in provision for impairment is as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 January	7,200	7,200
Impairment loss reversed	(7,200)	–
At 31 December	–	7,200

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

15. INVESTMENTS IN ASSOCIATES (continued)

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
			2015	2014	
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%	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 associate is under liquidation as at 31 December 2015.

The above investments are indirectly held by the Company.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 HK\$'000	2014 HK\$'000
Share of the associates' loss for the year	(352)	(2,241)
Share of the associates' other comprehensive expense	(2,133)	(957)
Share of the associates' total comprehensive expense	(2,485)	(3,198)
Aggregate carrying amount of the Group's investments in the associates	47,043	48,460

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

16. INVESTMENT IN A JOINT VENTURE

	2015 HK\$'000	2014 HK\$'000
Share of net assets	—	—

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 activity
		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.

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:

	2015 HK\$'000	2014 HK\$'000
Share of the joint venture's assets and liabilities:		
Current assets	186	186
Current liabilities	(484)	(484)
Net liabilities	(298)	(298)
Share of the joint venture's results:		
Total revenue	—	—
Total expenses	—	—
Loss after tax	—	—

The Group has discontinued the recognition of its share of losses of the joint venture because they exceeded the Group's investment in the joint venture. In the opinion of the directors, the Group will not continue to provide further financial support or capital injection to the joint venture. The Group does not have any unrecognised share of losses of the joint venture for the current year (2014: Nil). At 31 December 2015, the aggregate unrecognised share of losses of the joint venture amounted to HK\$298,000 (2014: HK\$298,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

17. GOODWILL

	2015 HK\$'000	2014 HK\$'000
Cost and carrying amount at 1 January	5,767	5,767
Acquisition of a subsidiary (note 30)	6,761	–
Cost and carrying amount at 31 December	12,528	5,767

Impairment testing of goodwill

For impairment testing, goodwill acquired through business combination has been allocated to two cash-generating units which are involved in building related contracting services and trading of electrical installation products.

Building related contracting services

The recoverable amount of the building related contracting services 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% (2014: 10%).

Trading of electrical installation products

The recoverable amount of the trading of electrical installation products cash-generating units 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 15%.

Assumptions used in the value in use calculation for 31 December 2015 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 and estimated product sales of confirmed orders.

Discount rate: The discount rates used are before tax and reflect specific risks relating to the relevant units.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

18. OTHER ASSETS

	2015 HK\$'000	2014 HK\$'000
Club memberships, at cost	3,283	3,283
Provision for impairment [#]	(938)	(938)
	2,345	2,345

[#] An impairment was recognised for a club membership with a carrying amount of HK\$1,220,000 (before deducting the impairment loss) (2014: 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.

19. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Raw materials	65,069	54,649
Finished goods	22,248	15,184
	87,317	69,833

20. CONSTRUCTION CONTRACTS

	2015 HK\$'000	2014 HK\$'000
Gross amount due from contract customers	274,368	198,643
Gross amount due to contract customers	(785,272)	(617,937)
	(510,904)	(419,294)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	16,996,760	13,404,219
Less: Progress billings	(17,507,664)	(13,823,513)
	(510,904)	(419,294)

At 31 December 2015, 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\$395,830,000 (2014: HK\$311,084,000).

At 31 December 2015, 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\$148,537,000 (2014: HK\$120,762,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

21. TRADE RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	431,701	541,879
Impairment	(11,169)	(2,195)
	420,532	539,684

The Group's trading terms with its customers are mainly on credit. The credit periods range from cash on delivery to 60 days. A longer credit period may be allowed for customers with good business relationships with the Group. 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:

	2015 HK\$'000	2014 HK\$'000
Current to 30 days	278,724	340,082
31 to 60 days	92,784	107,600
61 to 90 days	23,561	61,158
Over 90 days	25,463	30,844
	420,532	539,684

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

	2015 HK\$'000	2014 HK\$'000
At 1 January	2,195	2,155
Impairment losses recognised (note 7)	11,107	63
Impairment losses reversed (note 7)	–	(23)
Amount written off as uncollectible	(2,133)	–
	11,169	2,195

The above provision for impairment of trade receivables represented provision for individually impaired trade receivables with a carrying amount before provision of HK\$11,169,000 (2014: HK\$2,195,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

21. TRADE RECEIVABLES (continued)

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Neither past due nor impaired	268,134	321,058
Less than 30 days past due	61,067	136,565
31 to 90 days past due	69,968	59,103
Past due over 90 days	21,363	22,958
	<u>420,532</u>	<u>539,684</u>

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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Prepayments	3,044	3,974
Deposits and other receivables	54,334	101,603
	<u>57,378</u>	<u>105,577</u>

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 2015

23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash and bank balances	410,527	288,710
Time deposits	382,028	83,845
Pledged time deposits	19,465	20,077
	<u>812,020</u>	<u>392,632</u>
Less: Pledged time deposits:		
Pledged for letters of guarantee and performance bonds	(18,465)	(19,077)
Pledged for bank overdraft facilities (<i>note 26</i>)	(1,000)	(1,000)
	<u>792,555</u>	<u>372,555</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$17,572,000 (2014: HK\$36,278,000). 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

31 December 2015

24. TRADE AND BILLS PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	278,797	275,315
Bills payable	16,575	15,849
	<u>295,372</u>	<u>291,164</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current to 30 days	221,670	196,142
31 to 60 days	27,851	52,272
61 to 90 days	14,865	11,951
Over 90 days	14,411	14,950
	<u>278,797</u>	<u>275,315</u>

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

25. OTHER PAYABLES AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other payables	14,108	9,533
Accruals	92,065	77,928
Due to a major shareholder (<i>note 33(d)</i>)	7,500	–
	<u>113,673</u>	<u>87,461</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

26. INTEREST-BEARING BANK BORROWINGS

	31 December 2015			31 December 2014		
	Effective interest rate %	Maturity	HK\$'000	Effective interest rate %	Maturity	HK\$'000
Current						
Trust receipt loans	1.83 – 3.85	on demand	171,545	1.85 – 2.91	on demand	165,489
Bank overdrafts – unsecured	6.50	on demand	3,028	6.50	on demand	1,977
Bank loans – unsecured			–	2.23 – 3.14	2015 or on demand	43,176
Bank loans – secured	3.10	2016	863	1.44 – 3.10	2015 or on demand	27,549
			<u>3,891</u>			<u>72,702</u>
Total current			<u>175,436</u>			<u>238,191</u>
Non-current						
Bank loans – secured	3.10	2019	2,754	3.10	2019	3,617
Total			<u>178,190</u>			<u>241,808</u>

The maturity of the above bank borrowings is as follows:

	2015 HK\$'000	2014 HK\$'000
Analysed into:		
Bank loans and overdrafts and trust receipt loans repayable:		
Within one year or on demand	175,436	238,191
In the second year	890	863
In the third to fifth years, inclusive	1,864	2,754
	<u>178,190</u>	<u>241,808</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

26. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

- (a) The Group's trust receipt loans were secured by corporate guarantees given by the Company and certain subsidiaries. Trust receipt loans were repayable within six months from the date of advance, and bear interest at floating interest rates.
- (b) All bank borrowings as set out above are denominated in Hong Kong dollars and bear interest at floating interest rates.
- (c) 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\$270,230,000 (2014: HK\$274,610,000) (note 13); and
 - (iii) a time deposit of HK\$1,000,000 (2014: HK\$1,000,000) (note 23).

Based on the maturity terms of the bank loans, overdrafts and trust receipt loans, the amounts in respect of the Group's interest-bearing bank borrowing are repayable: within one year or on demand of HK\$175,436,000 (2014: HK\$238,191,000); in the second year of HK\$890,000 (2014: HK\$863,000); and in the third to fifth years, inclusive of HK\$1,864,000 (2014: HK\$2,754,000).

27. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
At 1 January	36,293	30,755	33,866	32,527	70,159	63,282
Deferred tax charged/ (credited) to the statement of profit or loss during the year (note 10)	4,182	5,538	(88)	(1,182)	4,094	4,356
Deferred tax charged to other comprehensive income	—	—	5,081	2,521	5,081	2,521
Gross deferred tax liabilities at 31 December	40,475	36,293	38,859	33,866	79,334	70,159

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27. DEFERRED TAX (continued)

Deferred tax assets

	Related depreciation over depreciation allowance	
	2015 HK\$'000	2014 HK\$'000
At 1 January	2,229	2,128
Acquisition of a subsidiary	22	–
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(1,639)	101
Gross deferred tax assets at 31 December	612	2,229

The Group has tax losses arising in Hong Kong of approximately HK\$247,701,000 (2014: HK\$194,240,000) 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.

28. SHARE CAPITAL

Shares

	2015 HK\$'000	2014 HK\$'000
Authorised: 2,500,000,000 (2014: 2,500,000,000) ordinary shares of HK\$0.10 (2014: HK\$0.10) each	250,000	250,000
Issued and fully paid: 594,899,245 (2014: 594,899,245) ordinary shares of HK\$0.10 (2014: HK\$0.10) each	59,490	59,490

29. RESERVES

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 40 of the financial statements.

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30. BUSINESS COMBINATION

On 12 June 2015, the Group acquired a 100% interest in Shun Cheong Electrical Products Factory Limited from a third party. Shun Cheong Electrical Products Factory Limited is engaged in trading of electrical installation products. The acquisition was made to expand the product line of the Group. The purchase consideration for the acquisition was in the form of cash, with HK\$11,916,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Shun Cheong Electrical Products Factory Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK\$'000
Property, plant and equipment	39
Deferred tax assets	22
Inventories	1,831
Trade receivables	3,218
Prepayments, deposits and other receivables	668
Cash and cash equivalents	302
Trade payables	(718)
Other payables and accruals	(207)
	<hr/>
Total identifiable net assets at fair value	5,155
Goodwill on acquisition	6,761
	<hr/>
	11,916
	<hr/>
Satisfied by:	
Cash	11,916
	<hr/>

The fair values and net contractual amounts of the trade receivables and other receivables as at the date of acquisition amounted to HK\$3,218,000 and HK\$559,000, respectively.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK\$'000
Cash consideration	(11,916)
Cash and bank balances acquired	302
	<hr/>
Net outflow of cash and cash equivalents included in cash flows from investing activities	(11,614)
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

30. BUSINESS COMBINATION (continued)

Since the acquisition, Shun Cheong Electrical Products Factory Limited contributed HK\$14,180,000 to the Group's revenue and a loss of HK\$1,176,000 to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK\$4,563,114,000 and HK\$173,281,000, respectively.

31. DEEMED DISPOSAL OF PARTIAL INTERESTS IN A SUBSIDIARY

During the year ended 31 December 2015, the board of directors of the Company applied, on behalf of the Company, to the Listing Committee of Stock Exchange, pursuant to paragraph 2 of Practice Note 15 to the Listing Rules, for a proposed spin-off and separate listing of the Group's foundation piling construction, and drilling and site investigation business (the "Spin-off"). The Spin-off was conducted by way of a separate listing of Chinney Kin Wing, a then wholly owned subsidiary of the Company with 10,000 shares in issue, together with its subsidiaries, on the Main Board of the Stock Exchange. The Spin-off was achieved by capitalisation issue of 1,117,490,000 shares and global offering of 387,500,000 shares at an issue price of HK\$0.59 per share. The shares of Chinney Kin Wing have been listed in the Stock Exchange since 11 November 2015. Upon completion of the listing of Chinney Kin Wing, the Group's equity interest in Chinney Kin Wing is diluted from 100% to 74.5% which Chinney Kin Wing is still classified as a subsidiary of the Company.

	<i>HK\$'000</i>
Net assets disposed to non-controlling interests	85,139
Gain on deemed disposal of partial interests in a subsidiary without losing control upon shares issued by a subsidiary to non-controlling interests	128,488
	213,627
Satisfied by:	
Cash	213,627

An analysis of the cash flows in respect of the deemed disposal of partial interests in a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration and net inflow of cash and cash equivalents in respect of the deemed disposal of partial interests in a subsidiary	213,627

NOTES TO THE FINANCIAL STATEMENTS

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32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2015
Percentage of equity interest held by non-controlling interests: Chinney Kin Wing	25.5%
	2015 HK\$'000
Profit for the year allocated to non-controlling interests: Chinney Kin Wing	4,874
Accumulated balances of non-controlling interests at the reporting dates: Chinney Kin Wing	90,013

The following tables illustrate the summarised financial information of Chinney Kin Wing. The amounts disclosed are before any inter-company eliminations:

	2015 HK\$'000
Revenue	1,518,926
Total expenses, net	(1,378,427)
Profit for the year	140,499
Total comprehensive income for the year	140,499
Current assets	659,296
Non-current assets	383,162
Current liabilities	(657,656)
Non-current liabilities	(39,116)
Net cash flows from operating activities	330,882
Net cash flows used in investing activities	(165,699)
Net cash flows used in financing activities	(18,335)
Net increase in cash and cash equivalents	146,848

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33. 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	2015 HK\$'000	2014 HK\$'000
Management fee to a major shareholder	(i)	7,500	–
Share of rental and office expenses with a related company	(ii)	3,001	2,927
Construction contract income from related companies	(iii)	(24)	(920)
Interest income from an associate	(iv)	(2,772)	(2,779)

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

	2015 HK\$'000	2014 HK\$'000
Short term employee benefits	63,937	41,174
Post-employment benefits	1,539	1,386
Total compensation paid to key management personnel	65,476	42,560

- (c) Other transactions with related parties:

Details of the Group's disposal of an investment property to a related company are included in note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33. RELATED PARTY TRANSACTIONS (continued)

(d) Outstanding balances with related parties:

The Group had an outstanding balance due to a major shareholder, Chinney Investments, of HK\$7,500,000 (2014: Nil) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

During the year, the Group leases certain of its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms of two years (2014: two years). The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	100	1,264
In the second to fifth years, inclusive	—	211
	<u>100</u>	<u>1,475</u>

(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 five years (2014: one to three years).

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	5,706	5,028
In the second to fifth years, inclusive	1,469	5,599
	<u>7,175</u>	<u>10,627</u>

NOTES TO THE FINANCIAL STATEMENTS

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35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contracted, but not provided for:		
Plant and machinery	11,913	11,654
Intangible assets	102	–
Capital contribution to a subsidiary	1,192	–
	13,207	11,654

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year, the Group has non-cash interest income amounting to HK\$2,176,000 (2014: HK\$2,181,000).

37. CONTINGENT LIABILITIES

The Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of HK\$525,603,000 (2014: HK\$466,063,000) for the issue of performance bonds in its ordinary course of business. Certain of these performance bonds were also secured by time deposits amounting to HK\$18,465,000 (2014: HK\$19,077,000).

NOTES TO THE FINANCIAL STATEMENTS

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38. 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:

2015

Financial assets

	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other assets	–	2,345	2,345
Trade receivables	420,532	–	420,532
Retention monies receivable	395,830	–	395,830
Amount due from a joint venture	967	–	967
Financial assets included in prepayments, deposits and other receivables	54,334	–	54,334
Pledged time deposits	19,465	–	19,465
Cash and cash equivalents	792,555	–	792,555
	<u>1,683,683</u>	<u>2,345</u>	<u>1,686,028</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Trade and bills payables	295,372
Trust receipt loans	171,545
Retention monies payable	148,537
Financial liabilities included in other payables and accruals	67,629
Interest-bearing bank borrowings	6,645
	<u>689,728</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2014

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	539,684	–	539,684
Retention monies receivable	311,084	–	311,084
Amount 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>

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
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
	<u>706,725</u>

NOTES TO THE FINANCIAL STATEMENTS

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39. 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:

	Carrying amounts		Fair values	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Financial liabilities				
Interest-bearing bank borrowings (note 26)	6,645	76,319	6,645	76,319

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, trust receipt loans, retention monies receivable and payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, 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 value of the non-current portion of interest-bearing bank borrowings has 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 borrowings as at 31 December 2015 was assessed to be insignificant.

Fair value hierarchy

As at 31 December 2015 and 31 December 2014, 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 2015 and 31 December 2014. As at 31 December 2015, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings of HK\$6,645,000 (2014: HK\$76,319,000). 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 (2014: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans and overdrafts, 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 borrowings are disclosed in note 26 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 expenses are credited or charged to the statement of profit or loss as incurred.

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2015			
Hong Kong dollar	50	(1,149)	–
Hong Kong dollar	(50)	1,149	–
2014			
Hong Kong dollar	50	(1,477)	–
Hong Kong dollar	(50)	1,477	–

* Excluding retained profits

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

40. 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
2015			
If Hong Kong dollar weakens against United States dollar	1	309	–
If Hong Kong dollar strengthens against United States dollar	(1)	(309)	–
If Hong Kong dollar weakens against RMB	5	1,170	–
If Hong Kong dollar strengthens against RMB	(5)	(1,170)	–
2014			
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 RMB	5	2,166	–
If Hong Kong dollar strengthens against RMB	(5)	(2,166)	–

* Excluding retained profits

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

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

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and overdrafts 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:

2015

	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	Total HK\$'000
Trade and bills payables	295,372	–	–	295,372
Trust receipt loans	171,545	–	–	171,545
Retention monies payable	148,537	–	–	148,537
Financial liabilities included in other payables and accruals	67,629	–	–	67,629
Interest-bearing bank borrowings	3,991	963	1,925	6,879
	<u>687,074</u>	<u>963</u>	<u>1,925</u>	<u>689,962</u>

NOTES TO THE FINANCIAL STATEMENTS

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2014

	On demand and/or less than 12 months <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>707,084</u>

Included in interest-bearing bank borrowings are certain of the Group's bank loans in the amount of HK\$174,573,000 (2014: HK\$237,354,000), of which the loan agreements contain repayment on demand clauses giving the banks the unconditional right to call in the loans 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 2015 is HK\$176,058,000 in 2016, HK\$963,000 in 2017, HK\$1,925,000 from 2018 to 2020 and nil beyond 2020.

NOTES TO THE FINANCIAL STATEMENTS

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40. 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 2015 and 31 December 2014.

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 and interest-bearing bank borrowings. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2015 HK\$'000	2014 HK\$'000
Trust receipt loans	171,545	165,489
Interest-bearing bank borrowings	6,645	76,319
Total interest-bearing borrowings	178,190	241,808
Equity attributable to owners of the parent	1,229,345	951,402
Gearing ratio	14.5%	25.4%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	66	74
Investments in subsidiaries	177,140	220,882
Other assets	282	282
Total non-current assets	<u>177,488</u>	<u>221,238</u>
CURRENT ASSETS		
Amounts due from subsidiaries	101,736	116,885
Prepayments, deposits and other receivables	271	298
Tax recoverable	107	2,157
Cash and cash equivalents	251,471	60,819
Total current assets	<u>353,585</u>	<u>180,159</u>
CURRENT LIABILITIES		
Other payables and accruals	9,881	1,304
Amounts due to subsidiaries	7,464	33,483
Total current liabilities	<u>17,345</u>	<u>34,787</u>
NET CURRENT ASSETS	<u>336,240</u>	<u>145,372</u>
Net assets	<u>513,728</u>	<u>366,610</u>
EQUITY		
Issued capital	59,490	59,490
Reserves (note)	454,238	307,120
Total equity	<u>513,728</u>	<u>366,610</u>

NOTES TO THE FINANCIAL STATEMENTS

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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Contributed surplus* HK\$'000	Retained profits# HK\$'000	Total HK\$'000
At 1 January 2014	60,978	120,946	36,579	218,503
Final 2013 dividend declared	–	–	(20,821)	(20,821)
Total comprehensive income for the year	–	–	109,438	109,438
At 31 December 2014 and at 1 January 2015	60,978	120,946	125,196	307,120
Final 2014 dividend declared	–	–	(23,796)	(23,796)
Total comprehensive income for the year	–	–	170,914	170,914
At 31 December 2015	60,978	120,946	272,314	454,238

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

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

Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 3.1 to the financial statements.

42. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2016.