建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Annual Report 2018

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

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
Wendy Kim-See GAN

REMUNERATION COMMITTEE

Chi-Chiu WU *(Chairman)*
Yuen-Tin NG
Wendy Kim-See GAN

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

AUDITOR

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
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

SEHK 00385

BUSINESS ADDRESSES AND CONTACTS

Chinney Alliance Group Limited

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

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

Kin Wing Engineering Company Limited
Kin Wing Foundations Limited

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

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

Shun Cheong Electrical Engineering Company Limited
Westco Airconditioning Limited

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

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

Westco Chinney Limited

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

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

Chinney Construction Company, Limited

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

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

DrilTech Ground Engineering Limited
DrilTech Geotechnical Engineering Limited

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

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

Jacobson van den Berg (Hong Kong) Limited

Flat A, 7th Floor
Cheung Lung Industrial Building
10 Cheung Yee Street
Kowloon
Hong Kong

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

Chinney Alliance Engineering Limited

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

Tel : (852) 2880-3888
Fax : (852) 2811-0974
Website : http://www.chinney-eng.com
E-mail : focal@chinney-eng.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Chinney Alliance Group Limited (the "Company", collectively with its subsidiaries, the "Group") will be held on Tuesday, 4 June 2019 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 2018 together with the reports of the directors and the independent auditor thereon.

2. To declare a final dividend for the year ended 31 December 2018.

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

4. To re-appoint auditor 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

(d) for the purpose of this Resolution,

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

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

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

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

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

By Order of the Board
Yun-Sang Lo
Company Secretary

Hong Kong, 26 April 2019

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.

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

(5) With regard to resolution 3 in this notice, Ms. Wendy Kim-See Gan ("Ms. Gan") and Mr. Yuen-Tin Ng ("Mr. Ng") will retire by rotation at the AGM in accordance with bye-law 87 of the Bye-laws. Both Ms. Gan 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 54, was appointed as a non-executive director of the Company in 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 (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 the University of Hong Kong ("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. 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 ("HKUSPACE") and is a Director of HKS Education Fund Limited. Ms. Gan was made an Honorary Fellow of HKU in 2014 and HKUSPACE in 2016.

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. Ms. Gan is entitled to a director's fee of HK$100,000 per annum which is based on the Company's remuneration policy adopted for non-executive director 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 Ms. Gan.

Notes: *(continued)*

(6) *(continued)*

Yuen-Tin Ng

Aged 67, 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 Bye-laws. 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 comprises of eight directors, of which four are executive directors, namely Dr. James Sai-Wing Wong, Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam; and one is non-executive director, namely 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.

CHAIRMAN'S STATEMENT

RESULTS

2018 was a year of steady progress for Chinney Alliance Group Limited (the "Company", together with its subsidiaries, the "Group"). Our revenues grew to HK$6,048 million (2017: HK$5,596 million), with net profit of HK$210.4 million (2017: HK$197.3 million). The profit attributable to the owners of the Company was HK$195.9 million (2017: HK$176.8 million), calculated after deducting the profit attributable to non-controlling interests held by the public shareholders in our listed subsidiary Chinney Kin Wing Holdings Limited ("Chinney Kin Wing", together with subsidiaries, the "Chinney Kin Wing Group") of HK$14.6 million (2017: HK$20.5 million). The Group's land and buildings held for our own use showed a surplus arising from revaluation of HK$44.7 million (net of deferred tax) which was credited to reserves as "other comprehensive income" (2017: HK$52.8 million).

In reaching these results, the Group has for the first time applied HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* which are new Hong Kong Financial Report Standards applicable to the current accounting period. Had the Group not applied these new standards, the profit for the year of the Group would be decreased by HK$11.6 million. More details of the effect on adoption of new and revised accounting standards are set out in note 2.2 to the financial statements.

PROPOSED FINAL DIVIDEND

The board of directors of the Company (the "Board") recommends the payment of a final dividend of HK6.0 cents per share for the year ended 31 December 2018 (2017: HK6.0 cents) to the shareholders of the Company whose names appear on the Company's register of members on 14 June 2019. It is expected that the final dividend cheques will be despatched to the shareholders on or before 2 July 2019.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 4 June 2019. 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 2019 to 4 June 2019 (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 29 May 2019.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2018 is subject to the approval by the shareholders of the Company 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 12 June 2019 to 14 June 2019 (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 6 June 2019. 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 11 June 2019.

BUSINESS REVIEW AND PROSPECTS

Turning to the results and prospects of our major divisions:

Trading of plastics and chemical products

Jacobson van den Berg (Hong Kong) Limited ("Jacobson HK") and its fellow subsidiaries generated revenue of HK$610 million (2017: HK$557 million) and an operating profit of HK$5.8 million (2017: HK$13.6 million). While the division showed a respectable 9.6% increase in revenue, the gross profit margin suffered from stiff competition arising from a decrease in customer sentiment stemming from the ongoing US-China trade disputes. Operating results were further eroded by a large devaluation of Renminbi amounting to some HK$3 million in a net foreign exchange loss compared with a net gain of HK$2.9 million in 2017. The division continues to develop its plastics and chemical distribution business in Mainland China and has developed new products and technologies to satisfy customer demands. For new products, sales of the "JcoNAT" brand disinfectant products is growing satisfactorily. Products can be found via the web and vending machines in railway stations and various other locations.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") continued to make steady progress in its core HVAC, water, electrical and fire services businesses, contributing increasing revenues of HK$2,668 million (2017: HK$2,179 million) and increasing operating profits of HK$122.9 million (2017: HK$102.9 million). The construction/alternation of the factory premises of IDC Realty Holdings Limited (together with its subsidiary, the "IDC Group") to an internet data centre is practically complete and is currently in the testing stage. As at year end, the division had outstanding contract sums of approximately HK$4.6 billion.

Building construction

Chinney Construction Company, Limited ("CCCL") and Chinney Builders Company Limited, which operate in Hong Kong, and Chinney Timwill Construction (Macau) Company Limited earned a combined revenue of HK$1,497 million (2017: HK$1,649 million) and achieved an operating profit of HK$79.2 million (2017: HK$51.9 million). Although revenue decreased as working projects reached their final stages and newly awarded projects entered their preliminary stages, the division increased operating profits through project cost savings and variation order agreements, particularly for Macau-related projects. The outstanding contract sum as at year end was approximately HK$1.4 billion. The division continues to actively seek tender opportunities in Hong Kong and Macau.

Foundation piling and ground investigation

Chinney Kin Wing Group contributed revenue of HK$1,243 million (2017: HK$1,190 million) and operating profits of HK$68.7 million (2017: HK$95.5 million) to the Group. The increase in revenue in the current year was primarily due to active work on certain sizeable projects that spanned the course of 2018. However, intense competition from other foundation contractors in a market with a limited number of foundation contracts meant that the individual contract prices were generally low. At the same time, the corresponding direct material costs and labour costs continued their upward trends which meant further erosion of the already slim contract profit. As a result, the net profit of Chinney Kin Wing fell compared to the year before. Despite the challenges presented in 2018, Chinney Kin Wing Group remained financially sound and debt-free throughout the year.

The local foundation industry was highly competitive in 2018 due to a large number of contractors and relatively few contracts in both the private and public sectors. Chinney Kin Wing had to adjust to this environment by lowering the tender prices to maintain its market position. At the same time, Chinney Kin Wing took advantage of this relative lull to hone its competitive edge through implementing a number of strategic improvements: from improved cost control measures on projects, to strengthening project management teams, to optimising its design capabilities and flexibility, and to increasing is production efficiency.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Foundation piling and ground investigation *(continued)*

Stepping into 2019, the market is showing a slight upturn as the number of tender opportunities continues to increase, followed by an increase in contract award prices. Another signal of the industry's recovery is the full booking of available resources by early 2019 of DrilTech, the drilling arm of Chinney Kin Wing which specialises in ground investigation, instrumentation and down-the-hole and is a key player in the ground investigation market. Ground investigations are seen as a "thermometer" for the overall market as their reports form the basis of subsequent foundation tendering activity. The management of Chinney Kin Wing are closely monitoring these developments and will continuously adjust our marketing strategy to maximise the return to our shareholders.

Other businesses

Other businesses recorded a profit of HK$3.3 million (2017: HK$0.1 million), which included the profit contributed from Chinney Alliance Engineering Limited ("CAE"), our aviation business, and after deduction of depreciation charges of the properties held for the Group's own use. The increase in profit was mainly attributed to the on-track progress of CAE projects.

The Group's share of the profits and losses of an associate reported net loss of HK$0.7 million (2017: profit of HK$1.6 million), and correlated with the Group's investment in Fineshade Investments Limited ("Fineshade"). After the disposal of all its interests in the real estate properties in Hangzhou, the People's Republic of China (the "PRC") in 2017, Fineshade remained inactive in 2018. During the year, the Group received HK$6.4 million from Fineshade as dividend and return of capital.

OUTLOOK

The strong global growth of 2017 and early 2018 seems to have lost momentum and shows signs of further deceleration. The effect of the fiscal stimulus by the US Government was less effective than expected and the growth expectation of the US economies is moderating. The Federal Reserve left the interest rates unchanged after the March 2019 meeting and it is expected to remain unchanged for the remainder of 2019. The good news is the cost of borrowings has steadied but the economic slowdown is of concerned. Therefore, we have conservatively decided to maintain a very low leveraged financial posture so that we can be opportunistic in the coming year.

There are other worrying signs of a maturing economic cycle. Although US and Mainland China trade talks continue and shows sign of productive progress, it is difficult to speculate on the final agreement and its implementation. These trade tensions affect international trade and investments and Hong Kong, and create turbulence in our markets. Economic growth in Europe has stalled and may even be in the early stages of a retreat. Brexit approaches the deadline though it is generally expected that an extension can be agreed. Nevertheless, the possibility of no-deal Brexit cannot be ruled out. Mainland China's economic growth is also stagnating in the face of unfavourable external conditions but their reduced reliance on exports and implementation of counter-cyclical policy measures should help support moderate growth.

The Hong Kong economy grew 3% for 2018, lower than 2017's 4.1%. While growth was strong in the first half of 2018, the pace decelerated to 2.8% in the third quarter and further to 1.3% in the fourth quarter of 2018. With the slowdown of external advanced economies, exports recorded declines in the fourth quarter. On positive news, the unemployment rate declined to 2.8%, the lowest in more than 20 years. The low unemployment rate, combined with solid growth in wages and earnings, supported private consumption. In addition, the Hong Kong Government is continuing its program of dynamic civil and infrastructure spending. So the short and medium-term outlook for Hong Kong economies is moderately optimistic. We are looking particularly at opportunities brought on by the Belt and Road Initiative and the Guangdong-Hong Kong-Macau Bay Area development.

OUTLOOK *(continued)*

As mentioned in the last annual report, the shortage of land supply and aging skilled labour will constrain further growth in Hong Kong. With the plans of Lantau Tomorrow, development of brownfield land, land sharing and revitalisation of industrial buildings to increase land supply as reported in Chief Executive's policy address in October 2018, the society should consider the cost and benefit of the plans and to implement them upon approval. However, there seems no specific measures to solve the problem of our aging labour force. Hong Kong already has some of the most expensive costs in the world. This trend makes it difficult to bring costs down. And contractors of all trades may have to lower profit margins to keep their tenders competitive. The Group's construction businesses will continue to face intense competition to secure projects, even as we use our best efforts to manage the progress and costs of projects.

Overall, given the Government's effort to resolve the land supply shortage, business opportunities for the construction industry look sustainable in the mid to long-term. The Group's Plastic and Chemical division has the pulse of the market and will continue to explore new products and technologies. With the satisfactory level of value of contracts on hand, the Board is cautiously optimistic about the Group's business prospects for 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.

I would also thank you for the support and loyalty of our shareholders, business partners and other stakeholders who are important to our business development and success.

James Sai-Wing Wong
Chairman

Hong Kong, 27 March 2019

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

James Sai-Wing Wong

Aged 80, was appointed as an executive director and the chairman of the Company in 1998. He is the chairman of Chinney Investments, Limited (stock code: 216, "Chinney Investments"), a director of Lucky Year Finance Limited, Chinney Holdings Limited, Newsworthy Resources Limited, Multi-Investment Group Limited and Enhancement Investments Limited ("EIL"), all being substantial shareholders of the Company, and a director of Chinney Capital Limited which is a shareholder of the Company. He is also the chairman of Hon Kwok Land Investment Company, Limited (stock code: 160, "Hon Kwok"). Chinney Investments and Hon Kwok are both listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed a Justice of the Peace for Hong Kong in 1987.

Yuen-Keung Chan

Aged 64, 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 the vice chairman and managing director of Chinney Investments (stock code: 216), being substantial shareholders of the Company, and a director of Kin Wing Engineering Company Limited ("KWE"), Shun Cheong Electrical Engineering Company Limited ("SCEE") and CCCL, all being major subsidiaries of the Company. He is also the chairman of Chinney Kin Wing (stock code: 1556) which is listed on the Main Board of the Stock Exchange.

James Sing-Wai Wong

Aged 55, 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 thirty 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 and a director 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 was appointed an executive director of Chinney Investments (stock code: 216) in August 2018, and a director of 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 was appointed an executive director of Chinney Kin Wing (stock code: 1556) in September 2016 and an executive director of Hon Kwok (stock code: 160) in July 2018. Chinney Investments, Hon Kwok and Chinney Kin Wing are listed on the Main Board of the Stock Exchange. He is the son of Dr. James Sai-Wing Wong, the chairman and a substantial shareholder of the Company.

EXECUTIVE DIRECTORS *(continued)*

Philip Bing-Lun Lam

Aged 76, was appointed as an executive director of the Company in August 2012. He is a director of SCEE and CCCL, both being major subsidiaries of the Company. Mr. Lam began his career in 1963 with Hang Seng Bank Limited for eleven years, and then joined the University of Hong Kong ("HKU") in 1975 as an Assistant Finance Director. He then worked as the Chief Accountant and Comptroller in Overseas Bank (Canada) in Vancouver for three years from 1982 to 1985. In 1985, Mr. Lam re-joined HKU and had served as the Director of Finance from 1990 until his retirement on 30 June 2012. He was then asked by the Vice-Chancellor of HKU to be his Senior Advisor for financial, investment and fund-raising matters until June 2014, and since then, he has been the Honorary Advisor to the Chairman of The University of Hong Kong Foundation for Educational Development and Research.

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

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

Mr. Lam is an executive director of Chinney Kin Wing (stock code: 1556) which is listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Oriental University City Holdings (H.K.) Limited (stock code: 8067) which is listed on the GEM Board of the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Wendy Kim-See Gan

Aged 54, was appointed as a non-executive director of the Company in 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.

NON-EXECUTIVE DIRECTOR *(continued)*

Wendy Kim-See Gan *(continued)*

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. 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 ("HKUSPACE") and is a Director of HKS Education Fund Limited. Ms. Gan was made an Honorary Fellow of HKU in 2014 and HKUSPACE in 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yuen-Tin Ng

Aged 67, was appointed as an independent non-executive director of the Company in June 2011. Mr. Ng had worked with one of the leading local banks in Hong Kong (the "Bank") for more than thirty-nine years. He was responsible for corporate and institutional banking business of the Bank before his retirement from the Bank. He has wide and good experience in the business of banking and finance. He had also served The Hong Kong Institute of Bankers as a member of its executive committee. He holds the associateship of The Chartered Institute of Bankers, UK and the fellowship of The Hong Kong Institute of Bankers. Mr. Ng is an independent non-executive director of Dah Sing Banking Group Limited (stock code: 2356) which is listed on the Main Board of the Stock Exchange.

Chi-Chiu Wu

Aged 55, was appointed as an independent non-executive director of the Company in March 2012. Mr. Wu was a director and the chief executive officer of, and in currently a consultant to 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 International Development 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. Mr. Wu holds a Bachelor of Science degree from the University of Toronto, Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Ronald James Blake

Aged 84, 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. After retirement in 2013, He was appointed a Project Reviewer to Hong Kong Government for Kai Tak Sports Park inclusive 50,000-seat retractable roof stadium and to Ocean Park Corporation for new WaterWorld project. 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 Hong Kong Special Administrative Region 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 Government of Hong Kong Special Administrative Region.

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 Government of Hong Kong Special Administrative Region in 2012.

SENIOR MANAGEMENT

Kwok-Ming Lam

Aged 55, 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 58, is an executive director and concurrently serves as the managing director of Chinney Kin Wing (stock code: 1556) 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 industry and is responsible for formulating corporate development and business strategies and leading and training the core management team of Chinney Kin Wing. He holds a Bachelor's degree in Engineering from the HKU and a Master's degree in Arts (Christian Studies) from The Chinese University of Hong Kong. He is a corporate member of the Hong Kong Institution of Engineers.

SENIOR MANAGEMENT *(continued)*

Kwok-Leung Fung

Aged 59, 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, Air-conditioning and Heating.

Kwok-Keung Wong

Aged 60, 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 61, is an executive director and concurrently serves as the general manager of Chinney Kin Wing (stock code: 1556) 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 the Head of the Executive Panel of Chinney Kin Wing and responsible for the overall management and supervision of the operations of Chinney Kin Wing. Mr. So has over thirty years of experience in site supervision, project management and tendering in various types of foundation, substructure and site formation projects. He holds a Bachelor's degree of Civil Engineering from National Cheng Kung University.

Chi-Kin Chan

Aged 63, is a director of Shun Cheong Investments Limited and its major subsidiaries, and a director and general manager of SCEE, which are engaged in building related contracting services businesses of the Group. He has over thirty years of experience in building services industry. Mr. Chan holds a Higher Diploma in Mechanical Engineering from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University). He is a council member of the Association of Registered Fire Service Installation Contractors of Hong Kong Limited and a member of the Fire Safety Standards Advisory Group of the Fire Services Department.

Yun-Sang Lo

Aged 53, is the company secretary and financial controller of the Company. He has thirty 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 PRACTICES

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

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

Throughout the year ended 31 December 2018, in the opinion of the directors, the Company has complied with the applicable code provisions of the CG Code, except A.1.1, A.4.1, A.4.2, A.5.1 to A.5.4 and A.6.7, which are explained 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 committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

BOARD OF DIRECTORS

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive directors. The biographical details of the directors are set out in the section "Biographies of Directors and Senior Management" on pages 12 to 16 of this Annual Report.

The Board currently comprises of four executive directors, one non-executive director and three independent non-executive directors. The directors of the Company (the "Directors") during the financial year and up to the date of the report are set out on page 30 of the 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 (retired on 1 April 2018)
Ms. Wendy Kim-See Gan

BOARD OF DIRECTORS *(continued)*

Name of director *(continued)*

Independent Non-Executive Directors

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

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 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. Chi-Chiu Wu, being independent non-executive Director, did not attend the annual general meeting of the Company held on 1 June 2018 due to engagement in his own business.

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

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 Group, CCCL and Shun Cheong is managed by its divisional managing directors and/or general managers.

RE-ELECTION OF DIRECTORS

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

The existing non-executive Directors 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-law"). As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

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

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT *(continued)*

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 2018 is summarised as follows:

Name of director	Type of trainings
Executive Directors	
Dr. James Sai-Wing Wong	B
Mr. Yuen-Keung Chan	B
Mr. James Sing-Wai Wong	B
Mr. Philip Bing-Lun Lam	A, B
Non-Executive Director	
Ms. Wendy Kim-See Gan	A, B
Independent Non-Executive Directors	
Mr. Yuen-Tin Ng	A, B
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 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 have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018. Securities interests in the Company and its associated corporations held by each of the Directors are set out in the section "Report of the Directors" on pages 26 to 35 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 Ms. Wendy Kim-See Gan. The role of the Remuneration Committee is to review and recommend to the Board on the remuneration packages of all executive Directors.

The Chairman of the Board receives no remuneration and determines the remuneration of all other executive Directors, taking reference to market pay, individual performance and a bonus scheme, which has been in place prior to the establishment of the Remuneration Committee. Details of remuneration packages of the executive Directors during the year are set out under heading "Directors' Remuneration" on pages 102 and 103 in this Annual Report.

A Remuneration Committee meeting was held in March 2018, during which the remuneration packages of all executive Directors for the year have been reviewed individually and the proposal for year 2018 remuneration adjustment and 2017 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 Ms. Wendy Kim-See Gan.

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 2018 and the annual results for the year ended 31 December 2018.

AUDIT COMMITTEE *(continued)*

The work performed by the Audit Committee for the year ended 31 December 2018 included reviews of the following:

– the directors' report and the consolidated financial statements for the year ended 31 December 2017 of the Group, with a recommendation to the Board for approval;

– the consolidated financial statements for the six months ended 30 June 2018 of the Group, with a recommendation to the Board for approval;

– the audit fees for the year ended 31 December 2017 proposed by the external auditor, 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.

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

	Attended/Eligible to attend During the year ended 31 December 2018			
Name of Director	Board Meetings	Remuneration Committee Meeting	Audit Committee Meetings	Annual General Meeting held on 1 June 2018
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 (retired on 1 April 2018)	0/1	0/1	0/1	N/A
Ms. Wendy Kim-See Gan (appointed as the member of Audit Committee and Remuneration Committee on 1 April 2018)	2/2	N/A	1/1	1/1
Independent Non-Executive Directors				
Mr. Yuen-Tin Ng	2/2	1/1	2/2	1/1
Mr. Chi-Chiu Wu	2/2	1/1	2/2	0/1
Mr. Ronald James Blake	1/2	N/A	N/A	1/1

NOMINATION OF DIRECTORS

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2018, the Group has engaged its external auditor, Ernst & Young, to provide the following services and their respective fees charged are set out as follows:

Services rendered	**Fees paid/payable** *HK$'000*
Audit services	**3,980**
Non-audit services (review and other services)	**323**

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance to minimise risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. The Group has dedicated internal audit function who reviews the effectiveness of the risk management and internal control systems from time to time in order to ensure that they meet with the dynamic and ever changing business environment.

During the year, the Audit Committee has reviewed the Group's internal control system and considered the internal audit report with the 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.

The Group regularly reminds the Directors and relevant employees for the compliance of policies regarding the inside information, and provide them with update on the appropriate guidelines or policies to ensure the compliance with regulatory requirements.

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 auditor of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 36 to 42.

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 Bermuda 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.

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 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.

SHAREHOLDERS' RIGHTS *(continued)*

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 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries comprise the trading of plastic and chemical products, the provision of building related contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and provision of maintenance services, superstructure construction works and foundation piling works and sub-structure works for both public and private sectors in Hong Kong and Macau, distribution of aviation system and other hi-tech products, and property 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 2018 and the Group's financial position at that date are set out in the financial statements on pages 43 to 148.

The Board recommend the payment of a final dividend of HK6.0 cents per share for the year ended 31 December 2018 (2017: HK6.0 cents) to the shareholders of the Company whose names appear on the Company's register of members on 14 June 2019. 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 2 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2018 and outlook are set out in the Chairman's Statement on pages 8 to 11 of this Annual Report and in this section. The Group's capital and financial risk management objectives and policies are set out in note 44 to the financial statements on pages 142 to 146 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 2018, there were no 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 "Employees and remuneration policies" 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.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group, which included trust receipt loans, bank loans and the liability component of the convertible bond (in 2017 only), amounted to HK$167.4 million and were all classified as current liabilities as of 31 December 2018 (2017: HK$146.1 million, HK$145.1 million or 99% of which were classified as current liabilities). Included in the current portion of bank and other borrowings were trust receipt loans of HK$166.4 million (2017: HK$106.9 million) for financing the purchases of goods by the Group's Plastic and Chemical Trading division and the purchases of materials and equipment for installation in the projects of the Group's Building related Contracting Services division. Current ratio of the Group as of 31 December 2018, measured by total current assets over total current liabilities, was 1.7 (2017: 1.6). Total unpledged cash and bank balances as at 31 December 2018 was HK$778.9 million (2017: HK$942.1 million). The decrease in unpledged cash and bank balances was mainly due to cash used in operating activities of HK$120.1 million, payment of final dividends to shareholders of the Company and public shareholders of Chinney Kin Wing of HK$47.1 million, capital expenditure for plant and machinery and equipment as well as the costs for construction/alternation of internet data centre by IDC Group of HK$63.7 million, net of release of pledged time deposits for security of bond of HK$9.2 million, cash received from an associate company of HK$6.4 million and the financing from trust receipt loans of HK$59.5 million during the year.

The Group had a total of HK$1,426 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$167.4 million over the equity attributable to the owners of the Company of HK$1,833.3 million, was 9.1% as at 31 December 2018 (2017: 9.0%).

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 a non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group when desirable.

Pledge of assets

As of 31 December 2018, certain properties having an aggregate book value of HK$172.8 million were pledged to banks to secure bank loans and general banking facilities extended to the Group. In addition, time deposits of HK$2.1 million were pledged to banks to secure the performance/surety bonds issued in favour of the Group's clients on contracting works.

Contingent liability

As of 31 December 2018, the Group provided corporate guarantees and indemnities to certain banks and financial institutions to secure the performance/surety bonds in the aggregate amount of HK$620.7 million issued in favour of the Group's clients on contracting works. These amounts included the performance/surety bonds issued in favour of the clients of the Chinney Kin Wing Group of HK$167.4 million to which corporate guarantees and indemnities were provided by the Chinney Kin Wing Group.

Except as disclosed above, the Group has no other material contingent liabilities as at 31 December 2018.

Employees and remuneration policies

The Group employed approximately 1,790 staff in Hong Kong and other parts of the PRC as of 31 December 2018. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, 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				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**6,047,951**	5,595,889	4,570,724	4,551,870	3,812,681
PROFIT FOR THE YEAR	**210,434**	197,253	235,434	173,961	142,314
Attributable to:					
– Owners of the Company	**195,867**	176,770	209,928	169,087	142,314
– Non-controlling interests	**14,567**	20,483	25,506	4,874	–
	210,434	197,253	235,434	173,961	142,314

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**3,658,368**	3,581,685	3,223,885	2,939,255	2,395,763
TOTAL LIABILITIES	**(1,706,990)**	(1,853,434)	(1,706,458)	(1,619,897)	(1,444,361)
NON-CONTROLLING INTERESTS	**(118,113)**	(109,227)	(104,044)	(90,013)	–
	1,833,265	1,619,024	1,413,383	1,229,345	951,402

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

The Group has adopted HKFRS 15 *Revenue from Contracts with Customers* using the modified retrospective method of adoption. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11 *Construction contracts*, HKAS 18 *Revenue* and related interpretations.

SHARE CAPITAL AND CONVERTIBLE BOND

Details of movements in the Company's share capital and convertible bond during the year are set out in notes 33 and 32 to the financial statements, respectively.

The net proceeds from the issue of a convertible bond with a principal sum of HK$40 million by Chinney Shun Cheong Holdings Limited, a then wholly-owned subsidiary of the Company, of HK$39.7 million in April 2017 were fully utilised for capital injection to the IDC Group acquired in 2018 for the construction and purchase of equipment for the internet data centre in Longgang District, Shenzhen, the PRC.

PRE-EMPTIVE RIGHTS

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

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

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director 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$396,385,000 as at 31 December 2018, of which HK$35,694,000 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.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors 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 (retired on 1 April 2018)
Wendy Kim-See Gan

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

Yuen-Tin Ng
Chi-Chiu Wu
Ronald James Blake

In accordance with bye-law 87 of the Bye-laws, Ms. Wendy Kim-See Gan and Mr. Yuen-Tin Ng will retire by rotation at the forthcoming annual general meeting. Ms. Gan 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 16 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 executive Directors 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 37 to the financial statements and the section "Connected transactions" below, 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 the Company, the holding company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

CONNECTED TRANSACTIONS

(a) On 20 September 2016, Gold Famous Development Limited ("Gold Famous"), an indirect wholly-owned subsidiary of Hon Kwok and an indirect non wholly-owned subsidiary of Chinney Investments, entered into a framework agreement (the "Foundation Framework Agreement") with Kin Wing Foundations Limited ("KWF"), an indirect wholly-owned subsidiary of Chinney Kin Wing and an indirect non wholly-owned subsidiary of the Company, as a contractor for the construction of piling foundation, pipe piling, bored pile wall works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong (the "Land") at a contract sum of HK$210 million (the "Foundation Construction Works"). The contract sum was arrived at after arm's length negotiations between Gold Famous and KWF by reference to prevailing market rate. KWF offered a quotation to Gold Famous after considering the geological condition of the Land, the complexity and difficulty of the Foundation Construction Works and estimated project costs. The entering into the Foundation Framework Agreement constituted a connected transaction of each of Hon Kwok, Chinney Investments, Chinney Kin Wing and the Company under the Listing Rules. As the applicable percentage ratio of the connected transaction was more than 5% and the contract sum was more than HK$10 million, it constituted a non-exempt connected transaction under Chapter 14A of the Listing Rules and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. On 7 November 2016, at the respective extraordinary general meetings held by each of Hon Kwok and Chinney Investments and at the respective special general meetings held by each of Chinney Kin Wing and the Company, the transaction was approved by the independent shareholders of each of Hon Kwok, Chinney Investments, Chinney Kin Wing and the Company.

Details of the transaction were set out in the joint announcement of Hon Kwok, Chinney Investments, Chinney Kin Wing and the Company dated 20 September 2016 and the Company's circular dated 21 October 2016. During the year ended 31 December 2018, revenue of HK$93,987,000 was recognised by KWF under the Foundation Construction Works.

(b) On 12 June 2018, Gold Famous and Shun Cheong Data Centre Solutions Company Limited ("SCDC"), an indirect wholly-owned subsidiary of the Company, entered into a data centre consultancy agreement, pursuant to which, SCDC was appointed by Gold Famous as a consultant to provide consultancy services in respect of the construction and development of a data centre located in the Land (the "Project") for a fixed fee of HK$16.2 million (the "Consultancy Agreement"). The terms of the Consultancy Agreement (including the consultancy fee) was arrived at after arm's length negotiations between Gold Famous and SCDC. Gold Famous obtained quotations from two independent third party data centre solutions consultants. Upon comparing their quotations and scope of works with that of SCDC, Gold Famous determined that the terms and prices provided by SCDC were as favourable and more suitable than those provided by similar data centre solutions consultants. The entering into the Consultancy Agreement constituted connected transaction of each of Chinney Investments, Hon Kwok and the Company under the Listing Rules. As the applicable percentage ratios for each of Chinney Investments, Hon Kwok and the Company were more than 0.1% but less than 5%, the transactions contemplated under the Consultancy Agreement were subject to the reporting and announcement requirements but exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 12 June 2018. The revenue recognised by SCDC in respect of the transaction amounted to HK$9,720,000 in 2018.

CONNECTED TRANSACTIONS *(continued)*

(c) On 12 July 2018, CCCL, an indirect wholly-owned subsidiary of the Company, as the contractor and Gold Famous as the employer entered into a framework agreement in relation to the construction of the data centre and the provision of ancillary building services relating to the Project. Pursuant to this agreement, Gold Famous conditionally agreed to engage CCCL and CCCL conditionally agreed to act as the main contractor to carry out the construction works for the Project at a tender sum of HK$724,838,691.70, subject to a potential provision sum not exceeding HK$33,000,000 (the "Construction Framework Agreement"). The terms of payment of the total contract sum under the Construction Framework Agreement followed common industry practice which was to be effected in stages based on the progress of the construction works properly executed by CCCL and the materials and goods delivered, as certified by an independent architect of the Project (the "Architect") engaged by Gold Famous in the architect's certificates to be delivered to Gold Famous from time to time. Gold Famous had engaged the Architect and an independent quantity surveyor (the "Quantity Surveyor") to conduct the tendering process and both of them have examined and assessed the merits of the tenders received. In determining the main contractor of the Project, the Architect and the Quantity Surveyor considered the tender prices in addition to other factors relating to the tenderers such as the number of projects they have completed, their experiences of building contracts with similar nature, project scale and complexity, the competences of their technical staff and also the quality of their technical proposals submitted. Each tenderer was scored by the Architect after consideration of the above factors. Based on the examination and assessment by the Architect and the Quantity Surveyor, CCCL received the highest score amongst the three tenderers received and the Quantity Surveyor recommended awarding the tender to CCCL. By contrast, the tender sum for the Construction Framework Agreement offered by CCCL to Gold Famous was determined based on the estimated project costs (including machinery usage costs, direct labour costs, subcontracting charges and construction materials costs etc.) according to the prevailing market rate, and was comparable to those offered to other independent third parties for similar construction works. The entering into the Construction Framework Agreement constituted connected transaction of each of Chinney Investments, Hon Kwok and the Company under the Listing Rules. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Consultancy Agreement and the Construction Framework Agreement were aggregated as a series of transactions as they were entered into within a 12-month period and involved parties which were connected with one another among the Companies. As the applicable percentage ratios for each of Chinney Investments, Hon Kwok and the Company, on both stand-alone and the basis when the Construction Framework Agreement were aggregated with the Consultancy Agreement, were more than 5% and the contract sum was more than HK$10 million, the entering into the Construction Framework Agreement and the transactions contemplated thereunder constituted a non-exempt connected transaction under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules for each of the Companies. The transaction was approved by independent shareholders of Chinney Investments and Hon Kwok on their respective extraordinary general meetings, and by the independent shareholders of the Company on special general meeting held on 24 August 2018.

Details of the transaction were set out in the joint announcement of Chinney Investments, Hon Kwok and the Company dated 12 July 2018 and the Company's circular dated 8 August 2018. During the year ended 31 December 2018, revenue of HK$11,920,000 was recognised by CCCL in respect of the transaction.

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

As at 31 December 2018, 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*:**

	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
Name of Director	Personal interests	Family interests	Corporate interests	Total	
James Sai-Wing Wong	–	–	436,860,216 *(Note)*	436,860,216	73.43%

Note: Amongst these shares, 20,522,000 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 a controlling shareholder and has beneficial interests.

Save as disclosed above, as at 31 December 2018, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CONTRACT OF SIGNIFICANCE

Save as disclosed, 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 had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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

As at 31 December 2018, 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	436,860,216	73.43%
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%

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 wholly-owned by Dr. James Sai-Wing Wong; and

3. 20,522,000 shares are held by Chinney Capital Limited, which is beneficially wholly-owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at 31 December 2018, no person, other than the Directors, 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.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 45 to the financial statements.

AUDITOR

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

ON BEHALF OF THE BOARD
Yuen-Keung Chan
Director

Hong Kong, 27 March 2019

INDEPENDENT AUDITOR'S REPORT

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話：+852 2846 9888
Fax傳真：+852 2868 4432
ey.com

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

OPINION

We have audited the consolidated financial statements of Chinney Alliance Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 148, which comprise the consolidated statement of financial position as at 31 December 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for construction contracts	
For the year ended 31 December 2018, the Group recognised revenue from construction contracting businesses amounting to HK$5,321,820,000. The Group has recognised revenue from the provision of construction services over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and forecasts in relation to costs to complete. Relevant disclosures are included in notes 3.2, 4 and 5 to the financial statements.	To address the key audit matter, we evaluated the significant judgements made by management, through an examination of project documentation, key contracts and variation orders, and discussion of the status of projects under construction with management, finance, and technical personnel of the Group. We tested the controls of the Group over its processes to record contract revenue and contract costs. Our testing also included checking the payment certificates issued by the architects employed by contract customers, payment applications from subcontractors and invoices from suppliers and a comparison of the actual costs incurred with the estimated total costs for satisfaction of the construction services to assess the status of the projects on a sampling basis.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As at 31 December 2018, the Group recorded trade receivables of HK$670,167,000.	We assessed and tested the Group's processes and controls relating to the monitoring of trade receivables.
The credit terms granted by the Group to the customers are generally ranged from cash on delivery to two months. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers.	We evaluated the expected credit loss provisioning methodology, key data inputs and the assumptions, including both historical and forward-looking information, used to determine the expected credit losses on a sampling basis by taking into account factors such as the payment history, ageing of the trade receivables, the subsequent settlement of the trade receivables and other relevant information.
Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.	
Given the significant management judgement and estimation involved, impairment assessment of trade receivables is identified as a key audit matter.	
Relevant disclosures are included in notes 3.2 and 22 to the financial statements	

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of contract assets for construction services	
The Group performs construction work by transferring construction services to customers before the customers pay consideration or before payments are due, contract assets are recognised for the earned considerations that are conditional. Contract assets are stated at cost less impairment. In assessing the recoverability of the contract assets, the Group regularly reviews and, where appropriate, adjusts the financial budget of each construction work based on work progress and latest available information (including correspondence with contract customers), and estimates the amount of foreseeable losses or attributable profits of each construction contract. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expense immediately. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. As at 31 December 2018, the Group recognised contract assets of HK$1,139,522,000. The recoverability assessment of these contract assets involves significant estimations and judgements made by management when management prepares financial budgets of each construction work. Relevant disclosures are included in notes 3.2 and 25 to the financial statements.	We selected material construction contracts, reviewed their financial budgets and interviewed the Group's project managers regarding the preparation and approval processes of financial budgets of construction contracts and the progress of work certification by contract customers. Our testing also included a review of correspondence between the Group and contract customers in respect of construction work performed, checking the payment certificates issued by the architects employed by contract customers, payment applications from subcontractors and invoices from suppliers and a comparison of the actual costs incurred with the estimated total costs for satisfaction of the construction services to assess the status of the projects, and evaluating the expected credit loss provisioning methodology, key data inputs and the assumptions, including both historical and forward-looking information, used to determine the expected credit losses on a sampling basis.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Sai Yu.

Ernst & Young
Certified Public Accountants

Hong Kong
27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**6,047,951**	5,595,889
Cost of sales/services provided		**(5,341,838)**	(4,928,802)
Gross profit		**706,113**	667,087
Other income	5	**9,337**	11,445
Selling and distribution costs		**(14,910)**	(14,981)
Administrative expenses		**(431,821)**	(420,070)
Other operating income/(expenses), net		**(3,769)**	729
Changes in fair value of investment properties	14	**3,396**	1,312
Finance costs	6	**(11,710)**	(7,109)
Share of profits and losses of an associate		**(680)**	1,622
PROFIT BEFORE TAX	7	**255,956**	240,035
Income tax expense	10	**(45,522)**	(42,782)
PROFIT FOR THE YEAR		**210,434**	197,253
Attributable to:			
Owners of the Company		**195,867**	176,770
Non-controlling interests		**14,567**	20,483
		210,434	197,253
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		**HK32.9 cents**	HK29.7 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR		**210,434**	197,253
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations and net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(1,745)**	5,243
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of land and buildings	*13*	**50,616**	60,418
Income tax effect	*31*	**(5,900)**	(7,595)
		44,716	52,823
Change in fair value of equity investment designated at fair value through other comprehensive income		**111**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**44,827**	52,823
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**43,082**	58,066
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**253,516**	255,319
Attributable to:			
Owners of the Company		**238,949**	234,836
Non-controlling interests		**14,567**	20,483
		253,516	255,319

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	815,340	797,550
Investment properties	14	20,386	16,990
Investment in an associate	15	208	13,969
Investment in a joint venture	16	–	–
Equity investment designated at fair value through other comprehensive income	17	2,919	–
Available-for-sale investment	17	–	1,287
Goodwill	18	14,369	12,528
Financial assets at fair value through profit or loss	19	3,964	–
Other assets	19	–	2,345
Prepayments, other receivables and other assets	24	2,618	–
Deferred tax assets	31	144	210
Total non-current assets		859,948	844,879
CURRENT ASSETS			
Inventories	20	88,370	100,409
Contract assets	25	1,139,522	–
Gross amount due from contract customers	21	–	430,576
Trade receivables	22	670,167	647,337
Retention monies receivable	21	–	476,014
Amount due from a related company	23	22,420	37,282
Amount due from a joint venture	16	967	967
Prepayments, other receivables and other assets	24	78,760	85,800
Derivative financial instruments	29	827	–
Tax recoverable		16,349	5,083
Pledged time deposits	26	2,102	11,264
Cash and cash equivalents	26	778,936	942,074
Total current assets		2,798,420	2,736,806
CURRENT LIABILITIES			
Gross amount due to contract customers	21	–	754,948
Trade, bills and retention monies payables	27	707,212	476,900
Trust receipt loans	30	166,452	106,934
Retention monies payable	21	–	231,231
Amount due to an associate	15	–	6,708
Other payables and accruals	28	711,444	119,668
Tax payable		22,283	21,404
Interest-bearing bank borrowings	30	947	918
Convertible bond	32	–	37,290
Total current liabilities		1,608,338	1,756,001
NET CURRENT ASSETS		1,190,082	980,805
TOTAL ASSETS LESS CURRENT LIABILITIES		2,050,030	1,825,684

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	30	–	946
Deferred tax liabilities	31	98,652	96,487
Total non-current liabilities		98,652	97,433
Net assets		1,951,378	1,728,251
EQUITY			
Equity attributable to owners of the Company			
Issued capital	33	59,490	59,490
Reserves	34	1,773,775	1,559,534
		1,833,265	1,619,024
Non-controlling interests		118,113	109,227
Total equity		1,951,378	1,728,251

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 2018

	Attributable to owners of the Company										
	Issued capital	Share premium account	Contributed surplus	Asset revaluation reserve	Equity component of a convertible bond	Legal reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	59,490	60,978	120,946	236,470	–	49	(4,524)	939,974	1,413,383	104,044	1,517,427
Profit for the year	–	–	–	–	–	–	–	176,770	176,770	20,483	197,253
Other comprehensive income for the year:											
Surplus on revaluation of land and buildings, net of tax	–	–	–	52,823	–	–	–	–	52,823	–	52,823
Exchange differences related to foreign operations	–	–	–	–	–	–	5,243	–	5,243	–	5,243
Total comprehensive income for the year	–	–	–	52,823	–	–	5,243	176,770	234,836	20,483	255,319
Release of revaluation reserve on land and buildings to retained profits	–	–	–	(8,885)	–	–	–	8,885	–	–	–
Issue of a convertible bond (note 32)	–	–	–	–	6,499	–	–	–	6,499	–	6,499
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(15,300)	(15,300)
Final 2016 dividend declared (note 11)	–	–	–	–	–	–	–	(35,694)	(35,694)	–	(35,694)
At 31 December 2017	59,490	60,978*	120,946*	280,408*	6,499*	49*	719*	1,089,935*	1,619,024	109,227	1,728,251

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Company											
	Issued capital	Share premium account	Contributed surplus	Asset revaluation reserve	Fair value reserve (non-recycling)	Equity component of a convertible bond	Legal reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2017	59,490	60,978	120,946	280,408	–	6,499	49	719	1,089,935	1,619,024	109,227	1,728,251
Effect of adoption of HKFRS 9 (note 2.2)	–	–	–	–	–	–	–	–	1,619	1,619	–	1,619
Effect of adoption of HKFRS 15 (note 2.2)	–	–	–	–	–	–	–	–	(25,172)	(25,172)	(3,026)	(28,198)
At 1 January 2018 (restated)	59,490	60,978	120,946	280,408	–	6,499	49	719	1,066,382	1,595,471	106,201	1,701,672
Profit for the year	–	–	–	–	–	–	–	–	195,867	195,867	14,567	210,434
Other comprehensive income for the year:												
Surplus on revaluation of land and buildings, net of tax	–	–	–	44,716	–	–	–	–	–	44,716	–	44,716
Exchange differences related to foreign operations	–	–	–	–	–	–	–	(1,745)	–	(1,745)	–	(1,745)
Change in fair value of equity investment designated at fair value through other comprehensive income	–	–	–	–	111	–	–	–	–	111	–	111
Total comprehensive income for the year	–	–	–	44,716	111	–	–	(1,745)	195,867	238,949	14,567	253,516
Release of revaluation reserve on land and buildings to retained profits	–	–	–	(10,947)	–	–	–	–	10,947	–	–	–
Deemed disposal of partial interests in a subsidiary upon conversion of the subsidiary's convertible bond (note 32)	–	–	–	–	–	(6,499)	–	–	41,038	34,539	8,820	43,359
Transfer to legal reserve	–	–	–	–	–	–	1,456	–	(1,456)	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(11,475)	(11,475)
Final 2017 dividend declared (note 11)	–	–	–	–	–	–	–	–	(35,694)	(35,694)	–	(35,694)
At 31 December 2018	**59,490**	**60,978***	**120,946***	**314,177***	**111***	**–***	**1,505***	**(1,026)***	**1,277,084***	**1,833,265**	**118,113**	**1,951,378**

* These reserve accounts comprise the consolidated reserves of HK$1,773,775,000 (2017: HK$1,559,534,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**255,956**	240,035
Adjustments for:			
Finance costs	6	**11,710**	7,109
Share of profits and losses of an associate		**680**	(1,622)
Fair value gain on derivative financial instruments	7	**(827)**	–
Changes in fair value of investment properties	14	**(3,396)**	(1,312)
Depreciation	7	**85,122**	83,303
Impairment of trade receivables	7	**–**	77
Bad debts written off	7	**–**	788
Impairment of goodwill	7	**398**	–
Write-back of provision for inventories included in cost of inventories sold	7	**(304)**	(21)
Transfer of property, plant and equipment to contract cost		**10,048**	–
Loss on disposal of items of property, plant and equipment, net	7	**1,000**	1,229
Interest income	5	**(4,601)**	(4,122)
		355,786	325,464
Decrease/(increase) in inventories		**12,343**	(17,543)
Decrease/(increase) in gross amount due from contract customers		**–**	(154,555)
Increase in contract assets		**(221,893)**	–
Increase in trade receivables		**(22,830)**	(36,145)
Decrease/(increase) in retention monies receivable		**–**	(63,082)
Decrease/(increase) in an amount due from a related company		**14,862**	(37,282)
Decrease in prepayments, other receivables and other assets		**5,896**	23,075
Decrease in gross amount due to contract customers		**–**	(18,124)
Increase in trade, bills and retention monies payables		**(919)**	104,676
Increase/(decrease) in retention monies payable		**–**	52,694
Increase/(decrease) in other payables and accruals		**(207,817)**	(6,851)
Cash generated from/(used in) operations		**(64,572)**	172,327
Interest received		**4,601**	18,517
Interest paid		**(5,641)**	(3,320)
Dividends paid		**(35,694)**	(35,694)
Dividends paid to non-controlling shareholders		**(11,475)**	(15,300)
Hong Kong profits tax paid, net		**(45,440)**	(28,649)
Overseas taxes paid		**(9,056)**	(3,965)
Net cash flows from/(used in) operating activities		**(167,277)**	103,916

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(63,746)**	(68,387)
Proceeds from disposal of items of property, plant and equipment		**297**	1,816
Acquisition of subsidiaries	36	**(3,327)**	–
Dividend from an associate		**3,572**	–
Proceeds from return on capital of an associate		**2,801**	–
Repayment of a loan from an associate		**–**	28,527
Increase in an amount due to an associate		**–**	6,708
Purchase of financial assets at fair value through other comprehensive income		**(1,521)**	–
Purchase of an available-for-sale investment		**–**	(1,287)
Net cash flows used in investing activities		**(61,924)**	(32,623)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from issue of a convertible bond	32	**–**	40,000
Increase/(decrease) in trust receipt loans		**59,518**	(31,668)
Repayment of bank loans		**(917)**	(890)
Decrease in pledged time deposits		**9,162**	2,630
Net cash flows from financing activities		**67,763**	10,072
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(161,438)**	81,365
Cash and cash equivalents at beginning of year		**942,074**	859,797
Effect of foreign exchange rate changes, net		**(1,700)**	912
CASH AND CASH EQUIVALENTS AT END OF YEAR		**778,936**	942,074
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**555,299**	534,928
Non-pledged time deposits with original maturity of less than three months when acquired	26	**223,637**	407,146
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows		**778,936**	942,074

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
- property and investment holding

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share/ 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

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary share/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Chinney Alliance Engineering Limited	Hong Kong	HK$10,000	–	100%	Distribution and installation of aviation system, mechanical, electrical and building supplies, and other hi-tech products
Chinney Alliance Trading (BVI) Limited*	British Virgin Islands	HK$360,001	100%	–	Investment holding
Chinney Builders Company Limited	Hong Kong	HK$2	–	100%	Building construction
Chinney Construction (BVI) Limited	British Virgin Islands	US$10,000	–	100%	Investment holding
Chinney Construction Company, Limited	Hong Kong	HK$20,000,000	–	100%	Building construction
Chinney Construction Group Limited	British Virgin Islands	US$1	–	100%	Investment holding
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 ("Chinney Kin Wing")#	Bermuda	HK$150,000,000	74.5%	–	Investment holding
Chinney Shun Cheong Building Services Engineering Limited	Hong Kong	HK$100	–	100%	Maintenance of air-conditioning, electrical generators, water pumps and fire prevention and fighting systems

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary share/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Chinney Shun Cheong E&M (Shenzhen) Company Limited*	People's Republic of China	RMB15,000,000	–	100%	Trading of building decoration materials and electrical and mechanical equipment
Chinney Shun Cheong Holdings Limited ("Chinney Shun Cheong")*	Bermuda	HK$14,999	75%	–	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
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$20,000,000	–	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
DrilTech Ground Engineering (Singapore) Pte. Ltd.*	Singapore	S$25,000	–	74.5%	Drilling, site investigation and related ground engineering construction
Everest Engineering Company Limited	Hong Kong	HK$10,000	–	74.5%	Basement construction work

1. CORPORATE AND GROUP INFORMATION *(continued)*

***Information about subsidiaries** (continued)*

Name	Place of incorporation/ registration and business	Issued ordinary share/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
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 and other 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
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
LabTech Testing Limited	Hong Kong	HK$10,000	–	74.5%	Construction material testing
Lei Kee Development Company Limited	Hong Kong	HK$2	–	100%	Property holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary share/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
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$6,000,000; 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
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

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary share/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Westco Airconditioning Limited	Hong Kong	HK$10,000,000	–	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

A company listed on the Main Board of the Stock Exchange.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, 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 of the Company, result in particulars of excessive length.

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 included in property, plant and equipment, investment properties, equity investment designated at fair value through other comprehensive income and financial assets at fair value through profit or loss 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 2018. 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 Company 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with customers*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements. The nature and the impact of these two new HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

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

(a) *(continued)*

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Notes	HKAS 39 measurement Category	HKAS 39 measurement Amount *HK$'000*	Re-classification *HK$'000*	Fair value adjustments *HK$'000*	HKFRS 9 measurement Amount *HK$'000*	HKFRS 9 measurement Category
Financial assets							
Available-for-sale investment		AFS[2]	1,287	(1,287)	–	–	N/A
To: Equity investment designated at fair value through other comprehensive income	*(i)*			(1,287)	–		
Equity investment designated at fair value through other comprehensive income		N/A	–	1,287	–	1,287	FVTOCI[1] (equity)
From: Available-for-sale investment	*(i)*			1,287	–		
Other assets		AC[4]	2,345	(2,345)	–	–	N/A
To: Financial assets at fair value through profit or loss	*(ii)*			(2,345)	–		
Financial assets at fair value through profit or loss		FVTPL[5]	–	2,345	1,619	3,964	FVTPL (mandatory)
From: Other assets	*(ii)*			2,345	–		
Trade receivables		L&R[3]	647,337	–	–	647,337	AC
Amount due from a related company		L&R	37,282	–	–	37,282	AC
Amount due from a joint venture		L&R	967	–	–	967	AC
Financial assets included in prepayments, other receivables and other assets		L&R	78,192	–	–	78,192	AC
Pledged deposits		L&R	11,264	–	–	11,264	AC
Cash and cash equivalents		L&R	942,074	–	–	942,074	AC

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

(a) *(continued)*

Classification and measurement (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows: (continued)

		HKAS 39 measurement		Re-	Fair value	HKFRS 9 measurement	
	Notes	Category	Amount	classification	adjustments	Amount	Category
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
Financial liabilities							
Trade and bills payables		AC	476,900	–	–	476,900	AC
Trust receipt loans		AC	106,934	–	–	106,934	AC
Retention monies payable		AC	231,231	–	–	231,231	AC
Amount due to an associate		AC	6,708	–	–	6,708	AC
Financial liabilities included in other payables and accruals		AC	69,940	–	–	69,940	AC
Interest-bearing bank borrowings		AC	1,864	–	–	1,864	AC
Convertible bond		AC	37,290	–	–	37,290	AC

[1] FVTOCI: Financial assets at fair value through other comprehensive income
[2] AFS: Available-for-sale investment
[3] L&R: Loans and receivables
[4] AC: Financial assets or financial liabilities at amortised cost
[5] FVTPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate its previous available-for-sale equity investment as equity investment at fair value through other comprehensive income.

(ii) The Group has reclassified its unlisted club debentures previously classified as other assets as financial assets measured at fair value through profit or loss as these non-equity investment did not pass the contractual cash flow characteristics test in HKFRS 9.

(iii) The gross carrying amounts of the contract assets reclassified from gross amount due from contract customers represented the amounts after adjustment for the adoption of HKFRS 15 but before the measurement of HKFRS 9's expected credit losses ("ECLs"). Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2(b) to the financial statements.

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

(a) *(continued)*

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits
	HK$'000
Balance as at 31 December 2017 under HKAS 39	1,619,024
Remeasurement of other assets to financial assets at fair value through profit or loss	1,619
Balance as at 1 January 2018 under HKFRS 9	1,620,643

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contacts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. 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 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 disclosures are included in notes 3.2 and 5 to the financial statements. As a result of the adoption of HKFRS 15, the Company has changed the accounting policy with the respect to revenue recognition in note 3.1 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

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

(b) *(continued)*

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/ (decrease)** *HK$'000*
Assets		
Contract assets	*(i)*	917,629
Gross amount due from contract customers	*(i)*	(430,576)
Retention monies receivable	*(i)*	(476,014)
Tax recoverable	*(iii)*	2,553
Total assets		13,592
Liabilities		
Gross amount due to contract customers	*(ii)*	(754,948)
Trade, bills and retention monies payables	*(ii)*	231,231
Retention monies payable	*(ii)*	(231,231)
Other payables and accruals	*(ii)*	799,207
Tax payable	*(iii)*	(2,469)
Total liabilities		41,790
Equity		
Retained profits	*(iii)*	(25,172)
Non-controlling interests	*(iii)*	(3,026)
		(28,198)

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

(b) *(continued)*

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	*HK$*	*HK$*	*HK$*
Revenue	*(i), (ii)*	6,047,951	5,829,562	218,389
Cost of sales/services provided	*(i), (ii)*	(5,341,838)	(5,136,396)	205,442
Gross profit		706,113	693,166	12,947
Profit before tax		255,956	243,009	12,947
Income tax expenses	*(iii)*	(45,522)	(44,196)	1,326
Profit for the year		210,434	198,813	11,621
Attributable to:				
Owners of the Company		195,867	185,375	10,492
Non-controlling interest		14,567	13,438	1,129
		210,434	198,813	11,621
Earnings per share attributable to ordinary equity holders of the Company				
Basic and diluted				
– For profit for the year		HK32.9 cents	HK31.2 cents	HK1.7 cents

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

(b) *(continued)*

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets	*(i)*	1,139,522	–	1,139,522
Gross amount due from contract customers	*(i)*	–	567,798	(567,798)
Retention monies receivable	*(i)*	–	547,923	(547,923)
Tax recoverable	*(iii)*	16,349	15,710	639
Total assets		3,658,368	3,633,928	24,440
Gross amount due to contract customers	*(ii)*	–	545,677	(545,677)
Trade, bills and retention monies payables	*(ii)*	707,212	440,231	266,981
Retention monies payable	*(ii)*	–	266,981	(266,981)
Other payables and accruals	*(ii)*	711,444	121,695	589,749
Tax payable	*(iii)*	22,283	25,338	(3,055)
Total liabilities		1,706,990	1,665,973	41,017
Net assets		1,951,378	1,967,955	(16,577)
Retained profits	*(iii)*	1,277,084	1,291,764	(14,680)
Non-controlling interests	*(iii)*	118,113	120,010	(1,897)
Total equity		1,951,378	1,967,955	(16,577)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

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

(b) *(continued)*

Notes:

(i) *Construction services*

Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as construction contracts in the statement of financial position before the construction services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified HK$430,576,000 from gross amount due from contract customers to contract assets with profits of HK$11,039,000 as at 1 January 2018.

Before the adoption of HKFRS 15, retention monies receivable arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in retention monies receivable in the consolidated statement of financial position. Upon adoption of HKFRS 15, retention monies receivable are reclassified to contract assets. Accordingly, the Group reclassified HK$476,014,000 from retention monies receivable to contract assets as at 1 January 2018.

As at 31 December 2018, upon the adoption of HKFRS 15, the Group reclassified HK$567,798,000 from gross amount due from contract customers to contract assets with profits of HK$23,801,000 recognised as contract assets as well as the reclassification of HK$547,923,000 from retention monies receivable to contract assets resulting in an increase in contract assets of HK$1,139,522,000.

(ii) *Consideration received from customers in advance*

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as gross amount due to contract customers. Under HKFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$754,948,000 from gross amount due to contract customers to other payables and accruals including the recognition of contract liabilities of HK$351,296,000 in relation to the consideration received from customers in advance as at 1 January 2018 and reclassified retention monies payable to trade, bills and retention monies payables, resulting in an increase of HK$231,231,000 in trade, bills and retention monies payables as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, the Group reclassified HK$545,677,000 from gross amount due to contract customers to other payables and accruals including the recognition of contract liabilities of HK$273,707,000 in relation to the consideration received from customers in advance for the provision of construction services and reclassified retention monies payable to trade, bills and retention monies payables, resulting in an increase of HK$266,981,000 in trade, bills and retention monies payables.

(iii) *Other adjustments*

In addition to the adjustments described above, other items of primary financial statements such as tax and non-controlling interests were adjusted as necessary. Retained profits were adjusted accordingly.

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.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
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 described below:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees - leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As disclosed in note 38 to the financial statements, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$143,137,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. The Group is currently assessing the impact of HKFRS 16. Further analysis will be need to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, incremental borrowing rates to be applied for different leases.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

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 an associate 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 an associate 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 associate or joint venture are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or a joint venture is included as part of the Group's investments in an associate 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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its land and buildings classified as property, plant and equipment, investment properties at fair value, an equity investment designated at fair value through other comprehensive income and financial assets at fair value through profit or loss 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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

(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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

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

Leases

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Subsequent measurement (continued)

Financial assets designated at fair value through other comprehensive income (equity investments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investment designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income and unlisted club debentures that are not solely payments of principal and interest.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

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 income/(expenses), net for receivables.

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investments revaluation reserve until the investments are derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investments are 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 (applicable before 1 January 2018)" below.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)*

Subsequent measurement (continued)

Available-for-sale financial investments *(continued)*
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 investments 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 (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks 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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (polices under HKAS 39 applicable before 1 January 2018)

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(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 income/(expenses), net in the statement of profit or loss.

Available-for-sale financial investments

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

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

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

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

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, 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 and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, trust receipt loans, retention monies payable, an amount due to an associate, financial liabilities included in other payables and accruals and interest-bearing bank borrowings and a convertible bond.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(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 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.

Convertible bond
The component of a convertible bond that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of a convertible bond, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

The Group provides for warranties in relation to the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on past experience of the level of repairs, discounted to their present values as appropriate.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

Current tax assets and liabilities 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, an associate 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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate 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.

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable from 1 January 2018) *(continued)*

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of products
Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the consumer products.

(b) Construction services
Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable before 1 January 2018)

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 (applicable before 1 January 2018)" 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) commission income, when services have been rendered.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Construction contracts (applicable before 1 January 2018)

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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 5% of their 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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, an associate 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.

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 Company's 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 contract assets; and (ii) the recognition of loss allowance for impairment of the Group's trade receivables.

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.

Revenue recognition for construction services

For the year ended 31 December 2018, the Group recognised revenue from construction contracting businesses amounting to HK$5,321,820,000. The Group has recognised revenue from the provision of construction services over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and forecasts in relation to costs to complete.

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 2018 was HK$14,369,000 (2017: HK$12,528,000). Further details are given in note 18.

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 2018 were HK$20,386,000 (2017: HK$16,990,000) and HK$485,092,000 (2017: HK$449,605,000), respectively.

Impairment assessment of trade receivables

As at 31 December 2018, the Group recorded gross trade receivables of HK$671,218,000, before impairment provision of trade receivables of HK$1,051,000. In general, the credit terms granted by the Group to the customers generally ranged from cash on delivery to two months (2017: cash on delivery to two months). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

Recoverability of contract assets for construction services

The Group performs construction work by transferring construction services to customers before the customers pay consideration or before payments are due, contract assets are recognised for the earned considerations that are conditional. Contract assets are stated at cost less impairment. In assessing the recoverability of the contract assets, the Group regularly reviews and, where appropriate, adjusts the financial budget of each construction work based on work progress and latest available information (including correspondence with contract customers), and estimates the amount of foreseeable losses or attributable profits of each construction contract. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expense immediately. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

As at 31 December 2018, the Group recognised contract assets of HK$1,139,522,000. The recoverability assessment of these contract assets involves significant estimations and judgements made by management when management prepares financial budgets of each construction work.

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 the distribution of aviation system and other hi-tech products, and property and investment holding.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted operating profit before tax. The adjusted profit 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 an associate as well as unallocated corporate gains and expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, tax recoverable, an investment in an associate, equity investment designated at fair value through other comprehensive income, an available-for-sale investment 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.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2018

	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 *(note 5)*:						
Sales to external customers	610,115	2,668,403	1,497,507	1,242,956	28,970	6,047,951
Intersegment sales	152	30,706	–	–	–	30,858
Other revenue	1,700	73	461	1,741	1	3,976
	611,967	2,699,182	1,497,968	1,244,697	28,971	6,082,785
Reconciliation:						
Elimination of intersegment sales						(30,858)
Revenue						6,051,927
Segment results	5,844	122,940	79,213	68,754	3,364	280,115
Reconciliation:						
Interest income and unallocated gains						5,361
Unallocated expenses						(32,236)
Changes in fair value of investment properties						3,396
Share of profits and losses of an associate						(680)
Profit before tax						255,956
Segment assets	388,451	1,227,491	654,133	934,708	198,531	3,403,314
Reconciliation:						
Elimination of intersegment receivables						(13,107)
Investment in an associate						208
Equity investment designated at fair value through other comprehensive income						2,919
Corporate and other unallocated assets						265,034
Total assets						3,658,368
Segment liabilities	125,828	771,712	212,800	467,209	14,274	1,591,823
Reconciliation:						
Elimination of intersegment payables						(13,107)
Corporate and other unallocated liabilities						128,274
Total liabilities						1,706,990
Other segment information:						
Provision/(write-back of provision) for inventories included in cost of inventories sold	(303)	3	–	–	(4)	(304)
Depreciation	4,753	3,273	6,411	55,385	6,711	76,533
Impairment of goodwill	–	–	–	398	–	398
Capital expenditure*	307	31,012	1,324	30,626	477	63,746

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2017

	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	556,515	2,178,883	1,648,543	1,190,441	21,507	5,595,889
Intersegment sales	317	55,329	–	–	–	55,646
Other revenue	5,216	313	585	1,547	771	8,432
	562,048	2,234,525	1,649,128	1,191,988	22,278	5,659,967
Reconciliation:						
Elimination of intersegment sales						(55,646)
Revenue						5,604,321
Segment results	13,609	102,907	51,907	95,537	127	264,087
Reconciliation:						
Interest income and unallocated gains						3,013
Unallocated expenses						(29,999)
Changes in fair value of investment properties						1,312
Share of profits and losses of an associate						1,622
Profit before tax						240,035
Segment assets	385,700	979,646	739,262	1,016,185	188,741	3,309,534
Reconciliation:						
Elimination of intersegment receivables						(21,862)
Investment in an associate						13,969
Available-for-sale investment						1,287
Corporate and other unallocated assets						278,757
Total assets						3,581,685
Segment liabilities	140,718	654,881	387,290	532,146	29,275	1,744,310
Reconciliation:						
Elimination of intersegment payables						(21,862)
Corporate and other unallocated liabilities						130,986
Total liabilities						1,853,434
Other segment information:						
Impairment of trade receivables	77	–	–	–	–	77
Bad debt written-off	–	–	788	–	–	788
Provision/(write-back of provision) for inventories included in cost of inventories sold	23	34	–	–	(78)	(21)
Depreciation	4,143	2,667	5,545	65,011	5,937	83,303
Capital expenditure*	439	3,231	34	64,653	30	68,387

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

	2018 HK$'000	2017 HK$'000
Hong Kong	5,404,584	4,776,930
Mainland China, Macau and Singapore	643,367	818,959
	6,047,951	5,595,889

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

(b) *Non-current assets*

	2018 HK$'000	2017 HK$'000
Hong Kong	734,347	748,505
Mainland China and Macau	101,379	66,035
	835,726	814,540

The non-current asset information above is based on the locations of the assets and excludes an investment in an associate, an investment in a joint venture, an available-for-sale investment, other assets, equity investment designated at fair value through other comprehensive income, goodwill, deferred tax assets, financial assets at fair value through profit or loss and non-current portion of prepayments, other receivables and other assets.

Information about major customers

During the years ended 31 December 2018 and 2017, none of the Group's revenue derived from transactions with a single external customer amounted to 10 per cent or more of the Group's revenue.

5. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers		
Sale of goods	726,131	557,172
Construction services	5,321,820	5,038,717
	6,047,951	5,595,889

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2018

Segments	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
Type of goods or services						
Sales of goods	610,115	116,016	–	–	–	726,131
Construction services	–	2,552,387	1,497,507	1,242,956	28,970	5,321,820
Total revenue from contracts with customers	610,115	2,668,403	1,497,507	1,242,956	28,970	6,047,951
Geographical markets						
Hong Kong	429,071	2,362,516	1,354,848	1,233,472	24,677	5,404,584
Mainland China, Macau and Singapore	181,044	305,887	142,659	9,484	4,293	643,367
Total revenue from contracts with customers	610,115	2,668,403	1,497,507	1,242,956	28,970	6,047,951
Timing of revenue recognition						
Goods transferred at a point in time	610,115	116,016	–	–	–	726,131
Services transferred over time	–	2,552,387	1,497,507	1,242,956	28,970	5,321,820
Total revenue from contracts with customers	610,115	2,668,403	1,497,507	1,242,956	28,970	6,047,951

5. REVENUE AND OTHER INCOME *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Year ended 31 December 2018

Segments	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
Revenue from contracts with customers						
Sales to external customers	610,115	2,668,403	1,497,507	1,242,956	28,970	6,047,951
Intersegment sales	152	30,706	–	–	–	30,858
	610,267	2,699,109	1,497,507	1,242,956	28,970	6,078,809
Intersegment adjustments and eliminations	(152)	(30,706)	–	–	–	(30,858)
	610,115	2,668,403	1,497,507	1,242,956	28,970	6,047,951

(ii) The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018 HK$'000
Construction services	351,296

5. REVENUE AND OTHER INCOME *(continued)*

Revenue from contracts with customers *(continued)*

(iii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 60 days from delivery, except for new customers, where payment in advance is normally required.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 60 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

	2018	2017
	HK$'000	*HK$'000*
Other income		
Interest income	**4,601**	4,122
Commission income	**280**	4,557
Gross rental income	**–**	1,405
Others	**4,456**	1,361
	9,337	11,445

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**5,641**	3,320
Interest on a convertible bond	**6,069**	3,789
	11,710	7,109

7. PROFIT BEFORE TAX

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

	Notes	2018 HK$'000	2017 HK$'000
Cost of inventories sold		**652,914**	504,145
Cost of services provided		**4,688,924**	4,424,657
Depreciation	13	**85,122**	86,159
Less: Amount included in contract costs		**(8,589)**	(2,856)
		76,533	83,303
Minimum lease payments under operating leases in respect of land and buildings		**19,528**	13,345
Auditor's remuneration:			
Charge for the year		**4,287**	3,964
Underprovision in prior years		**52**	11
		4,339	3,975
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**729,339**	675,228
Pension scheme contributions*		**29,040**	25,530
		758,379	700,758
Less: Amount included in contract costs		**(518,522)**	(462,699)
		239,857	238,059
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**404**	201
Impairment of trade receivables#	22	**–**	77
Bad debt written off#		**–**	788
Write-back of provision for inventories included in cost of inventories sold		**(304)**	(21)
Impairment of goodwill#		**398**	–
Loss on disposal of items of property, plant and equipment, net#		**1,000**	1,229
Change in fair value of investment properties		**(3,396)**	(1,312)
Fair value gain on derivative financial instruments – transaction not qualifying as hedges#		**(827)**	–
Foreign exchange differences, net#		**3,198**	(2,823)

7. PROFIT BEFORE TAX *(continued)*

* As at 31 December 2018, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

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

8. DIRECTORS' REMUNERATION

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

	2018 HK$'000	2017 HK$'000
Fees	888	1,000
Other emoluments:		
Salaries, allowances and benefits in kind	5,844	5,102
Performance-related bonuses*	6,000	6,300
Pension scheme contributions	240	206
	12,084	11,608
	12,972	12,608

* 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:

	2018 HK$'000	2017 HK$'000
Yuen-Tin Ng	100	100
Chi-Chiu Wu	100	100
Ronald James Blake	100	100
	300	300

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

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
2018					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Yuen-Keung Chan	150	400	2,700	16	3,266
James Sing-Wai Wong	150	3,016	1,200	224	4,590
Philip Bing-Lun Lam	150	2,428	1,700	–	4,278
	450	5,844	5,600	240	12,134
Non-executive directors:					
Herman Man-Hei Fung (retired on 1 April 2018)	38	–	400	–	438
Wendy Kim-See Gan	100	–	–	–	100
	588	5,844	6,000	240	12,672

	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
2017					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Yuen-Keung Chan	150	–	2,300	–	2,450
James Sing-Wai Wong	150	2,862	1,000	206	4,218
Philip Bing-Lun Lam	150	2,240	1,700	–	4,090
	450	5,102	5,000	206	10,758
Non-executive directors:					
Herman Man-Hei Fung	150	–	1,300	–	1,450
Wendy Kim-See Gan	100	–	–	–	100
	700	5,102	6,300	206	12,308

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two (2017: two) directors of the Company, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2017: three) non-director highest paid employees for the year are as follows:

	2018 *HK$'000*	2017 *HK$'000*
Basic salaries, housing allowances and other benefits in kind	7,742	7,595
Bonuses paid and payable	7,422	13,468
Pension scheme contributions	539	461
	15,703	21,524

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

	Number of employees 2018	2017
HK$3,500,001 to HK$4,000,000	2	1
HK$7,500,001 to HK$8,000,000	–	1
HK$8,500,000 to HK$9,000,000	1	–
HK$10,000,001 to HK$10,500,000	–	1
	3	3

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**42,834**	36,767
Overprovision in prior years	**(642)**	(390)
Current – Elsewhere		
Charge for the year	**6,999**	10,507
Overprovision in prior years	**–**	(52)
Deferred (note 31)	**(3,669)**	(4,050)
Total tax charge for the year	**45,522**	42,782

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

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**255,956**	240,035
Tax at the applicable statutory tax rates	**38,706**	37,246
Overprovision in prior years	**(642)**	(442)
Income not subject to tax	**(1,468)**	(1,608)
Expenses not deductible for tax	**3,036**	1,675
Profits and losses attributable to an associate	**112**	(268)
Tax losses utilised from previous periods	**(1,338)**	(1,244)
Tax losses not recognised	**6,514**	4,194
Others	**602**	3,229
Tax charge for the year at the effective rate of 17.8% (2017: 17.8%)	**45,522**	42,782

11. DIVIDEND

	2018	2017
	HK$'000	*HK$'000*
Proposed final – HK6.0 cents (2017: HK6.0 cents) per ordinary share	**35,694**	35,694

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 COMPANY

The calculation of the basic earnings per share amount is based on the profit for the years ended 31 December 2018 and 2017 attributable to ordinary equity holders of the Company, and the number of ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bond of a subsidiary and the dilution effect on earnings assuming there is a full conversion of the convertible bond of a subsidiary, where applicable. The number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year as used in the basic earnings per share calculation.

The calculations of basic and diluted earnings per share are based on:

	2018 HK$'000	2017 HK$'000
Basic		
Profit attributable to ordinary equity holders of the Company	195,867	176,770
Diluted		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	195,867	176,770
Interest on a convertible bond of a subsidiary, net of tax	6,069	3,789
Dilution of earnings arising from the full conversion of the convertible bond of a subsidiary	1,099	85
	203,035*	180,644*

	Number of shares 2018	2017
Shares		
Number of ordinary shares in issue during the year	594,899,245	594,899,245

* No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of the convertible bond of a subsidiary outstanding has an anti-dilutive effect on the basic earnings per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Yacht HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2018								
At 31 December 2017 and 1 January 2018:								
Cost or valuation	449,605	–	21,023	582,769	21,830	9,893	10,898	1,096,018
Accumulated depreciation	–	–	(13,449)	(259,700)	(16,158)	(1,982)	(7,179)	(298,468)
Net carrying amount	449,605	–	7,574	323,069	5,672	7,911	3,719	797,550
At 1 January 2018, net of accumulated depreciation	449,605	–	7,574	323,069	5,672	7,911	3,719	797,550
Additions	–	24,491	2,260	32,474	2,252	–	2,269	63,746
Disposals	–	–	–	(1,139)	–	–	(158)	(1,297)
Transfer to costs of construction contracts	–	–	–	(10,048)	–	–	–	(10,048)
Surplus on revaluation credited to other comprehensive income	50,616	–	–	–	–	–	–	50,616
Depreciation provided during the year	(15,129)	–	(2,136)	(62,561)	(2,302)	(993)	(2,001)	(85,122)
Exchange realignment	–	–	(1)	(80)	(22)	–	(2)	(105)
At 31 December 2018, net of accumulated depreciation	485,092	24,491	7,697	281,715	5,600	6,918	3,827	815,340
At 31 December 2018:								
Cost or valuation	485,092	24,491	23,252	600,109	23,541	9,893	12,556	1,178,934
Accumulated depreciation	–	–	(15,555)	(318,394)	(17,941)	(2,975)	(8,729)	(363,594)
Net carrying amount	485,092	24,491	7,697	281,715	5,600	6,918	3,827	815,340

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	Yacht HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2017							
At 1 January 2017:							
Cost or valuation	402,255	20,257	560,893	19,707	9,893	11,186	1,024,191
Accumulated depreciation	–	(11,572)	(221,910)	(13,993)	(988)	(5,975)	(254,438)
Net carrying amount	402,255	8,685	338,983	5,714	8,905	5,211	769,753
At 1 January 2017, net of accumulated depreciation	402,255	8,685	338,983	5,714	8,905	5,211	769,753
Additions	–	723	64,614	2,091	–	959	68,387
Disposals	–	–	(2,929)	(6)	–	(110)	(3,045)
Transfer to costs of construction contracts	–	–	(11,862)	–	–	–	(11,862)
Surplus on revaluation credited to other comprehensive income	60,418	–	–	–	–	–	60,418
Depreciation provided during the year	(13,068)	(1,834)	(65,755)	(2,159)	(994)	(2,349)	(86,159)
Exchange realignment	–	–	18	32	–	8	58
At 31 December 2017, net of accumulated depreciation	449,605	7,574	323,069	5,672	7,911	3,719	797,550
At 31 December 2017:							
Cost or valuation	449,605	21,023	582,769	21,830	9,893	10,898	1,096,018
Accumulated depreciation	–	(13,449)	(259,700)	(16,158)	(1,982)	(7,179)	(298,468)
Net carrying amount	449,605	7,574	323,069	5,672	7,911	3,719	797,550

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

The Group's land and buildings were revalued individually on 31 December 2018 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an aggregate open market value of HK$485,092,000 based on their existing uses. Revaluation surplus of HK$50,616,000, resulting from the above valuations, has been credited to other comprehensive income.

At 31 December 2018, certain of the Group's land and buildings with a net carrying amount of approximately HK$172,800,000 (2017: HK$161,080,000) were pledged to secure banking facilities granted to the Group (note 30).

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 2018 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement for:				
Properties held for own use	**–**	**–**	**485,092**	**485,092**

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Properties held for own use	–	–	449,605	449,605

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 (2017: Nil).

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 2017	402,255
Depreciation	(13,068)
Surplus on revaluation recognised in other comprehensive income	60,418
Carrying amount at 31 December 2017 and 1 January 2018	449,605
Depreciation	(15,129)
Surplus on revaluation recognised in other comprehensive income	50,616
Carrying amount at 31 December 2018	**485,092**

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

	Valuation technique	Significant unobservable input	Range or weighted average 2018	2017
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 the direct comparison approach for valuing these properties in their respective existing condition and use on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristics of the properties which include the location, size, view, floor level, year of completion and other factors collectively. Higher premium for properties with positive characteristics will result in a higher fair value measurement.

14. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Carrying amount at 1 January	16,990	15,678
Net gain from a fair value adjustment	3,396	1,312
Carrying amount at 31 December	20,386	16,990

The Group's investment properties were revalued on 31 December 2018 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$20,386,000.

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 2018 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	–	–	20,386	20,386

	Fair value measurement as at 31 December 2017 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	–	–	16,990	16,990

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 (2017: Nil).

14. INVESTMENT PROPERTIES *(continued)*

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

	Commercial properties *HK$'000*
Carrying amount at 1 January 2017	15,678
Net gain from a fair value adjustment recognised in profit or loss	1,312
Carrying amount at 31 December 2017 and 1 January 2018	16,990
Net gain from a fair value adjustment recognised in profit or loss	3,396
Carrying amount at 31 December 2018	**20,386**

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** **2018**	2017
Commercial properties	Income capitalisation approach	Market rental value (per sq.m. and per day)	–	HK$4.5 to HK$5.1
		Capitalisation rate		6.5%
	Direct comparison approach	Prevailing market price (per sq.m.)	**HK$30,786 to HK$34,754**	–

Direct comparison approach

The fair value of investment properties is determined using the direct comparison approach for valuing these properties in their respective existing condition and use on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristics of the properties which include the location, size, view, floor level, year of completion and other factors collectively. Higher prevailing market price for properties with positive characteristics will result in a higher fair value measurement.

14. INVESTMENT PROPERTIES *(continued)*

The income capitalisation approach

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

The market rentals of the investment properties were assessed and capitalised at market yield expected by investors for this type of properties. The market rents were 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 was the capitalisation rate adopted, was 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.

15. INVESTMENT IN AN ASSOCIATE

	2018 ***HK$'000***	2017 *HK$'000*
Share of net assets	**208**	13,969
Amount due to an associate	**–**	(6,708)

The amount due to an associate is unsecured, interest-free and repayable on demand.

Particulars of the associate are as follows:

Name	**Place of incorporation/ registration and business**	**Particulars of registered/ issued capital held**	**Percentage of ownership interest attributable to the Group 2018**	Percentage of ownership interest attributable to the Group 2017	**Principal activity**
Fineshade Investments Limited ("Fineshade")*	British Virgin Islands/ Mainland China	US$2,150 (2017: US$1,221,200)	**21.5%**	21.5%	Investment holding

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

The above investment is indirectly held by the Company.

15. INVESTMENT IN AN ASSOCIATE *(continued)*

The following table illustrates the financial information of the Group's associate that is not material:

	2018 HK$'000	2017 HK$'000
Share of an associate's profit/(loss) for the year	(680)	1,622
Share of an associate's other comprehensive income	–	4,272
Share of an associate's total comprehensive income/(expense)	(680)	5,894
Aggregate carrying amount of the Group's investment in an associate	208	13,969

16. INVESTMENT IN A JOINT VENTURE

	2018 HK$'000	2017 HK$'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 Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Chinney P & H Studio Co., Ltd. ("Chinney P & H")*	Macau	50	50	50	Provision of fitting out works

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

The above investment in a joint venture is indirectly held by the Company.

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

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

	2018	2017
	HK$'000	*HK$'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 of the Company, 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 (2017: Nil). At 31 December 2018, the aggregate unrecognised share of losses of the joint venture amounted to HK$298,000 (2017: HK$298,000).

17. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENT

	2018	2017
	HK$'000	*HK$'000*
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value	**2,919**	–
Available-for-sale investment		
Unlisted equity investment, at cost less impairment	**–**	1,287

The above equity investment was irrevocably designated at fair value through other comprehensive income as at 1 January 2018 upon the adoption of HKFRS 9 as the Group considers this investment to be strategic in nature.

17. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENT *(continued)*

As at 31 December 2017, the unlisted equity instrument was stated at cost less impairment because the range of reasonable fair value estimates is significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

18. GOODWILL

	HK$'000
Cost and carrying amount at 1 January 2017 and 31 December 2017	12,528
Acquisition of subsidiaries (note 36)	2,239
Impairment during the year	(398)
Cost and net carrying amount at 31 December 2018	14,369
At 31 December 2018:	
Cost	**14,767**
Accumulated impairment	**(398)**
Net carrying amount	**14,369**

Impairment testing of goodwill

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

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% (2017: 10%).

Trading of electrical installation products

The recoverable amount of the trading of electrical installation products 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 15% (2017: 15%).

Data centre solution

The recoverable amount of the data centre solution 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 15%.

18. GOODWILL *(continued)*

Assumptions used in the value in use calculation for 31 December 2018 and 2017 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 rates: 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.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER ASSETS

	2018	2017
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss		
Club memberships, at fair value*	**3,964**	–
Other assets		
Club memberships, at cost	**–**	3,283
Impairment allowance#	**–**	(938)
	–	2,345

* The above unlisted investments at 31 December 2018 were club memberships. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

As at 31 December 2017, an impairment was recognised for a club membership with a carrying amount of HK$1,220,000 (before deducting the impairment loss) because the recoverable amount of the club membership is less than its carrying amount.

20. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**63,423**	67,632
Finished goods	**24,947**	32,777
	88,370	100,409

21. CONSTRUCTION CONTRACTS

	2018	2017
	HK$'000	*HK$'000*
Gross amount due from contract customers	**–**	430,576
Gross amount due to contract customers	**–**	(754,948)
	–	(324,372)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**–**	24,528,975
Less: Progress billings	**–**	(24,853,347)
	–	(324,372)

At 31 December 2017, 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$476,014,000.

At 31 December 2017, 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$231,231,000.

22. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	671,218	648,388
Impairment	(1,051)	(1,051)
	670,167	647,337

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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 HK$'000	2017 HK$'000
Current to 30 days	415,306	416,290
31 to 60 days	163,937	117,537
61 to 90 days	33,605	58,624
Over 90 days	57,319	54,886
	670,167	647,337

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	1,051	11,121
Impairment losses, net (note 7)	–	77
Amount written off as uncollectible	–	(10,147)
At 31 December	1,051	1,051

22. TRADE RECEIVABLES *(continued)*

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

			Past due		
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	–	–	–	2.46%	0.16%
Gross carrying amount (HK$'000)	528,655	82,393	17,458	42,712	671,218
Expected credit losses (HK$'000)	–	–	–	1,051	1,051

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables represented provision for individually impaired trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables with a carrying amount before provision of HK$1,051,000.

The individual impaired trade receivables as at 31 December 2017 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.

22. TRADE RECEIVABLES *(continued)*

Impairment under HKAS 39 for the year ended 31 December 2017 *(continued)*

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 *HK$'000*
Neither past due nor impaired	438,551
Less than 30 days past due	104,163
31 to 90 days past due	59,473
Past due over 90 days	45,150
	647,337

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Gold Famous Development Limited ("Gold Famous"). Gold Famous is an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") of which Dr. James Sai-Wing Wong, a director and a controlling shareholder of the Company, is also a director of and has a beneficial interest in. Mr. James Sing-Wai Wong is a common director of the Company and Hon Kwok. Mr. Yuen-Keung Chan, a director of the Company, was also a director of Hon Kwok until his resignation on 13 July 2018. Mr. Herman Man-Hei Fung, who retired as a director of the Company on 1 April 2018, was also a director of Hon Kwok until his retirement on 1 April 2018.

The amount due from a related company was unsecured, interest-free and repayable within 30 days.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 HK$'000	2017 HK$'000
Prepayments	7,279	7,608
Deposits and other receivables	74,099	78,192
	81,378	85,800
Portion classified as non-current:		
Prepayments	615	–
Deposits and other receivables	2,003	–
Current portion:	78,760	85,800

Deposits and other receivables mainly represented rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2018, the Group assessed the impact of loss allowance for impairment of deposits and other receivables was insignificant.

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.

25. CONTRACT ASSETS

	Notes	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Unbilled revenue	(a)	591,599	440,410	–
Retention monies receivable	(b)	547,923	476,014	–
		1,139,522	916,424	–

Notes:

(a) Unbilled revenue is initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as unbilled revenue are reclassified to trade receivables.

The increase in contract assets in 2018 was the result of the increase in the provision of construction services at the end of the year.

(b) Retention monies receivable are part of the consideration that the customers retain which is payable on successful completion of the contracts in order to provide the customers with assurance that the Group will complete its obligation satisfactorily under the contracts, rather than to provide financing to the customers.

25. CONTRACT ASSETS *(continued)*

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	HK$'000
Within one year	**591,599**
Over one year	**547,923**
Total contract assets	**1,139,522**

The Group's trading terms and credit policy with customers are disclosed in note 22 to the financial statements.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

At 1 January 2018 and 31 December 2018, the Group assessed the impact of loss allowance for impairment of contract assets was insignificant.

26. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	2018 *HK$'000*	2017 *HK$'000*
Cash and bank balances	555,299	534,928
Time deposits	223,637	407,146
Pledged time deposits	2,102	11,264
	781,038	953,338
Less: Pledged time deposits:		
Pledged for letters of guarantee and performance bonds	(2,102)	(11,264)
Cash and cash equivalents	778,936	942,074

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$21,912,000 (2017: HK$15,517,000). 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.

27. TRADE, BILLS AND RETENTION MONIES PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	414,504	453,746
Bills payable	25,727	23,154
Retention monies payable#	266,981	–
	707,212	476,900

Retention monies payable had repayment terms ranging from one to two years. At 31 December 2017, retention monies payable was included in "Retention monies payable" in the consolidated statement of financial position.

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

	2018 HK$'000	2017 HK$'000
Current to 30 days	315,929	338,450
31 to 60 days	61,247	69,544
61 to 90 days	27,019	31,701
Over 90 days	10,309	14,051
	414,504	453,746

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

28. OTHER PAYABLES AND ACCRUALS

	Notes	2018 HK$'000	2017 HK$'000
Contract liabilities	(a)	273,707	–
Other payables	(b)	10,559	15,337
Accruals		422,437	99,831
Due to a major shareholder	37(c)	4,741	4,500
		711,444	119,668

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Short-term advances received from customers		
Construction services	273,707	351,296

Contract liabilities include short-term advances received to deliver construction services. The decrease in contract liabilities in 2018 was mainly due to the decrease in short-term advances received from customers in relation to the provision of construction services at the end of the year.

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

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets 2018 HK$'000	2017 HK$'000
Forward currency contracts	827	–

The Group enters into foreign currency forward contracts with a bank to manage its exchange rate exposures which do not meet the criteria for hedge accounting. Change in fair value of non-hedging currency derivatives amounting to HK$827,000 was credited to consolidated statement of profit or loss during the year.

30. INTEREST-BEARING BANK BORROWINGS

	31 December 2018			31 December 2017		
	Effective interest rate%	Maturity	HK$'000	Effective interest rate%	Maturity	HK$'000
Current						
Trust receipt loans	2.09-4.55	on demand	166,452	1.90-3.63	on demand	106,934
Bank loan – secured	3.23	2019	947	3.10	2018	918
Total current			167,399			107,852
Non-current						
Bank loan – secured	–	–	–	3.10	2019	946
Total			–			108,798

The maturity of the above bank borrowings is as follows:

	2018 HK$'000	2017 HK$'000
Analysed into:		
Bank loan and trust receipt loans repayable:		
Within one year or on demand	167,399	107,852
In the second year	–	946
	167,399	108,798

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 bore 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; and

(ii) certain land and buildings with an aggregate carrying value at the end of the reporting period of approximately HK$172,800,000 (2017: HK$161,080,000) (note 13).

31. 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	
	2018	2017	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	49,239	53,195	47,248	39,773	96,487	92,968
Deferred tax credited to the statement of profit or loss during the year (note 10)	(3,537)	(3,956)	(198)	(120)	(3,735)	(4,076)
Deferred tax charged to other comprehensive income	–	–	5,900	7,595	5,900	7,595
Gross deferred tax liabilities at 31 December	45,702	49,239	52,950	47,248	98,652	96,487

Deferred tax assets

	Related depreciation over depreciation allowance	
	2018	2017
	HK$'000	HK$'000
At 1 January	210	236
Deferred tax charged to the statement of profit or loss during the year (note 10)	(66)	(26)
Gross deferred tax assets at 31 December	144	210

The Group has estimated tax losses arising in Hong Kong of approximately HK$213,585,000 (2017: HK$200,615,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$6,913,000 (2017: HK$4,132,000) that will expire in five years for offsetting against future taxable profits. 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 of the Company, 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.

32. CONVERTIBLE BOND

On 27 April 2017, Chinney Shun Cheong, a then wholly-owned subsidiary of the Company, issued a 5% convertible bond with a nominal value of HK$40,000,000 and with a maturity date on 31 December 2018 (the "Convertible Bond"). Unless previously redeemed or converted in whole, Chinney Shun Cheong shall redeem the Convertible Bond then outstanding in full plus interest on the maturity date. Chinney Shun Cheong has the right, without necessity of obtaining the consent of the bondholder, to redeem the outstanding principal amount of the Convertible Bond in full at any time before the maturity date when it considers, at its sole discretion, that it is not feasible or practicable to continue or proceed with the proposed spin-off of the ordinary shares of Chinney Shun Cheong in the Stock Exchange (the "Spin-off"). The Convertible Bond may be converted into 50,000 new ordinary shares of HK$0.1 each in the share capital of Chinney Shun Cheong (the "Conversion Shares") based on the initial conversion price of HK$800 per Conversion Share (subject to adjustment), representing approximately 25% of the issued share capital of Chinney Shun Cheong as enlarged by the Conversion Shares (assuming there is no other change in the issued share capital of Chinney Shun Cheong from the date of issuance of the Convertible Bond and up to the date of conversion) on a fully diluted basis. The Convertible Bond is convertible to the Conversion Shares at:

(a) mandatorily and automatically on the date when and upon the Spin-off becoming unconditional; or

(b) upon the exercise of the conversion rights at the option of the bondholder and on the date on which Chinney Shun Cheong receives a conversion notice from the bondholder falling between 1 October 2018 and the maturity date of 31 December 2018 (both dates inclusive),

whichever is earlier.

The fair value of the liability component was estimated by computing the present value of all future cash flows discounted by the prevailing market rate of interest for similar instruments. The default risk of the Convertible Bond is factored into the calculation of discount rate by adding a credit spread to the Hong Kong risk-free rate. The residual amount is assigned as the equity component and is included in shareholders' equity.

The Convertible Bond issued in 2017 has been split into the liability and equity components as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Nominal value of the Convertible Bond issued	**40,000**	40,000
Equity component	**(6,499)**	(6,499)
Liability component at the issuance date	**33,501**	33,501
Interest expense	**9,858**	3,789
Conversion of the Convertible Bond	**(43,359)**	–
Liability component at the end of the reporting period	**–**	37,290

32. CONVERTIBLE BOND *(continued)*

On 28 December 2018, Chinney Shun Cheong received a conversion notice from the then bondholder for the conversion of the Convertible Bond for the entire principal amount of HK$40,000,000. Upon the conversion of Convertible Bond on 30 December 2018, a total number of 50,000 conversion shares, representing approximately 25% of the then enlarged issued capital of Chinney Shun Cheong, were issued to the bondholder. As the percentage of ownership in Chinney Shun Cheong attributable to the Group was diluted from 100% to 75%, Chinney Shun Cheong became a 75%-owned subsidiary of the Group.

33. SHARE CAPITAL

Shares

	2018 ***HK$'000***	2017 *HK$'000*
Authorised:		
2,500,000,000 (2017: 2,500,000,000) ordinary shares of HK$0.10 (2017: HK$0.10) each	**250,000**	250,000
Issued and fully paid:		
594,899,245 (2017: 594,899,245) ordinary shares of HK$0.10 (2017: HK$0.10) each	**59,490**	59,490

There were no movement in the share capital of the Company during the year (2017: Nil).

34. 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 pages 47 and 48 of the financial statements.

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

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

	2018	2017
Percentage of equity interest held by non-controlling interests:		
Chinney Kin Wing	**25.5%**	25.5%

35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

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

	2018 HK$'000	2017 HK$'000
Profit for the year allocated to non-controlling interests:		
Chinney Kin Wing	**14,567**	20,483
Accumulated balances of non-controlling interests at the reporting dates:		
Chinney Kin Wing	**109,293**	109,227

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

	2018 HK$'000	2017 HK$'000
Revenue	**1,242,956**	1,190,441
Total expenses	**(1,185,320)**	(1,108,835)
Profit for the year	**57,636**	81,606
Total comprehensive income for the year	**57,636**	81,606
Current assets	**664,622**	693,425
Non-current assets	**277,290**	320,777
Current liabilities	**(471,682)**	(541,195)
Non-current liabilities	**(45,140)**	(48,687)
Net cash flows from/(used in) operating activities	**(26,739)**	97,710
Net cash flows used in investing activities	**(26,276)**	(58,167)
Net cash flows used in financing activities	**(45,000)**	(60,000)
Net decrease in cash and cash equivalents	**(98,015)**	(20,457)

36. BUSINESS COMBINATIONS

(a) On 12 January 2018, the Group acquired the entire issued capital of IDC Realty Holdings Limited ("IDC Realty") and its wholly-owned subsidiary ("IDC Group") from a third party. The IDC Group is engaged in the development and technical services of internet information technology, consultancy of network and data centre infrastructure construction, integrated wiring for intelligent building, leasing of network facilities and properties, etc. The acquisition was made to develop internet data centre construction, operating and management businesses. The total consideration for the acquisition consisted of a cash consideration of HK$1,162,000 which was paid in January 2018 and the repayment of a loan to the subsidiary of IDC Realty by the vendor of RMB1,675,100 (equivalent to HK$2,011,000) which was settled in February 2018. Details of the acquisition were set out in an announcement of the Company dated 12 January 2018.

The fair values of the identifiable assets and liabilities of the IDC Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Deposits	1,006
Prepayments, other receivables and other assets	468
Cash and cash equivalents	235
Other payables and accruals	(377)
Total identifiable net assets at fair value	1,332
Goodwill on acquisition	1,841
	3,173
Satisfied by:	
Cash	3,173

An analysis of the cash flows in respect of the acquisition of the IDC Group was as follows:

	HK$'000
Cash consideration	(3,173)
Cash and cash equivalents acquired	235
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,938)

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

Since the acquisition, the IDC Group did not contribute any revenue and incurred a loss of HK$4,094,000 to the Group's consolidated profit for the year ended 31 December 2018. Had the combination taken place at the beginning of the year, the revenue and profit of the Group would not change during the year.

36. BUSINESS COMBINATIONS *(continued)*

(b) On 5 January 2018, the Group acquired the entire issued capital in Everest Engineering Company Limited ("Everest") from a third party. Everest is engaged in basement construction works. The acquisition was made to expand the foundation services of the Group. The purchase consideration for the acquisition was in the form of cash, with HK$400,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Everest as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Cash and cash equivalents	11
Other payables	(9)
Total identifiable net assets at fair value	2
Goodwill on acquisition	398
	400
Satisfied by:	
Cash	400

An analysis of the cash flows in respect of the acquisition of Everest was as follows:

	HK$'000
Cash consideration	(400)
Cash and cash equivalents acquired	11
Net outflow of cash and cash equivalents included in cash flows from investing activities	(389)

The goodwill was impaired in the reporting period and the impairment of goodwill was not deductible for income tax purposes.

Since the acquisition, Everest did not contribute any revenue and had incurred a loss of HK$404,000 to the Group's consolidated profit for the year ended 31 December 2018. Had the combination taken place at the beginning of the year, the revenue and profit of the Group would not change during the year.

37. 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	2018 HK$'000	2017 HK$'000
Management fee to a major shareholder	(i)	4,741	4,500
Share of rental and office expenses with a related company	(ii)	2,518	2,574
Interest income from an associate	(iii)	–	(2,035)
Construction contracting income on foundation piling and construction works from a related company	(iv)	(105,907)	(109,190)
Consultancy income from a related company	(v)	(9,720)	–

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 and a controlling shareholder of the Company, is also a director of and has beneficial interests in Chinney Investments. Mr. James Sing-Wai Wong is a common director of the Company and Chinney Investments. Mr. Yuen-Keung Chan, a director of the Company, was appointed as a director of Chinney Investments on 13 July 2018. Mr. Herman Man-Hei Fung, who retired as a director of the Company on 1 April 2018, was also a director of Chinney Investments until his retirement on 1 April 2018.

(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. James Sing-Wai Wong is a common directors of the Company and Hon Kwok. Mr. Yuen-Keung Chan, a director of the Company, was also a director of Hon Kwok until his resignation on 13 July 2018. Mr. Herman Man-Hei Fung, who retired as a director of the Company on 1 April 2018, was also a director of Hon Kwok until his retirement on 1 April 2018.

(iii) The interest was charged on a loan to an associate, Fineshade, at 9.7% per annum. The loan had been fully repaid in the prior year.

(iv) The construction contracting income on foundation piling and construction works received from a related company was negotiated between the concerned parties by reference to prevailing market rates. The transactions constitute connected transactions of the Group and were approved by the independent shareholders of the Company at the special general meetings held on 7 November 2016 and 24 August 2018, respectively.

(v) The consultancy income received from a related company was negotiated between the concerned parties by reference to prevailing market rates. The transaction constitutes a connected transaction of the Company but exempted for circular and independent shareholders' approval requirements of the Listing Rules.

37. RELATED PARTY TRANSACTIONS *(continued)*

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

	2018 HK$'000	2017 HK$'000
Short term employee benefits	76,171	81,066
Post-employment benefits	2,519	2,448
Total compensation paid to key management personnel	78,690	83,514

(c) Outstanding balances with related parties:

(i) The Group had an outstanding balance due to a major shareholder, Chinney Investments, of HK$4,741,000 (2017: HK$4,500,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

(ii) Details of the Group's balance with a related company as at the end of the reporting period are included in note 23 to the financial statements.

38. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years (2017: one to five years).

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	23,214	5,140
In the second to fifth years, inclusive	37,410	3,482
Over five years	82,513	–
	143,137	8,622

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Contracted, but not provided for:		
Renovation work	1,435	–
Capital contribution to equity investment designated at fair value through other comprehensive income/available-for-sale investment	4,992	6,513
	6,427	6,513

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash interest expense on the Convertible Bond amounting to HK$6,069,000 (2017: HK$3,789,000) and the Convertible Bond amounting to HK$43,359,000 was converted by a bondholder into shares of a subsidiary of the Company (note 32).

(ii) During the year, proceeds from return on capital of an associate was netted off with an amount due to an associate of HK$6,708,000.

(b) Changes in liabilities arising from financing activities

2018

	Trust receipt loans HK$'000	Interest-bearing bank borrowings HK$'000	Convertible bond HK$'000
At 1 January 2018	106,934	1,864	37,290
Changes from financing cash flows	59,518	(917)	–
Non-cash flow:			
Conversion of the Convertible Bond	–	–	(43,359)
Interest expense	–	–	6,069
At 31 December 2018	166,452	947	–

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) *Changes in liabilities arising from financing activities* (continued)

2017

	Trust receipt loans *HK$'000*	Interest-bearing bank borrowings *HK$'000*	Convertible bond *HK$'000*
At 1 January 2017	138,602	2,754	–
Changes from financing cash flows	(31,668)	(890)	40,000
Non-cash flow:			
Equity component of the Convertible Bond	–	–	(6,499)
Interest expense	–	–	3,789
At 31 December 2017	106,934	1,864	37,290

41. CONTINGENT LIABILITIES

The Group provided corporate guarantees and indemnities to certain banks and insurance institutions for an aggregate amount of HK$620,700,000 (2017: HK$698,354,000) 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$2,102,000 (2017: HK$11,264,000).

42. 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:

2018

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Designated as such upon initial recognition	Held for trading	Equity investment	Financial assets at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Equity investment at fair value through other comprehensive income	–	–	2,919	–	2,919
Trade receivables	–	–	–	670,167	670,167
Amount due from a related company	–	–	–	22,420	22,420
Amount due from a joint venture	–	–	–	967	967
Financial assets at fair value through profit or loss	3,964	–	–	–	3,964
Financial assets included in prepayments, other receivables and other assets	–	–	–	74,099	74,099
Derivative financial instruments	–	827	–	–	827
Pledged time deposits	–	–	–	2,102	2,102
Cash and cash equivalents	–	–	–	778,936	778,936
	3,964	827	2,919	1,548,691	1,556,401

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade, bills and retention monies payables	707,212
Trust receipt loans	166,452
Financial liabilities included in other payables and accruals	386,466
Interest-bearing bank borrowings	947
	1,261,077

42. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2017

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investment	–	1,287	1,287
Other assets	–	2,345	2,345
Trade receivables	647,337	–	647,337
Retention monies receivable	476,014	–	476,014
Amount due from a related company	37,282	–	37,282
Amount due from a joint venture	967	–	967
Financial assets included in prepayments, other receivables and other assets	78,192	–	78,192
Pledged time deposits	11,264	–	11,264
Cash and cash equivalents	942,074	–	942,074
	2,193,130	3,632	2,196,762

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	476,900
Trust receipt loans	106,934
Retention monies payable	231,231
Amount due to an associate	6,708
Financial liabilities included in other payables and accruals	69,940
Interest-bearing bank borrowings	1,864
Convertible bond	37,290
	930,867

43. 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Equity investment designated at fair value through other comprehensive income (note 17)	**2,919**	–	**2,919**	–
Financial assets at fair value through profit or loss (note 19)	**3,964**	–	**3,964**	–
Derivative financial instruments	**827**	–	**827**	–
	7,710	–	**7,710**	–
Financial liabilities				
Interest-bearing bank borrowings (note 30)	**947**	1,864	**947**	1,864
Convertible bond (note 32)	**–**	37,290	**–**	37,290
	947	39,154	**947**	39,154

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, trade receivables, trade, bills and retention monies payables, trust receipt loans, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, an amount due from a related company, an amount due from a joint venture and an amount due to an associate 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 financial assets included in prepayments, other receivables and other assets, and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2018 was assessed to be insignificant.

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

The fair value of financial assets at fair value through profit or loss was based on market observable transactions. The fair value of the unlisted equity investment designated at fair value through other comprehensive income was derived from the latest transaction price.

Fair value hierarchy

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investment designated at fair value through other comprehensive income	–	–	2,919	2,919
Financial assets at fair value through profit or loss	–	3,964	–	3,964
Derivative financial instruments	–	827	–	827
	–	4,791	2,919	7,710

As at 31 December 2017, 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 2018 and 31 December 2017. As at 31 December 2018, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings of HK$947,000. In prior year, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings of HK$1,864,000 and the Convertible Bond of HK$37,290,000. 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 (2017: Nil).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, a convertible bond, 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, other receivables and other assets, balances with an associate and a joint venture, trade, bills and retention monies 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 30 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank borrowings, cash and bank balances, and short-term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and 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
2018			
Hong Kong dollar	**50**	**(839)**	**–**
Hong Kong dollar	**(50)**	**839**	**–**
2017			
Hong Kong dollar	50	(837)	–
Hong Kong dollar	(50)	837	–

* Excluding retained profits

44. 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. The Group requires one of its operating units to use foreign currency forward contracts to eliminate the foreign currency exposures on any individual transactions.

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 ("RMB") exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2018			
If Hong Kong dollar weakens against United States dollar	**1**	**112**	**–**
If Hong Kong dollar strengthens against United States dollar	**(1)**	**(112)**	**–**
If Hong Kong dollar weakens against RMB	**5**	**2,345**	**–**
If Hong Kong dollar strengthens against RMB	**(5)**	**(2,345)**	**–**
2017			
If Hong Kong dollar weakens against United States dollar	1	171	–
If Hong Kong dollar strengthens against United States dollar	(1)	(171)	–
If Hong Kong dollar weakens against RMB	5	1,936	–
If Hong Kong dollar strengthens against RMB	(5)	(1,936)	–

* Excluding retained profits

44. 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.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets*	–	–	–	1,139,522	1,139,522
Trade receivables*	–	–	–	671,218	671,218
Amount due from a related company	22,420	–	–	–	22,420
Amount due from a joint venture	967	–	–	–	967
Financial assets included in prepayments, other receivables and other assets – Normal**	74,099	–	–	–	74,099
Pledged time deposits – Not yet past due	2,102	–	–	–	2,102
Cash and cash equivalents – Not yet past due	778,936	–	–	–	778,936
	878,524	–	–	1,810,740	2,689,264

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged time deposits, trade receivables, amounts due from a related company and a joint venture, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

Liquidity risk

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

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

2018

	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, bills and retention monies payables	707,212	–	–	707,212
Trust receipt loans	166,452	–	–	166,452
Financial liabilities included in other payables and accruals	386,466	–	–	386,466
Interest-bearing bank borrowings	947	–	–	947
	1,261,077	–	–	1,261,077

2017

	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	476,900	–	–	476,900
Trust receipt loans	106,934	–	–	106,934
Retention monies payable	231,231	–	–	231,231
Amount due to an associate	6,708	–	–	6,708
Financial liabilities included in other payables and accruals	69,940	–	–	69,940
Convertible bond	37,290	–	–	37,290
Interest-bearing bank borrowings	963	963	–	1,926
	929,966	963	–	930,929

44. 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 2018 and 31 December 2017.

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 Company. The gearing ratios as at the end of the reporting periods were as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Trust receipt loans	**166,452**	106,934
Interest-bearing bank borrowings	**947**	1,864
Convertible bond, the liability component	**–**	37,290
Total interest-bearing borrowings	**167,399**	146,088
Equity attributable to owners of the Company	**1,833,265**	1,619,024
Gearing ratio	**9.1%**	9.0%

45. EVENT AFTER THE REPORTING PERIOD

On 10 January 2019, the Group entered into a provisional sale and purchase agreement with an independent third party to acquire land and buildings situated in Hong Kong for a cash consideration of HK$17,000,000. A formal sale and purchase agreement was subsequently entered on 23 January 2019. The transaction was completed on 8 March 2019.

46. 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:

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**773**	536
Investments in subsidiaries	**158,461**	170,478
Financial assets at fair value through profit or loss	**282**	–
Other assets	**–**	282
Total non-current assets	**159,516**	171,296
CURRENT ASSETS		
Amounts due from subsidiaries	**123,630**	104,451
Prepayments, other receivables and other assets	**263**	237
Cash and cash equivalents	**240,431**	262,470
Total current assets	**364,324**	367,158
CURRENT LIABILITIES		
Other payables and accruals	**6,987**	5,585
Amounts due to subsidiaries	**–**	13,511
Total current liabilities	**6,987**	19,096
NET CURRENT ASSETS	**357,337**	348,062
Net assets	**516,853**	519,358
EQUITY		
Issued capital	**59,490**	59,490
Reserves (note)	**457,363**	459,868
Total equity	**516,853**	519,358

46. 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 2017	60,978	120,946	271,674	453,598
Final 2016 dividend declared	–	–	(35,694)	(35,694)
Total comprehensive income for the year	–	–	41,964	41,964
At 31 December 2017 and at 1 January 2018	60,978	120,946	277,944	459,868
Final 2017 dividend declared	–	–	(35,694)	(35,694)
Total comprehensive income for the year	–	–	33,189	33,189
At 31 December 2018	**60,978**	**120,946**	**275,439**	**457,363**

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

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

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2019.