遠東環球集團有限公司
FAR EAST GLOBAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code : 00830

Annual Report 2015

Expanding New Future

Mission & Vision

We believe the world of ideas is infinite and when passionate design is integrated with advanced engineering, results are often extraordinary. We are dedicated to elevating the industry standards and broadening our global presence. At the same time, we strive to bring our clients' most imaginative drawing concept to reality.

Contents

About Far East Global

1. **New York** *(USA)*
   - 125 Greenwich street
   - 605 42nd Street
   - New York Police Academy
   - Sanitation Garage
   - United Nations HQ
   - World Trade Center
2. **Boston** *(USA)*
   - Millennium Tower
3. **Montreal** *(Canada)*
   - Altoria Tower
   - Jewish General Hospital
   - L'Avenue
   - Museum Beaux Arts
   - Roccabella
   - St. Justin Hospital
   - U Condos
   - University of Montreal Hospital Centre
4. **Quebec** *(Canada)*
   - Universite de Sherbrooke –Campus Longueuil
5. **Vancouver** *(Canada)*
   - Vancouver Stock Exchange
   - Vancouver Urban Resort
   - YUL Condos
6. **Calgary** *(Canada)*
   - SAIT Trades & Technology Complex
7. **San Francisco** *(USA)*
   - Trinity Plaza – Block A
8. **Las Vegas** *(USA)*
   - Cosmopolitan Resort Hotel & Casino
   - Mandarin Oriental Hotel
   - Veer Towers
9. **Hawaii** *(USA)*
   - Allure Waikiki Condominium
10. **Toronto** *(Canada)*
    - Shangri-la Toronto
    - Trump International Hotel & Tower
11. **Miami** *(USA)*
    - Brickell City Center
    - Miami Int'l Airport Renovation
12. **Sanitago** *(Chile)*
    - Costanera Center (Tower 2)
13. **Baltimore** *(USA)*
    - MGM National Harbour

Global Presence

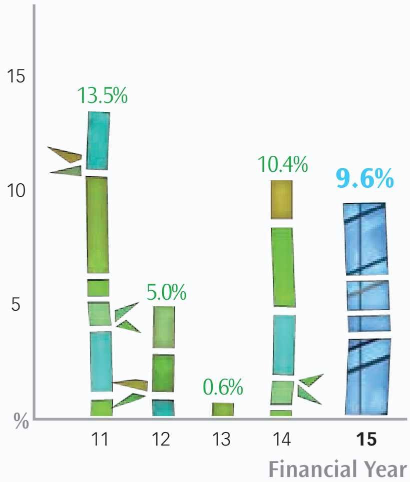
Established in 1969, Far East Global Group is one of the world's leading speciality engineering firms in providing one-stop curtain wall and building facade solution for high-end property development projects. The Company is running projects mainly in North America, Greater China, Australia as well as United Kingdom.

1. **Beijing** *(China)*
   - CYTS Plaza
2. **Shenyang** *(China)*
   - New World Int'l Convention & Exhibition Centre
3. **Shanghai** *(China)*
   - International Financial Centre
4. **Zhangzhou** *(China)*
   - Dynasty Park
5. **Tianjin** *(China)*
   - Chow Tai Fook Financial Centre
6. **Shenzhen** *(China)*
   - One Shenzhen Bay
   - Upper Hills
7. **Hong Kong** *(China)*
   - Kai Tak Cruise Terminal
   - Shangri-La Hotel
   - Shatin Communication and Technology Centre
   - Tuen Mun So Kwun Wat Residential Development
   - Queen's Road East 373 Hotel
8. **Macau** *(China)*
   - Louis XIII
   - MGM Cotai
   - Wynn Palace Cotai
9. **Singapore**
   - Marina Bay Sands Integrated Resort
10. **Melbourne** *(Australia)*
    - Prima Pearl
    - Upper West Side T2
11. **Dubai** *(UAE)*
    - Burj Khalifa
    - Darwish Tower
    - Sama Tower
12. **London** *(UK)*
    - 71 Queen Victoria Street
    - One The Elephant
13. **Tokyo** *(Japan)*
    - Chiyoda-Ku Yonubanchou Building
    - Tokyo Station Yaesu II project

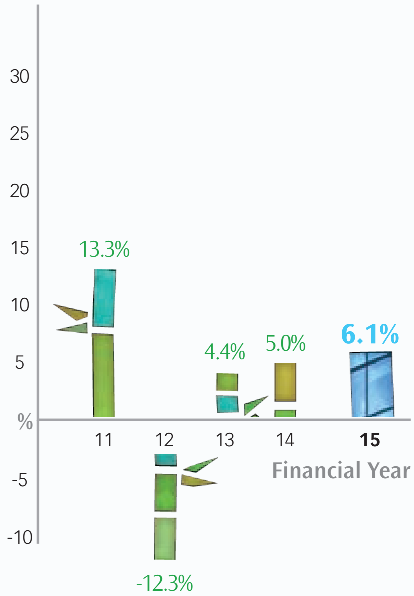
Financial Highlights

Year ended 31 December	2011 HK$'000 restated	2012 HK$'000 restated	2013 HK$'000 restated	2014 HK$'000	**2015 HK$'000**
Revenue	1,533,185	1,860,615	1,418,808	1,682,149	**2,194,896**
Gross Profit	207,536	93,606	8,443	175,338	**211,513**
Profit/(loss) attributable to owners of the Company	79,005	(136,813)	50,398	57,738	**71,463**
Total assets	1,555,306	1,992,502	2,212,854	1,899,368	**2,096,935**
Equity attributable to owners of the Company	594,818	1,113,753	1,135,860	1,154,864	**1,172,579**
Basic earnings per share (HK cents)	7.09	(6.87)	2.34	2.68	**3.32**
Dividend (HK cents)	–	–	1.0	1.0	**1.2**

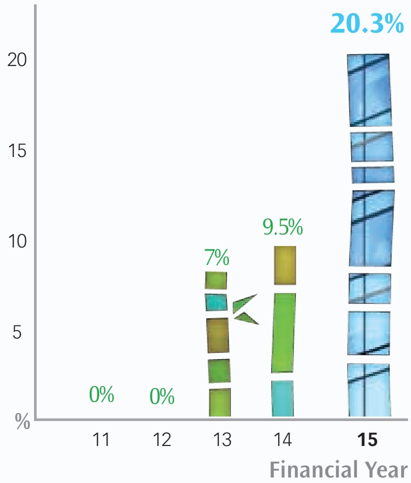
Gross Profit Ratio



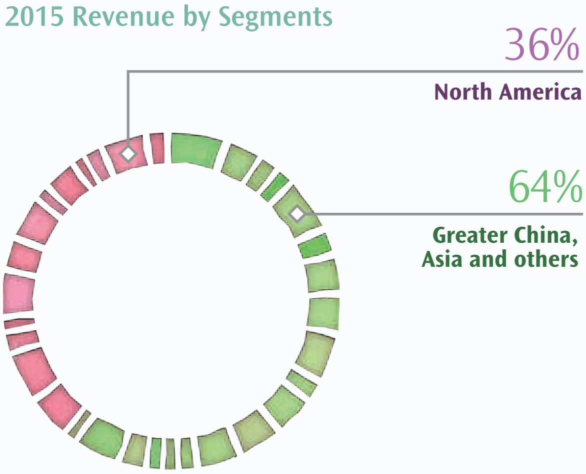
Return on Equity Attributable to Owners of the Company



Net Gearing



2015 Revenue by Segments



Corporate Structure

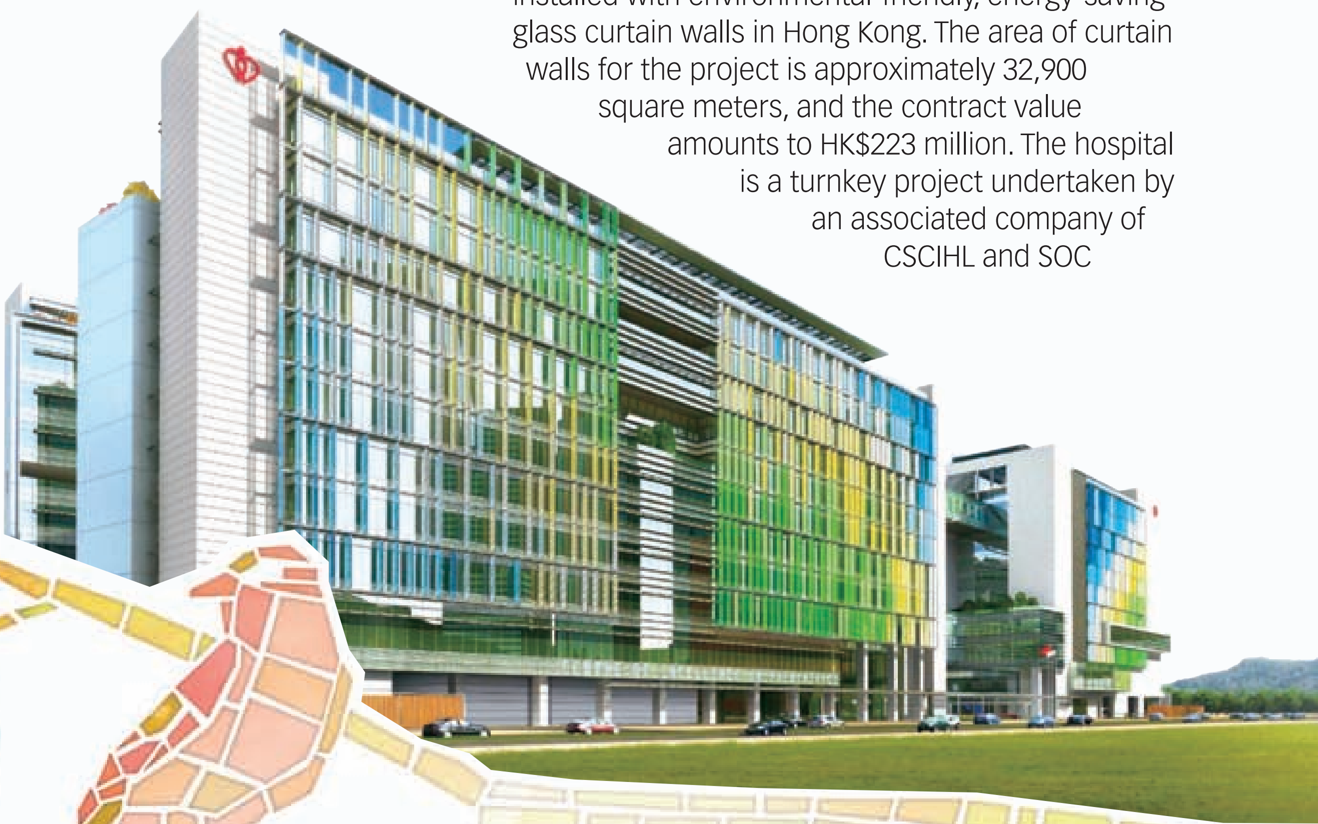
Major Events of the Year 2015

January

Hong Kong and Kowloon Walks for Millions 2015 by The Community Chest

February

The Group won the bid for a children's hospital project, which will be the first hospital to be fully installed with environmental-friendly, energy-saving glass curtain walls in Hong Kong. The area of curtain walls for the project is approximately 32,900 square meters, and the contract value amounts to HK$223 million. The hospital is a turnkey project undertaken by an associated company of CSCIHL and SOC



February

"The 4th Wu Zhi Xing" by
中國海外集團婦女聯誼會

May

Mainland + Hong Kong Art Creation Exchange Program of 2015 "China Overseas X Treats" — "Art for ALL" Integration Programme

August

Commencement Ceremony of hotel project of Emperor International Holdings Limited, with Mr. Zhou Yong chairman of Far East Global Group Limited

September

Gamma USA Inc., a subsidiary of the Group, was awarded by MGM the contract relating to installation of glass curtain walls for the National Harbor project in Baltimore, USA. With a site area of 93,000 square meters and a contractual amount of HK$338 million, the project is the biggest construction project in the location and surrounding areas in recent years. This represents another cooperation between the Group and MGM outside Macau

November

Gamma USA Inc. was awarded the contract for the 125 Greenwich Street project in New York, USA, which amounts to HK$172 million. The project, located in the neighborhood of the former World Trade Center site, is a 77-storey residential skyscraper undertaken by Plaza Construction Inc., a subsidiary of China State Construction Engineering Corporation Limited ("CSCECL"). This represents the first cooperation between the Group and CSCECL in North America

November

The Chairman of China State Construction Engineering Corporation visited the MGM project in Macau and spoke highly of the curtain wall products and services provided by our Company

Board of Directors and Committees

BOARD OF DIRECTORS

Chairman and Non-executive Director
ZHOU Yong

Executive Directors
ZHU Yijian *(Vice Chairman and Chief Executive Officer)*
LUO Haichuan
WANG Hai
CHAN Sim Wang
QIN Jidong

Independent Non-executive Directors
ZHOU Jinsong
HONG Winn
KWONG Sum Yee Anna

COMMITTEES

Audit Committee
ZHOU Jinsong, *CPA (Chairman)*
HONG Winn
KWONG Sum Yee Anna

Remuneration Committee
ZHOU Jinsong *(Chairman)*
ZHOU Yong
ZHU Yijian
HONG Winn
KWONG Sum Yee Anna

Nomination Committee
ZHOU Yong *(Chairman)*
ZHU Yijian
ZHOU Jinsong
HONG Winn
KWONG Sum Yee Anna

Corporate Information

AUTHORISED REPRESENTATIVES
ZHOU Yong
ZHU Yijian

COMPANY SECRETARY
LAU Shuk Yin Connie

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MaplesFS Limited
P.O. Box 1093
Queensgate House
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
16th Floor, Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

AUDITOR
PricewaterhouseCoopers

LEGAL ADVISOR
Mayer Brown JSM

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
China Construction Bank Corporation
China Guangfa Bank Macau Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Macau) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE
00830

CORPORATE WEBSITE
www.fareastglobal.com

FINANCIAL CALENDAR

Annual Results Announcement
17 March 2016

Closure of register of members for Annual General Meeting
23–25 May 2016 (both days inclusive)

Annual General Meeting
25 May 2016

Closure of register of members for Final Dividend
13–14 June 2016 (both days inclusive)

Payment of Final Dividend
6 July 2016

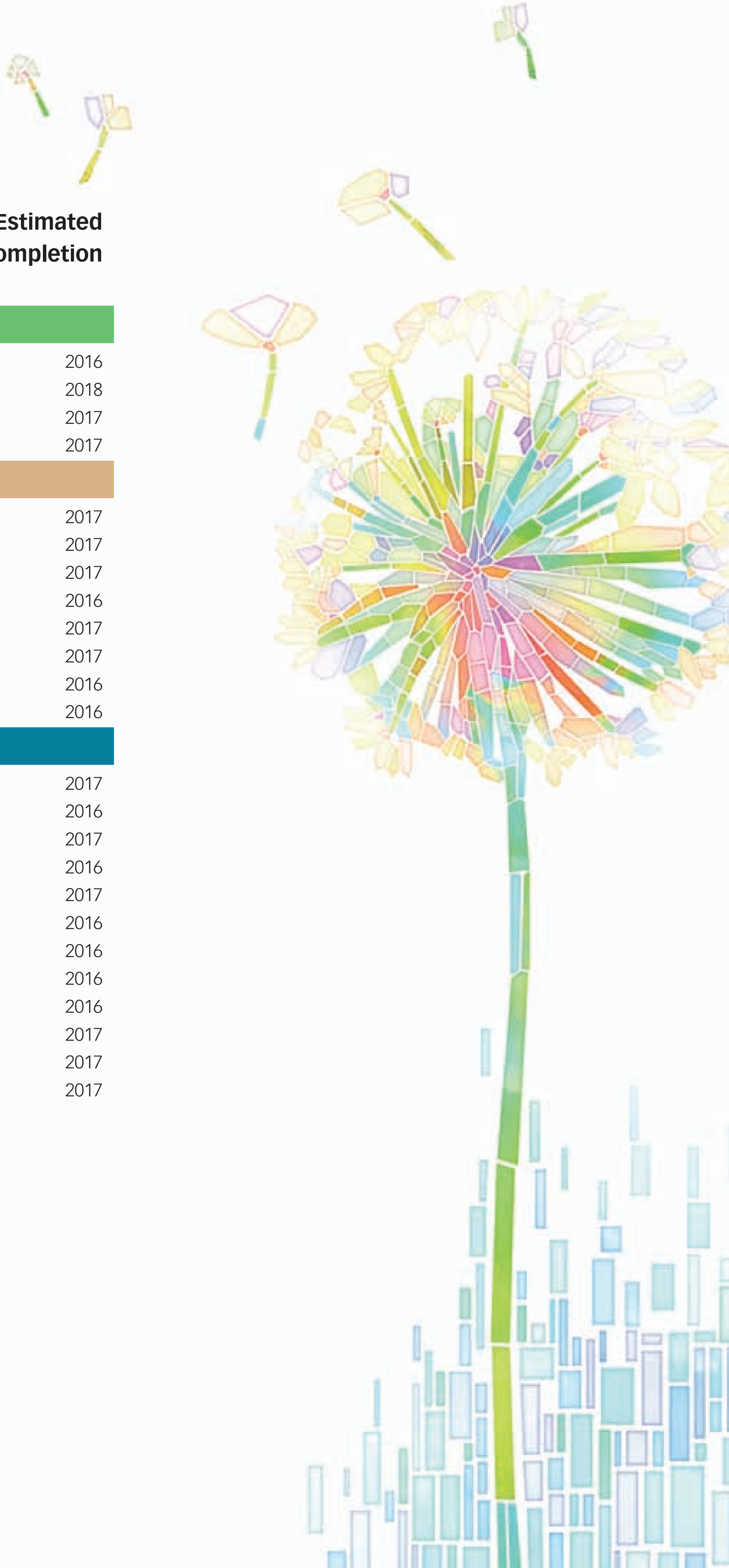
Major Projects in Progress Overview

Project Name[1]	Project Type
Mainland China	
Apple Stores	Sales Office
Chow Tai Fook Financial Center, Tianjin	Commercial
One Shenzhen Bay, Shenzhen	Residential
UpperHills, Shenzhen	Residential
Hong Kong & Macau	
Centre of Excellence in Paediatrics in Kai Tak Development, Hong Kong	Hospital
No. 423 in No.48 district, Castle Peak Road, So Kwun Wat, Tuen Mun, Hong Kong	Residential
Queen's Road East 373 Hotel, Hong Kong	Hotel
Shangri-La Hotel, Hong Kong	Hotel
Sheung Lok Street and Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong	Residential
TMTL 427, So Kwun Wat, Tuen Mun Residential Development, Hong Kong	Residential
Louis XIII, Macau	Hotel
MGM Cotai, Macau	Hotel
North America	
125 Greenwich Street, New York, USA	Residential
605 42nd street, New York, USA	Residential
MGM National Harbor, Baltimore, USA	Multipurpose complex
Millennium Tower, Boston, USA	Residential
World Trade Center Site Retail Fit Out, New York, USA	Retail
L'Avenue, Montreal, Canada	Multipurpose complex
Museum Beaux Arts, Montreal, Canada	Multipurpose complex
Roccabella, Montreal, Canada	Residential
University of Montreal Hospital Centre, Montreal, Canada	Hospital
Vancouver Urban Resort, Vancouver, Canada	Hotel
Vancouver Stock Exchange, Vancouver, Canada	Public building
YUL Condos, Montreal, Canada	Residential

Notes:

(1) The scope of work undertaken in the projects set forth in the table generally involves the design, fabrication, supply and installation of curtain walls and other building facade products except Queen's Road East 373 Hotel which is a general contracting project.

Estimated Contract Sum HK$ million	Year of Estimated Project Completion
84.0	2016
126.2	2018
69.8	2017
73.1	2017
222.7	2017
315.0	2017
530.0	2017
182.0	2016
107.6	2017
193.5	2017
293.8	2016
544.4	2016
171.6	2017
101.4	2016
337.7	2017
297.2	2016
212.1	2017
137.0	2016
86.5	2016
114.3	2016
471.9	2016
171.3	2017
94.2	2017
115.1	2017



Chairman's Statement

Far East Global now has the

strategy, resources, and adherence

to transform into a multi-discipline global enterprise.

Chairman's Statement

> In 2015, the Group completed the transition of its senior management, further optimized its management structure, fully capitalized on its own strengths and effectively enhanced its management effectiveness according to the operational strategies formulated at the beginning of the year. The total value of newly awarded contracts of the curtain wall business hit all-time highs, and the projects under construction were carried out smoothly. Furthermore, the general contracting business had been pushed forward steadily, while new businesses were being proactively explored.

RESULTS

During the year ended 31 December 2015, the audited profit attributable to the owners of Far East Global Group Limited and its subsidiaries (collectively the "Group") was HK$71 million, representing a year-on-year increase of 23.8%; the Group's principal activities recorded a revenue of HK$2,195 million, representing a year-on-year increase of 30.5%; and earnings per share were HK 3.32 cents, representing a year-on-year increase of 23.8%.

DISTRIBUTION OF DIVIDENDS

The board of directors declared a final dividend of HK 0.6 cent per share for the year ended 31 December 2015, representing a year-on-year increase of 20%. The total dividends for the year amounted to HK 1.2 cents per share, representing a year-on-year increase of 20%.

BUSINESS REVIEW

Market conditions

In 2015, the global economic growth further decelerated. Apart from the US which experienced a sluggish economic recovery, other developed countries were also troubled by slow productivity growth, downturn in investments and unimproved economy. The economic structural contradictions of emerging markets and developing nations had become obvious. This, coupled with sluggish domestic demand, shrinking energy exports and capital outflow, had imposed downward pressure on the economies.

The recovery of the construction market in North America had driven the growing demand for curtain walls. In the Asia-Pacific region, the construction market maintained a certain scale as there was an increasing number of private buildings launched in Hong Kong and Macau, creating more curtain wall business opportunities. By adhering to the business strategy of "Big Market, Big Client and Big Project", the Group had selectively expanded such projects with brand effect and kept focusing on overseas projects funded by developers with Chinese background.

Mr. ZHOU Yong
Chairman and Non-executive Director

1. **North America**

The construction market in North America continued to recover. The Group continued to focus on profitable premium projects with controllable risks that were undertaken by private developers. During the year, the total value of newly awarded contracts amounted to HK$795 million, including successful bids for the MGM National Harbor project in the US, the 125 Greenwich project in New York, the Urban Resort project in Vancouver, and the YUL Condos project in Montreal, Canada.

After reorganization of the management structure in North America in 2014, the Group saw a steady growth in its business size in North America in 2015. Meanwhile, the Group also strengthened its management and internal control, and continued to effectively improve its operating performance and staff quality by adopting such measures as process control, development of cost consciousness and optimization of talent structure.

As at 31 December 2015, the contractual value of the uncompleted projects in the North American market exceeded HK$1,167 million.

2. **Greater China, Asia and others region**

As Macau's economy underwent a deep adjustment due to the sluggish gaming industry, the curtain wall market had contracted. The curtain wall market in general appeared robust in the Hong Kong market and the scale of the Group's business continued to expand in the region. During the year, the Group was successfully awarded several curtain wall projects, including the Centre of Excellence in Paediatrics in Kai Tak Development in Hong Kong, the Shangri-La Hotel in Kowloon, a residential area project in So Kun Wat, Tuen Mun, New Territories, and a residential area project at the junction of Sheung Lok Street and Sheung Shing Street, Ho Man Tin, Kowloon. With over 46 years of splendid history and industry experience in Hong Kong, the Group provides one-stop curtain wall service solutions from tendering, design, raw material procurement, processing and assembling, logistics transportation to field installation and subsequent maintenance to ensure more effective implementation of the projects. In addition, our stringent quality control system makes us a reputable curtain wall provider, whereby continuously cementing our presence in the markets in Hong Kong and Macau.

Despite the huge domestic curtain wall market in China, there has been a disorderly competition among industry peers and their service quality varied greatly. The Group always maintains a prudent attitude towards biddings in Mainland China market and focused on large projects owned by owners with good reputation. The Group's total value of newly awarded contracts in the year amounted to HK$400 million. The Group not only won several projects in relation to the installation of glass curtain walls for Apple stores with traditional advantages, but also entered into a number of additional projects for high-end residential and commercial buildings, including One Shenzhen Bay, UpperHills and Tianjin Chow Tai Fook Financial Center.

3. **Construction Contracting Business**

The Hong Kong Emperor Hotel project, which was awarded in the third quarter of 2014, is currently going well and generated profits during the year. Meanwhile, the Group still actively involved in bidding medium and small housing construction projects in Hong Kong and was awarded Hong Kong Kai Tak project under the "Hong Kong Properties for Hong Kong People" scheme, paving way for a sustainable development.

4. **New Business Expansion**

The Group put more efforts to explore new business in 2015. During the second half of the year, the parent company designated one of its major leaders who was in charge of investment business in Mainland China to act as executive director and senior vice president of the Group and take charge of business transformation and new business expansion.

New Projects Awarded

In 2015, the Group undertook 24 projects in total with an aggregate contractual value of HK$2,682 million, among which, the Greater China, Asia and others region amounted to HK$1,887 million, accounting for 70% of the total contractual value, while the North America region amounted to HK$795 million, accounting for 30% of the total contractual value.

Projects in Progress

As at 31 December 2015, the Group's total contractual value of the projects in progress amounted to HK$6,387 million, among which the contractual value attributable to the uncompleted projects amounted to HK$3,668 million.

Corporate Governance

Adhering to the corporate governance philosophy of honesty, integrity, transparency and efficiency, the Group strictly complied with various laws and regulations and abided by the Listing Rules and regulatory requirements. The Group continuously improved its corporate governance structure and measures to gradually establish and optimize a series of policy systems, internal control system and management mechanism and processes to ensure sound corporate governance. The board of directors strives to maintain high standard commercial ethics, healthy corporate culture and excellent corporate governance, so that the Group may be able to actively adjusts its business strategy in response to changes of market trends allowing each professional decision-making teams to play its role and strengthening the regionalized governance capability of each business unit.

Risk Management and Control

The Group continued to improve its internal control system to enhance risk predictions and the effects of risk management and control, and promoted the integration of internal control and business processes. In response to internal and external business environments as well as regulatory requirements, the Group strengthened supervision over major areas and key issues to prevent operational risks and eliminate management loopholes. The Group continued improving its management systems and mechanisms to ensure healthy operations.

The Group proactively scaled down its overseas operation regions and focused on the key cities in North America with relatively optimistic economic prospects to avoid political and currency risks.

Financial Management

During 2015, the Group continued to enhance its financial management. Under the principle of stringent financial management, the Group improved the utilization of its capital and actively expanded finance channel. In addition, the Group focused on expediting its collection of payments due from projects, therefore improving working capital turnover rates. As at 31 December 2015, the Group's bank deposits amounted to a total of HK$200 million. The total borrowings amounted to HK$393 million, and the net gearing ratio was 20.3%. The Group had sufficient credit facilities to meet the needs of its future business development due to its sound financial conditions. At the same time, the Group had committed but unutilized credit facilities and other facilities like construction performance bond facility of HK$1,345 million in aggregate.

Human Resource Management

By persisting in the "people-oriented" managerial philosophy, the Group emphasizes on attraction, retention, and cultivation of all levels of talents who recognize its corporate vision. The Group improves employee satisfaction and work efficiency by creating a variety of systems that cover an employee's recruitment, training, performance assessment and remuneration and have established a transparent and public selection and employment platform to provide its employees with a healthy environment for professional competition and development. During the year, the Group launched a lecture system to enrich training and exchange of ideas. The Group also continued to improve its KPI assessment for the purpose of establishing a comprehensive assessment system. The further implementation of the "Site Contracting Responsibility System" (《地盤目標管理責任制》), the "Design Contracting Incentives System" (《設計承包激勵制度》), the "Site-related Integrated Appraisal and Incentives Methods" (《地盤綜合獎勵評選辦法》) and the "Shenzhen Production Line Motivation System" (《深圳生產線激勵制度》) in Hong Kong, Macau and Mainland China has greatly improved the enthusiasm and work efficiency of employees.

The Group appointed a professional consulting firm to conduct an employee satisfaction survey in the second half of 2015, with 91% of the employees participated. The results of this survey fully demonstrated employees' confidence in management and their recognition of development strategy of the Company. The Company has also formulated solutions targeted to the needs of employees for regimes, procedure, benefits and training and built a smooth communication platform to create a sound communication atmosphere and contribute ideas for the development of the Company.

As at 31 December 2015, the Group had a total of 1,665 employees.

Social Responsibilities

The Group has been a participant in public welfare events such as "Walks for Millions" and "Kids' Dream" for many years. The Group is also named a "Caring Company" by actively promoting the "Earth Hour" event, demonstrating its dedication towards the community and contribution to social harmony and stability.

PROSPECTS

The slow and uneven development momentum of the global economy will continue in 2016. It is expected that the US economy will continue to improve and lead the pack among other developed countries. Benefitting from declining oil price, low exchange rate and loose monetary policy, the economy in Europe is expected to be stabilized at a slow pace, while turbulence in emerging economies may be intensified. China's economy will benefit from the "Urbanization construction" and the two-child policy in 2016. In the next few years, challenges and opportunities faced by China's economy will coexist.

It is expected that curtain wall market in North America region will continue to recover, and large projects of property development will be launched successively. Economy in Macau will not pick up in the short term and the construction market will be further contracted; while the market size of Hong Kong and other Asia Pacific regions will expand steadily, and the prospect of the curtain wall market is promising. Mainland market competition will remain disorder and intensified, but it is prominent that an increasing number of glass walls will be used in high-end residential projects.

Business and Development Strategies

The Group will continue to focus on the work schedule, quality, safety, cash and cost-effective management of projects, while improving the synergies created during in design, production and installation processes. The Group will sharpen its integrated competitive edges in its curtain wall business. Efforts will be made to further improve branding and market development, strengthen management over projects on hand and consolidate the Group's core competitiveness in design, procurement, production and construction. By integrating resources and adhering to the business philosophy of "closely focusing on high-end markets and providing high-quality services", the Group will increase its market share in the three major markets, namely Hong Kong and Macau, North America and Mainland China. Meanwhile, the Group will explore other overseas markets such as the United Kingdom and Asia-Pacific region, while maintaining satisfactory profitability.

The Group highly values the building of its design teams, and will strengthen its design teams in Hong Kong and North American while expanding its design teams in Mainland China, by continuously recruiting additional experts to meet demand for professionals at peak seasons. Meanwhile, the Group will provide stronger supports to its personnel serving overseas, including establishing the basic policies for overseas core management team setup and remuneration and benefits of personnel serving overseas, thereby maintaining the stability of overseas teams and enhancing the Group's cohesiveness and competitive strengths.

The Group will strengthen its system, make a plan in advance and facilitate communication for project design and construction plan evaluation. In addition, the Group will dovetail the design and production processes with projects to elevate the contract business management levels. Efforts will be increased to improve planning for procurement of materials and for better process-oriented management to ensure successful completion of all projects.

In respect of its general contracting business, the Group will learn from its controlling shareholder — CSCIHL' s rich experience in project management, in particular general contracting, bringing into play the synergistic effects with CSCIHL in Hong Kong to secure premium projects.

In respect of new business field, the Group will continue to enhance its research efforts in investment and transformation and study the strategic transformation of its business structure in a safe and orderly manner by actively interacting and cooperating with the parent company and leveraging their rich experiences and resources while taking into account of market conditions and government policies. By doing so, the Group strives to foster new growth drivers as early as possible and achieve its dual-core-driven strategic objective.

The board of directors is able to discern and face various problems that may arise in the course of development and wishes to establish and maintain a healthy system integrating the mutual interests of shareholders, the board of directors, management and general employees as well as customers to promote sustainable growth of the Group's revenue and profitability.

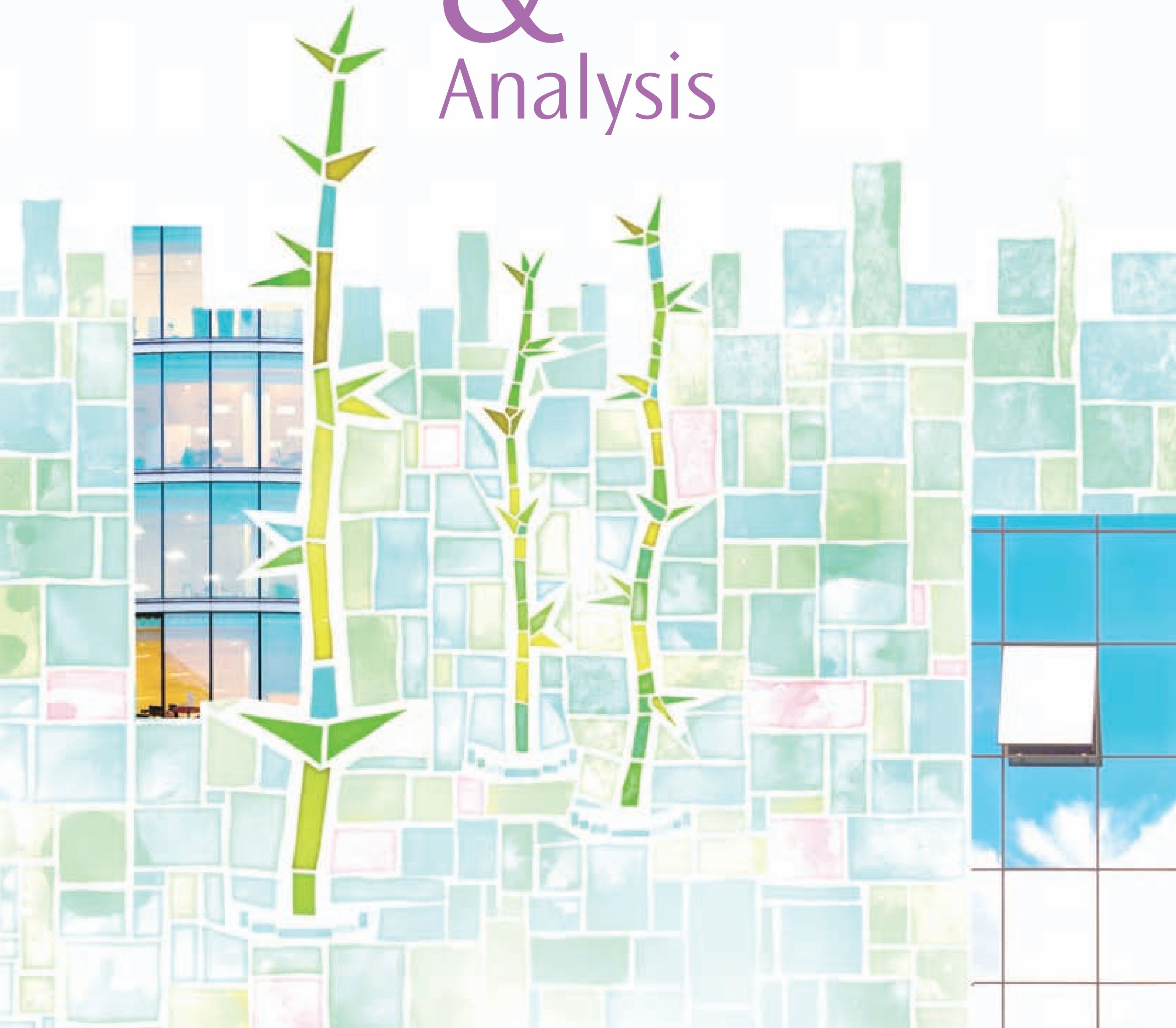
APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to all shareholders and customers for their strong support and to all employees for their hard work and commitment.

By Order of the Board
Far East Global Group Limited
Zhou Yong
Chairman and Non-executive Director

Hong Kong, 17 March 2016

Management Discussion & Analysis



Management Discussion and Analysis

OVERALL PERFORMANCE

The Group has recorded aggregate revenue of HK$2,195 million for the year ended 31 December 2015 (2014: HK$1,682 million), an increase of 30.5% as compared to last year. The profit attributable to owners of the Company increased from HK$58 million for the year ended 31 December 2014 to HK$71 million for the year ended 31 December 2015. The basic earnings per share was HK3.32 cents (2014: HK2.68 cents), representing the growth of 23.8% over last year. The Board of Directors recommends the payment of a final dividend of HK0.6 cent per share. Together with the interim dividend of HK0.6 cent per share paid in the year, the total dividends for the year will amount to HK1.2 cents per share, representing a year-on-year increase of 20%.

Segment Analysis

North America Division achieved a turnover of HK$793 million (31 December 2014: HK$818 million) during the year, representing a decrease of about 3.1% compared to last year. The turnover contributed about 36.1% of the Group's revenue. During the year, North America Division focused on reorganisation of management of the region and implementation of new internal control procedures to strengthen the cost control of both project cost and overheads. In 2015, North America Division achieved an improvement in the gross profit and operating results. There was a 14.6% reduction in overhead cost as compared to 2014 without substantial sacrifice to turnover. North America Division completed several projects in 2015 and those incomplete projects are in a smooth progress. The division has secured large new contracts such as MGM National Harbor in 2015 and will continue the strategy of securing large-size projects going forward.

With the strong backlog in Hong Kong and Macau over the last few years and the diversification into new general contracting business since 2014, revenue derived from Greater China, Asia and Others Division recorded an increase of 62.3% from HK$864 million for the year ended 31 December 2014 to HK$1,402 million for the year ended 31 December 2015. As a result of the completion of Wynn Palace Cotai and certain projects in Hong Kong and Macau made steady progress during the year under review, the operating profit increased from HK$179 million for the year ended 31 December 2014 to HK$186 million for the year ended 31 December 2015.

Administrative expenses

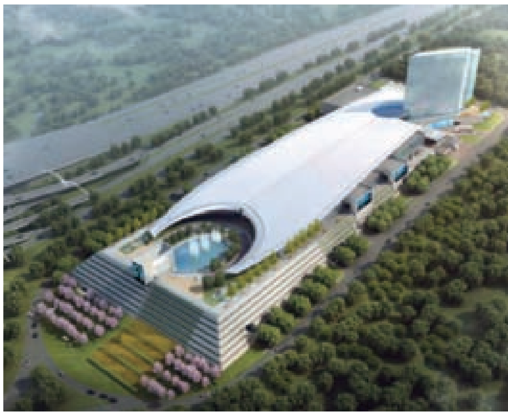
Benefiting from continuous resources allocation and utilization of North America Division, administrative, selling and other operating expenses decreased by 16.7% to HK$175 million (2014: HK$210 million).

Finance costs

For the year ended 31 December 2015, the Group's finance costs remain stable at HK$11 million (2014: HK$11 million).







New contracts awarded

For the year ended 31 December 2015, the Group recorded a new contract value of HK$2,682 million (representing a growth of 37.2% as compared to last year), among which, the Greater China, Asia and others region amounted to HK$1,887 million, accounting for 70% of the total contractual value, while the North America region amounted to HK$795 million, accounting for 30% of the total contractual value. Major new contracts include the following:

— Centre of Excellence in Paediatrics in Kai Tak Development, Hong Kong
— Shangri-La Hotel, Kowloon Inland Lot No. 11205, Hong Kong
— No. 423 in No. 48 district, Castle Peak Road, So Kwun Wat, Tuen Mun, Hong Kong
— TMTL427, So Kwun Wat, Tuen Mun Residential Development, Hong Kong
— Sheung Lok Street and Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong
— Vancouver Urban Resort, Vancouver, Canada
— YUL Condos, Montreal, Canada
— MGM National Harbor, Baltimore, USA
— 125 Greenwich Street, New York, USA
— Chow Tai Fook Financial Center, Tianjin, Mainland China
— One Shenzhen Bay, Shenzhen, Mainland China
— Upper Hills, Shenzhen, Mainland China

As of 31 December 2015, the on-hand contract value amounted to HK$6,387 million, among which the backlog was HK$3,668 million which meets the Group’s expected future works.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation with internally generated cash flow and credit facilities provided by its principal bankers. At 31 December 2015, the Group had bank balances and cash of HK$200 million (31 December 2014: HK$242 million), total borrowings of the Group were HK$393 million (31 December 2014: HK$335 million). The Group's net gearing ratio (net debt to net total equity) as at 31 December 2015 was approximately 20.3% (31 December 2014: 9.5%). Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK$1,345 million, the Group had sufficient financial resources to meet the business development and expansion. The Group's borrowings are principally on a floating rate basis and have not been hedged by any interest rate financial instruments.

The maturities of the Group's total borrowings as at 31 December 2015 and 31 December 2014 are set out as follows:

	31 December 2015	31 December 2014
	HK$'000	HK$'000
On demand or within one year	**180,391**	119,585
More than one year but not exceeding two years	**12,720**	200,564
More than two years but not more than five years	**200,000**	15,214
Total borrowings	**393,111**	335,363

The portfolio of the currencies of bank deposits of the Group as at 31 December 2015 and 31 December 2014 is set out as follows:

	31 December 2015	31 December 2014
	%	%
Hong Kong Dollars	**36**	18
Renminbi	**27**	12
Macau Pataca	**21**	16
United States Dollars	**6**	5
Others	**10**	49

As at 31 December 2015, the Group's equity attributable to owners of the Company amounted to HK$1,173 million (31 December 2014: HK$1,155 million), comprising issued capital of HK$22 million (31 December 2014: HK$22 million) and reserves of HK$1,151 million (31 December 2014: HK$1,133 million).

TREASURY POLICY

The Group adopts a conservative treasury policy in cash and financial management. The Group's treasury activities are centralised in order to achieve better risk control and minimise cost of funds. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollar or US dollar. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank loans, the Group will consider new financing while maintaining an appropriate level of gearing.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2015, the Group employed a total of 1,665 (31 December 2014: 1,519) employees. The Group has sound policies of management incentives and competitive remuneration, which align the interests of management, employees and shareholders' alike. The Group sets its remuneration policy by reference to the prevailing market conditions and the performance of the individuals concerned, subject to review from time to time. The components of the remuneration package consist of base salary, allowances, fringe benefits including medical insurance and contributions to pension funds as well as incentives such as discretionary bonus and participation in the share option scheme.

Directors and Organisation

BOARD OF DIRECTORS

Mr. ZHOU Yong
Chairman and Non-executive Director
Chairman of the Nomination Committee
Member of the Remuneration Committee

Aged 45, was appointed as Chairman of the Board and a Non-executive Director on 2 March 2012. Mr. Zhou graduated from Changsha Academy of Military Engineering and University of South Australia. He is Fellow of The Chartered Institute of Building (UK) and The Institution of Civil Engineers (UK). Mr. Zhou joined China State Construction Engineering Corporation ("CSCEC") in 1994 and was seconded to China State Construction International Holdings Limited ("CSCIHL", a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) in 1996. He has been a director of certain subsidiaries of CSCIHL since 2001. Currently, Mr. Zhou is an executive director, chairman and chief executive officer of CSCIHL and a director of China Overseas Holdings Limited ("COHL"). CSCEC, COHL and CSCIHL are all controlling shareholders of the Company. He was awarded the "Director of the Year Award — Executive Director of Listed Companies (SEHK — Non Hang Seng Index Constituents)" by The Hong Kong Institute of Directors in 2009. Mr. Zhou has more than 23 years of experience in construction, project and corporate management in Mainland China and Hong Kong, in particular, specialising in investment and new business start-up development, formulating and executing business strategies for companies.

Mr. ZHU Yijian
Vice Chairman, Executive Director and Chief Executive Officer
Member of the Nomination Committee
Member of the Remuneration Committee

Aged 49, was appointed as Vice Chairman of the Board and an Executive Director on 16 July 2014 and as Chief Executive officer on 21 September 2015. Mr. Zhu is also a director of the Company's subsidiaries. He graduated from the Xi'an University of Architecture and Technology and Hong Kong Open University, holder of master degree, senior economist. Mr. Zhu joined CSCEC in 1988 and was seconded to COHL in 1994. He was deputy general manager of CSCIHL from February 2002 to December 2004, and general manager of Human Resources Department of COHL from April 2003 to July 2012. Mr. Zhu has been assistant general manager of COHL since 2005. He was an executive director of China Overseas Land & Investment Ltd. (a company listed on the Main Board of the Stock Exchange) between March 2007 and August 2009 and vice president of COHL Investment Developing Holdings Limited between July 2012 and June 2014. Mr. Zhu is a director of COHL. He has over 28 years of experience in corporate human resources management, staff training and project investment.

Mr. LUO Haichuan

Executive Director, Senior Vice President

Aged 36, was appointed as an Executive Director on 21 September 2015. Mr. Luo is Senior Vice President of the Group, responsible for the Group's operations in Mainland China and the business development and human resources functions. He is also a director of the Company's subsidiaries. Mr. Luo graduated from the Harbin Institute of Technology and obtained a Master's degree in Business Administration from Hong Kong Baptist University. He joined COHL in 2003 and has been a director of certain subsidiaries of CSCIHL since 2011. Mr. Luo was appointed assistant general manager of CSCIHL in August 2014 overseeing the CSCIHL group's business development in Mainland China. He has over 13 years of experience in investment and financing, research and human resources management.

Mr. WANG Hai

Executive Director, Senior Vice President

Aged 43, was appointed as an Executive Director on 15 August 2012. Mr. Wang is Senior Vice President of the Group, responsible for the Group's operations in the North America region. He is also a director of the Company's subsidiaries. Mr. Wang joined the Group in March 2012 and held various senior management positions including Chief Executive Officer and Associate Chief Executive Officer of the Company. He ceased to be Associate Chief Executive Officer on 21 September 2015 when he was reallocated to North America taking charge of North America business. Mr. Wang graduated from Tianjin University and Greenwich University and is a member of the Royal Institution of Chartered Surveyors. He joined CSCEC in 1994 and started getting involved in the operation of certain subsidiaries of CSCIHL since 2003. Mr. Wang is a director of certain subsidiaries of CSCIHL. He has over 22 years of experience in construction engineering and project contract management as well as several years of experience in infrastructure investment.

Mr. CHAN Sim Wang
Executive Director and Chief Financial Officer

Aged 47, was appointed as an Executive Director and Chief Financial Officer on 2 March 2012. Mr. Chan is also a director of the Company's subsidiaries. He graduated from Hong Kong Baptist University (formerly known as Hong Kong Baptist College). Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants, Fellow of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. He joined the CSCIHL Group in 1997 and is a director of certain subsidiaries of CSCIHL. Prior to joining the Company, Mr. Chan was deputy general manager of Finance and Treasury Department of CSCIHL. He has over 23 years of experience in finance, accounting and auditing. Mr. Chan has experience in supervising the accounts and finance departments of various subsidiaries of CSCIHL in Mainland China and overseas.

Mr. QIN Jidong
Executive Director, Vice President

Aged 47, was appointed as an Executive Director on 11 March 2014. Mr. Qin is Vice President of the Group, responsible for the Group's operations in the United States and in Dubai. He is also a director of the Company's subsidiaries. Mr. Qin joined the Group as Vice President in 2012 overseeing the Group's overseas construction business. He graduated from Tianjin University and the Loughborough University, UK. Mr. Qin joined the CSCIHL Group in 1996 and has been a director of certain subsidiaries of CSCIHL since 2004. He has over 23 years of experience in international construction project management.

Mr. ZHOU Jinsong
Independent Non-executive Director
Chairman of the Audit Committee
Member of the Nomination Committee
Chairman of the Remuneration Committee

Aged 45, was appointed as a Director on 8 March 2010 and was subsequently designated as an Independent Non-executive Director on 10 March 2010. Mr. Zhou graduated from Guangdong Radio and TV University in 1992 and obtained a Master of Business Administration degree from Harbin Institute of Technology in 2003. He is a Certified Public Accountant licensed in the People's Republic of China ("PRC"). Mr. Zhou has extensive experience in accounting, audit and business advisory in various audit firms and private companies in the PRC. He was an accountant supervisor in the fund management office of the Shenzhen Cultural Development Department (深圳市宣傳文化事業發展專項基金領導小組辦公室) from 1995 to 2002. Mr. Zhou is currently the president of Weiya, an accounting firm in Shenzhen.

Mr. HONG Winn
Independent Non-executive Director
Member of the Audit Committee
Member of the Nomination Committee
Member of the Remuneration Committee

Aged 46, was appointed as a Director on 8 March 2010 and was subsequently designated as an Independent Non-executive Director on 10 March 2010. Mr. Hong obtained a Bachelor of Science degree in Aerospace Engineering and a Master of Science degree in Mechanical Engineering from the University of California, Los Angeles in 1993 and 1996, respectively. He graduated from the University of Chicago with a Master of Business Administration degree in 2005. Mr. Hong is a Senior Director for Technology and Business Development for the Alfred E. Mann Institute for Biomedical Engineering at the University of South California (AMI-USC) focusing on biotechnology, medical device, and medical and health care technologies. He has over 16 years of experience in high-tech product development and high-tech start-up success and leadership.

Ms. KWONG Sum Yee Anna
Independent Non-executive Director
Member of the Audit Committee
Member of the Nomination Committee
Member of the Remuneration Committee

Aged 66, was appointed as an Independent Non-executive Director on 1 July 2013. Ms. Kwong is managing director of Anna Kwong Architects & Associates. She holds a Bachelor of Arts degree (Honours) in Architectural Studies and a Bachelor of Architecture degree from the University of Hong Kong. Ms. Kwong is a Registered Architect in Hong Kong and an Authorised Person (List of Architects) of Hong Kong. She possesses Class 1 Registered Architect Qualification of the PRC. Ms. Kwong is a past president and fellow of the Hong Kong Institute of Architects, an ex-member of the Hong Kong Architects Registration Board and a member of the Hong Kong Institute of Directors. She has over 38 years of professional experience in the architectural field.

SENIOR MANAGEMENT

Mr. SUN Xinggen
Vice President

Aged 59, joined the Group in July 2013 and is responsible for the Group's operations in the Asia Pacific region excluding Mainland China, and in the United Kingdom. Mr. Sun joined the CSCIHL Group in 1994 and has over 32 years of experience in construction engineering and commercial contract management in Hong Kong, Macau and Mainland China as well as several years of experience in managing infrastructure investment.

Mr. DAI Huiyu
Deputy Chief Financial Officer

Aged 38, joined the Group in July 2015 and is responsible for the finance and treasury, and information technology functions of the Group. Mr. Dai graduated from Zhongnan University of Economics and Law and obtained a Master's degree in Business Administration from Hong Kong Baptist University. He joined the COHL Group in 2000 and the CSCIHL Group in 2005. Mr. Dai was in charge of the Finance Department of certain subsidiaries of CSCIHL in Mainland China since 2010. He has over 15 years of experience in financial accounting, information technology, taxation and treasury management in Hong Kong and Mainland China.

Mr. HO Wai Man, Raymond
Vice President

Aged 54, joined the Group in April 2012 and is responsible for the general management of the Group's projects in the Asia Pacific region excluding Mainland China. Mr. Ho received his Bachelor of Science degree in Civil Engineering from the National Cheng Kung University, Taiwan in 1984 and a Master of Science degree in Civil Engineering from the Queen's University of Belfast, United Kingdom in 1986. He is a member of Hong Kong Institute of Construction Managers. Mr. Ho joined the CSCIHL Group in 1994 and has over 30 years of experience in engineering, construction, contract administration, project management, tendering and business development in Hong Kong and overseas.

Mr. HONG Jianping
General Manager, Far East Facade Manufacturing (Shenzhen) Company Limited

Aged 50, joined the Group in September 2014 and is responsible for the general management of Far East Facade Manufacturing (Shenzhen) Company Limited. Mr. Hong graduated from Xi'an Institute of Metallurgical Construction with a Bachelor of Engineering degree and from Nankai University with a Master of Business Administration degree. He joined the COHL Group in 1998 and the CSCIHL Group in 2008. Mr. Hong has over 26 years of experience in investment, mergers and acquisitions, and plant management.

Mr. LI Xuguang
General Manager, Netfortune (Shanghai) Aluminium Works Co., Ltd.

Aged 50, joined the Group in 2008 and is responsible for the general management of Netfortune (Shanghai) Aluminium Works Co., Ltd. Mr. Li received his Bachelor of Engineering degree from Wuhan Polytechnic University in 1987. He has over 28 years of experience in engineering and project management.

Mr. Edward M. BOYLE, III
President, Gamma USA, Inc.

Aged 55, joined the Group in September 2012 and is responsible for the general management of Gamma USA, Inc. Mr. Boyle has held various senior management positions including vice president, president, chief operating officer, chief executive officer, and director with industry leading designers, manufacturers and installers of bespoke curtain wall and cladding systems in North America, Europe and Asia. He has over 32 years of industry experience.

Mr. LAU Sai Ying, Alan
Marketing Director, Far East Aluminium Works Company Limited

Aged 55, joined the Group in 1997 and is responsible for the marketing function of the Group except for the North America region and Mainland China. Mr. Lau received his Bachelor of Science degree in Civil Engineering from the University of Manitoba, Canada in 1981. He is a member of Hong Kong Institution of Engineers, a registered professional engineer in Hong Kong and professional engineer for the Province of Ontario, Canada. Mr. Lau has over 26 years of construction, engineering and facade system project management and marketing experience in Canada and Hong Kong.

Mr. CHAN Sun Nung
Technical Director, Far East Aluminium Works Company Limited

Aged 56, joined the Group in 2003 and is responsible for the facade design function of the Group except for the North America region. Mr. Chan received his Master's degree in Construction Engineering and Management from Griffith University, Australia in 2006 and has been a council member of Hong Kong Facade Association since 2005. He has over 35 years of experience in curtain wall design.

Mr. MOK Wai Him
Project Director, Far East Aluminium Works Company Limited

Aged 55, joined the Group in 1996 and is responsible for the project management of the Group's projects in the Asia Pacific region excluding Mainland China. Mr. Mok received his Bachelor of Science degree in Applied Physics from the University of Essex, United Kingdom in 1983 and a Master's degree in Instrumentation and Analytical Science from the University of Manchester Institute of Science and Technology, United Kingdom in 1986. He is a member of the Institute of Measurement and Control in the United Kingdom and an associate member of the Chartered Institution of Building Services Engineers. Mr. Mok has over 27 years of experience in project management.

Corporate Governance Report

GOVERNANCE FRAMEWORK

The Company is committed to building and maintaining high standards of corporate governance to promote corporate accountability, transparency and integrity. The Board recognises that good corporate practices are fundamental to the smooth and effective operation of the Group and protection of the interests of shareholders and other stakeholders.

The Company has applied the principles, and complied with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2015.

THE BOARD

The Board is responsible for promoting the overall success of the Company and delivering long-term value to shareholders. The Board has delegated the management and day-to-day running of the Group to the Company management and certain matters to the Board committees, which are described more fully in the "Board Committees" section of this report. The Board reserved for its consideration and decision certain other matters which include:

- determining the Group's strategic direction;
- approving financial reporting including the annual, half-year and quarterly results;
- approving interim, and recommending final, dividends;
- approving major acquisitions, disposals and capital expenditure, and certain material contracts;
- approving Board appointments;
- approving broad policies and systems of internal control and risk management (supported by the Audit Committee); and
- approving the Group's corporate governance and compliance arrangements.

As at 31 December 2015, the Board comprised nine Directors — five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Directors have a broad range of expertise and experience, which we believe, contributes significantly to the effectiveness of the Board. The list of Directors and their biographical details are set out on pages 29 to 33.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and continues to consider each of them to be independent.

The roles of Chairman and Chief Executive Officer are performed by separate individuals in accordance with the CG Code. There is a clear division of responsibilities between the Chairman and Chief Executive Officer to ensure a balance of power and authority so that no one individual should have unfettered powers of decision. The Chairman of the Board, Mr. Zhou Yong, is responsible for providing effective leadership of the Board and ensuring that Directors receive relevant and timely information and that all key and appropriate issues are discussed in a timely manner. The Chairman is also responsible for promoting open discussion and constructive debates in the boardroom and ensuring that good corporate practices and procedures are established. The Chief Executive Officer, Mr. Zhu Yijian, is responsible for managing the business of the Group, formulating and executing the Group's strategic plan and policies and keeping the Board informed of all relevant matters.

Board meetings shall be held at least once every quarter. Additional meetings of the Board or the Board committee established by it to consider specific matters, can be convened, when necessary. During the year, the Board held 4 regular meetings. Notice of at least 14 days is given to Directors of regular Board meetings and all Directors are given the opportunity to include matters in the agenda for discussion. The Board is supplied with an agenda and supporting documentation at least three days prior to the regular Board and committee meetings. The Board receives briefing from the chairmen of the Audit, Nomination and Remuneration Committees following meetings of these Committees.

The attendance of Directors at general meetings, meetings of the Board and Board committees of which they were members during the year is set out in the table below.

	Meetings attended/eligible to attend				
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meetings**
Chairman and Non-executive Director					
Zhou Yong	4/4	–	1/1	1/1	1/1
Executive Directors					
Zhang Yifeng (note 1)	3/3	–	1/1	1/1	1/1
Zhu Yijian (note 2)	4/4	–	0/0	0/0	1/1
Luo Haichuan (note 3)	1/1	–	–	–	0/0
Wang Hai	3/4	–	–	–	1/1
Chan Sim Wang	4/4	–	–	–	1/1
Qin Jidong	4/4	–	–	–	1/1
Independent Non-executive Directors					
Zhou Jinsong	4/4	4/4	1/1	1/1	1/1
Hong Winn	4/4	4/4	1/1	1/1	1/1
Kwong Sum Yee Anna	4/4	4/4	1/1	1/1	1/1

Notes:

1. Mr. Zhang resigned from the Board and ceased to a member of the Remuneration Committee and Nomination Committee with effect from 21 September 2015.

2. Mr. Zhu was appointed to the Remuneration Committee and Nomination Committee with effect from 21 September 2015.

3. Mr. Luo joined the Board on 21 September 2015.

Each Director is fully aware of his duties and responsibilities as a Director of the Company and the requirement to give sufficient time and attention to the affairs of the Company. The Non-executive Directors provide a strong, independent element on the Board and collectively bring independent and objective judgement to bear on Board decisions through regular attendance and active participation in the meetings of the Board and the Board committees on which they serve.

Directors have access to relevant and timely information, and they can ask for further information if necessary. They also have access to the advice and services of the Company Secretary and, if required, can seek independent professional advice at the Company's expense. There is an agreed procedure to enable them to do so which is managed by the Company Secretary. Directors are given sufficient time for discussion at the Board meetings. Where queries are raised by Directors, prompt and full responses will be given if possible.

If a conflict of interest involving a substantial shareholder or a Director arises, the matter will be discussed at a physical meeting, as opposed to being dealt with by written resolution. Independent Non-executive Directors with no material interest in the proposed matter or transaction will be present at the meeting to deal with the conflict.

The Company has in place appropriate directors and officers insurance cover in respect of legal action against Directors. The coverage and sum insured under the directors and officers issuance policy are reviewed annually.

All Non-executive Directors are appointed under letters of appointment for specific terms. Directors appointed by the Board shall hold office until the first general meeting following their appointments in the case to fill a casual vacancy or until the next following annual general meeting in the case as an addition to the Board. Such Directors shall then be eligible for re-election. In addition, all Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate resolutions.

All newly-appointed Directors are briefed on the duties and responsibilities they owe as directors to the Company as well as on the relevant Company policies and key governance issues following their appointments. Directors are encouraged to attend internal and external briefings and courses on aspects of their respective committee specialisms. Training and regular updates on relevant legal, regulatory and corporate governance matters are provided to Directors as appropriate.

All Directors are required to provide training records to the Company on a regular basis and such records are maintained by the Company Secretary.

During the year, the participation of individual Directors in the continuing professional development activities is set out as below:

	Attending seminars, conferences, courses or briefings, or giving talks	Reading relevant materials
Chairman and Non-executive Director		
Zhou Yong	✓	✓
Executive Directors		
Zhu Yijian	✓	✓
Luo Haichuan	✓	✓
Wang Hai	✓	✓
Chan Sim Wang	✓	✓
Qin Jidong		✓
Independent Non-executive Directors		
Zhou Jinsong	✓	✓
Hong Winn		✓
Kwong Sum Yee Anna	✓	✓

BOARD COMMITTEES

The Board currently has three committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee and each of which has specific written terms of reference approved by the Board. The terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are available on the Company's website or, on request, from the Company Secretary. All committees report back to the Board on their decisions and recommendations on a regular basis.

The committees are provided with all necessary resources including access to independent professional advice, if necessary, to enable them to undertake their duties in an effective manner. The Company Secretary acts as secretary to the committees.

Audit Committee

The Audit Committee is composed of the three Independent Non-executive Directors with Mr. Zhou Jinsong as chairman and Mr. Hong Winn and Ms. Kwong Sum Yee Anna as members of the committee. All the members served on the committee throughout the year. Mr. Zhou Jinsong possesses appropriate professional qualifications and experience in financial matters which is in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee meets at least four times a year and its primary duties include ensuring the Group's financial statements (including annual, half-year and quarterly results) present a true and balanced assessment of the Group's financial position; reviewing the Group's financial reporting process, internal control and risk management systems; reviewing the Group's financial and accounting policies and practices; and recommending the appointment and approving remuneration of external auditor. Other duties of the Audit Committee are set out in its specific terms of reference.

The committee met four times during the year. The Chief Financial Officer and Financial Controller were also regular attendees at the meetings of the committee. External auditors were invited to attend two of those meetings to discuss various accounting issues and findings and the audit plan with the committee.

The work of the committee during the year included reviewing the results announcements and financial statements for the year ended 31 December 2014, and for the first quarter, half-year and third quarter of 2015, the annual report and interim report. To aid its review, the committee considered the reports from the Chief Financial Officer and the report from external auditors on the outcomes of the annual audit. The committee also reviewed the connected transactions and internal control matters, approved the audit strategy and plan for the 2015 year end audit and made recommendation on the re-appointment of auditor.

In addition, the Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditor to ensure that their engagement in non-audit services will not impair their audit independence or objectivity. An independence confirmation has been obtained from PricewaterhouseCoopers which confirms that they are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by PricewaterhouseCoopers and other firms of its worldwide network for the financial year ended 31 December 2015 amounted to approximately HK$2,245,000 and HK$373,000 respectively. The non-audit services mainly consist of tax services and other services for ad hoc projects.

The Audit Committee was satisfied with the findings of its review of the audit fees, process and effectiveness, independence and objectivity of PricewaterhouseCoopers and agreed that it is appropriate to recommend to the Board that PricewaterhouseCoopers be re-appointed as auditor for a further year and, accordingly a resolution will be put to shareholders at the 2016 annual general meeting of the Company recommending their reappointment.

Nomination Committee

The Nomination Committee is chaired by Mr. Zhou Yong, the Chairman of the Board and Non-executive Director and its other members include Mr. Zhu Yijian, Vice Chairman, Executive Director and Chief Executive Officer and the three Independent Non-executive Directors, namely, Mr. Zhou Jinsong, Mr. Hong Winn and Ms. Kwong Sum Yee Anna. Mr. Zhu Yijian was appointed to the committee on 21 September 2015 following the stepping down of Mr. Zhang Yifeng from the committee. All other members served on the committee throughout the year.

The Nomination Committee meets as necessary and is responsible for reviewing the Board structure, size and composition, identifying and nominating to the Board candidates who are appropriate for appointment or reappointment as Directors, assessing the independence of Independent Non-executive Directors and making recommendation to the Board on succession planning.

The Nomination Committee held one meeting during the year. The work of the committee during the year included consideration of the composition of the Board to ensure there was an appropriate balance of skills, knowledge and experience and the independence of Independent Non-executive Directors, and considering and making recommendation to the Board on the appointment of an Executive Director and the re-appointment of the retiring Directors at the annual general meeting. There has been a formal procedure for the appointment of Directors to the Board which may involve the Nomination Committee meeting candidates proposed by existing Board members, if necessary. Careful consideration is given to ensure appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board is maintained. When the committee has found a suitable candidate, the chairman of the committee will make a proposal to the Board since the appointment is the responsibility of the whole Board following recommendation from the committee.

The Board has adopted a Board diversity policy. Differences in background, skills, industry experience, gender, age and other qualities will be considered in determining the optimum composition of the Board and the aim will be to balance them appropriately to ensure that the composition is appropriate to the business of the Company and the range and breadth of markets in which the Group operates. The Company is focused upon increasing Board diversity without compromising on the calibre of directors and the overriding principle is that all appointments to the Board will be based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole. During the annual review of the Board composition and in determining suitable candidates for the Board appointment during the year, the committee has paid due regard for the benefits of diversity on the Board.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Zhou Jinsong, an Independent Non-executive Director and its other members include Mr. Zhou Yong, the Chairman of the Board and Non-executive Director, Mr. Zhu Yijian, Vice Chairman, Executive Director and Chief Executive Officer and two Independent Non-executive Directors, namely, Mr. Hong Winn and Ms. Kwong Sum Yee Anna. Mr. Zhu Yijian was appointed to the committee on 21 September 2015 following the stepping down of Mr. Zhang Yifeng from the committee. All other members served on the committee throughout the year.

The Remuneration Committee meets as necessary and is responsible for formulating and making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management of the Group with reference to the Group's overall performance, individual's responsibilities and performance and the prevailing market conditions, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure and other compensation related issues. The Remuneration Committee determines the remuneration packages of individual Executive Directors and senior management and reviews the adequacy and effectiveness of the Group's remuneration policy. The committee also has the responsibility to make recommendations to the Board on the remuneration of Non-executive Directors.

The Remuneration Committee held one meeting during the year. The committee determined the remuneration package for an Executive Director on his appointment which was determined with reference to his job responsibilities in the Company and the then prevailing market conditions. The committee also reviewed and approved the annual salary adjustment and discretionary bonus of individual Executive Directors and senior management of the Company which were determined based on the Group's overall performance as well as individuals' performance. In addition, the committee reviewed and considered the appropriateness and relevance of the remuneration policy and structure of the Group with reference to the construction market practices, the Group's performance and remuneration offered by peer companies.

Remuneration of Directors and Senior Management

Information relating to the remuneration of each Director for the year ended 31 December 2015 is set out in note 10 to the consolidated financial statements.

The remuneration of members of the senior management by band for the year end 31 December 2015 is set out in note 11 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Board has undertaken the responsibility for performing the corporate governance duties pursuant to the CG Code and is committed to ensuring that an effective governance structure is in place to continuously review, monitor and improve the corporate governance practices within the Group with regard to the prevailing legal and regulatory requirements.

During the year, the work of the Board in this area included reviewing the policies and practices on the Group's corporate governance, monitoring the Company's legal and regulatory compliance and training and continuing professional development of Directors and senior management, developing relevant policies to ensure compliance with the latest change in the laws and regulations and reviewing the Company's compliance with the CG Code and the disclosure in this report.

MODEL CODE FOR 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 as the Company's code of conduct regarding Director's securities transactions. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended 31 December 2015.

ACCOUNTABILITY AND AUDIT

Financial Reporting

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

Management is responsible for providing such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval. All members of the Board are provided with regular updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Director, individually and collectively, to discharge their legal and regulatory duties.

The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. In preparing the consolidated financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of Hong Kong Financial Reporting Standards and the applicable laws have been complied with.

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2015. The Directors, having made appropriate enquiries, were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern and on such basis, the Board has prepared the financial statements on a going concern basis.

The responsibilities of external auditors of the Company with respect to financial reporting are set out in the "Independent Auditor's Report".

Internal Controls and Risk Management

The Board is responsible for maintaining appropriate systems of internal control and risk management, policies and procedures within the Group and the Audit Committee has the delegated responsibility to assess on an ongoing basis the effectiveness and relevancy of the systems. Processes and procedures have been put in place to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use and for publication and to ensure compliance with applicable laws, rules and regulations.

The Group has established a risk management framework to enable the Board and the management of the Company to discharge their risk management-related responsibilities with appropriate delegation and checks and balances. Various operational committees including Investment Committee, Project Tendering Committee, Procurement and Subcontracting Committee and 3MS Committee which stand at the highest level of the Group's risk governance structure below the Board have been established to manage the risks and opportunities across the project lifecycle. These committees provide direct oversight of the formulation of institutional risk appetite, and control and monitor the levels of risk that the Group is willing to undertake with regard to its financial capacity, strategic direction, prevailing market conditions and regulatory requirements.

The Group's risk management framework consists of seven approval and review gates, spanning initial project pursuit through to delivery and completion. All gates are mandatory and require approval at Group level by the operational committees, by divisional or business unit level depending upon the nature and complexity of projects.

During the year, the management conducted an internal audit of the systems on internal control, financial, contracting and procurement management of one of the Group's operations in China and the findings and recommendations were reported to the Audit Committee. Following an annual review of the effectiveness of the financial, operational and compliance controls and risk management functions of the Group and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, the Board confirms that no material control failure was noted and there were adequate resources and expertise in the accounting and financial reporting function.

Also, the Group has performed an internal audit of the continuing connected transactions conducted during the year to ensure that the transactions have been conducted in accordance with the pricing policies or mechanisms under the relevant agreements governing them and on normal commercial terms. The findings were presented to the Independent Non-executive Directors to assist them in performing their annual review.

The Group will continue to review and develop risk management and internal control systems and procedures to manage and mitigate the impact of risks both within and outside its control.

COMPANY SECRETARY

The Company Secretary is an employee of the Group and the appointment and removal of the Company Secretary is a matter for the whole Board. Whilst the Company Secretary reports to the Board through the Chairman and the Chief Executive Officer, all Directors have access to the advice and services of the Company Secretary for the ongoing discharge of their duties and responsibilities.

The Company Secretary assists the Chairman in preparing the agenda for the Board meetings, taking into account matters proposed by the Directors and ensures that all applicable rules and regulations regarding the Board meetings are followed. Minutes of meetings of the Board and Board committees are taken and kept by the Company Secretary and are open for inspection by Directors.

During 2015, the Company Secretary undertook no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to maintain direct communication with the Company. Shareholders who have any questions for the Board may send a letter to:

Company Secretary

Address: Far East Global Group Limited
16th Floor, Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

The Company maintains procedures for shareholders to propose a person for election as a Director. The details of these procedures are available on the Company's website.

Should shareholders wish to call an extraordinary general meeting, it must be convened according to the Company's Articles of Association, which state as follows:

- Any one or more members 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 can, by written requisition to the Board or the Company Secretary, require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

- Such meeting shall be held within two (2) months after the deposit of such requisition.

- If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board attaches great importance to maintaining good relationships with all shareholders and investors and ensures that shareholders and investors are kept informed of major Company developments.

The Board regards the Company's general meetings as an opportunity to communicate directly with private investors and actively encourages participative dialogue with all the Company's shareholders. The chairmen of the Board committees attend the annual general meeting each year as well as other Directors and are available to answer questions from shareholders. To enhance the communication between the Company and the capital market, the management of the Company meets investors and analysts regularly and irregularly to present the latest development strategies and operation conditions to them in a timely manner. The Company holds briefing sessions to institutional shareholders, brokers and analysts following the announcement of its half-year and annual results. The Company will continue its effort to increase the investor relations service to shareholders and investors in 2016.

The website www.fareastglobal.com is an important source of information on the Group, including press releases, shareholder documentation, annual, half-year and quarterly results and the terms of reference of the principal Board committees.

Corporate Citizenship

Hong Kong and Kowloon Walks for Millions by The Community Chest

On 11 January 2015, the Group participated in the "Hong Kong and Kowloon Million Walk" sponsored by the Community Chest of Hong Kong for fundraising purposes. Proceeds raised will assist social welfare organization in providing family and child welfare services. Meanwhile, the Group its colleagues to take the initiative to participate in public welfare activities, and contribute to communities, thus benefiting communities and social groups.

"The 4th Wu Zhi Xing" by 中國海外集團婦女聯誼會

On 8 February 2015, the Group participated in "The 4th Wu Zhi Xing" hosted by 中國海外集團婦女聯誼會. Donation raised will be used to support the Village Centre Construction Project in Macha Village of Gansu, China, using the advanced rammed earth technology. The project will not only improve the local's livelihood, but also demonstrate the potentials of earth architecture as an anti-seismic, safe, comfortable, eco-friendly and affordable alternative to a more sustainable rural development.

Event of "March 8th Family Activity" by 中國海外集團婦女聯誼會

On 8 March 2015, the International Women's Day, the Group participated "March 8th Family Activity" campaign hosted by 中國海外集團婦女聯誼會. This campaign is designed to encourage colleagues to achieve work-life balance and close to the nature with family in spare time. We hope our colleagues can enhance the awareness of organic farming and environmental protection through this event.

Mainland + Hong Kong Art Creation Exchange Program of 2015 "China Overseas X Treats" — "Art for ALL" Integration Programme

On 23 May 2015, the Group participated in Mainland + Hong Kong Art Creation Exchange Program of 2015 "China Overseas X Treats", jointly sponsored by China Overseas and Treats. 15 employess from the Group led the art creation exchange between 32 students from YLLPE Wai Chow School and Hong Kong Red Cross Princess Alexandra School.

"ORGANIC FARM" BY 中國海外集團婦女聯誼會(JULY–SEPTEMBER)

With effect from July in 2015, 中國海外集團婦女聯誼會 launched the "Organic Farms" program, employees from the Far East Global Group involved into this workshop. Female employees from different departments learned and tried organic farming in the spare time to experience the fun of planting and develop green environmental awareness through this workshop.

"FAR EAST GLOBAL GROUP X TREATS" HELD "LITTLE CHEF — LOVE SHARING" (CUPCAKE MAKING) EVENT

On 31 October 2015, "Far East Global Group X Treats" held "Little Chef — Love Sharing" (cupcake making) event at Mary Rose School. Among 22 Far East Global employees participated, led 30 students from Po Leung Kuk Fong Wong Kam Chuen Primary School and Mary Rose School to make their unique cupcakes, we hope it helps students to grow up their sense of accomplishment and self-confidence through this event.

AWARDED "CARING COMPANY 2013-2016" AFTER OUR SUCCESSFUL APPLICATION

商界展關懷
caringcompany 2013-16 ®
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

The Group is committed to fulfilling its social corporate responsibility, demonstrating care to public communities, while caring for its employees. In addition, the Group embrace a strong sense of environmental protection. Therefore, the Group was awarded as "Caring Company 2013-2016" after successful application.

ENVIRONMENTAL PROTECTION AND PROMOTION

A favourable ecological environment is vital to the sustainable development of our economy and society. As a responsible corporate citizen, the Group is committed to protecting and preserving the environment and leaving a positive legacy to our future generations.

The Group is dedicated to pursuing its business goals in harmony with the environment and has the environmental protection philosophy embedded in its design, procurement, production and construction processes. It complies with the environmental rules and regulations relevant to the countries in which it operates and is committed to reducing resources consumption and preventing environmental pollution. The Group acts responsibly towards the environment to create sustainable building.

In achieving sustainable building, the Group has implemented the following measures in the projects undertaken in 2015: giving due consideration of the environmental impact of the production and installation works to be carried out at the design stage; giving priority to eco-friendly materials at the procurement stage (e.g. selecting coated glasses and non-oxidized aluminum, where practicable, to reduce light and water pollution); recycling or reusing packaging materials and production materials according to the local and corporate policies and delivering unrecyclable waste to the local environmental companies in a timely manner for disposal; recording the waste and garbage produced and the resources (including timber, water and energy) consumed and their impacts on the environment; sorting and disposing construction waste according to the government standards and requirements; and reducing landfill waste and keeping detailed records of waste according to the environmental policy.

The Group's employees participated in the "China Overseas Organic Farms" program organised by 中國海外集團婦女聯誼會 which allowed them to participate, learn and try organic planting in their spare time and to increase their environmental awareness through the fun of planting.

Saving Resources

Power utilisation is the main source of carbon emission of the Group and the Group has taken various measures to save energy. For example, energy efficiency level is one of the selection criteria in purchasing machinery and equipment. Also, most of the lights in the offices are switched off during lunch hours and staff will be reminded to turn off their computers and other equipment before long holidays. Temperature in the office is set at the range between 20°C to 26°C throughout the year to save energy as well as to provide a comfortable working environment to employees.

The Group participated in the "Earth Hour 2015" organised by the World Wide Fund for Nature (WWF) to switch off non-essential lights in our Hong Kong offices for an hour on 28 March 2015 in supporting its energy savings initiative. Also, staff were encouraged to help promote this activity and to take part in it, if possible, in their homes or in other places to make a contribution to our environment.

The Group has also taken measures to conserve water. Signs are put up in the prominent place of the office, and water consumption is monitored and recorded monthly to actively reduce water waste.

The Group upholds the value of saving energy and protecting our environment and insists to use recyclable materials where practicable, and reuse packaging materials and powder-coated aluminum to reduce resources consumption.

The Group has implemented certain web-based systems such as e-forms for online completion and approval to reduce paper use and encouraged double-sided printing, and the reuse and recycle of paper, and is committed to minimising the use of disposable items and reducing the waste at source.

In 2016, the Group will take further steps to enhance its energy saving and emission reduction initiatives and become a resources conservation and environmental-friendly enterprise. The Group will strive a well balance between attaining business growth and improving the environment and will move towards a green, environmental friendly and sustainable enterprise.

STAFF DEVELOPMENT AND PERSONAL GROWTH

The Group recognises people as its most valuable asset and promotes the well-being of its employees. The Group is committed to integrating employees' personal goals into its long-term development and creating a team where corporate values are embedded in everyone's behaviour.

Our "people-oriented" strategy emphasises on providing good care and benefits to our employees, creating a simple and harmonious working environment, entrusting our employees with challenging tasks, and providing them with guidance and opportunities for career development. The Group has always attached great importance to the exchange of employees among business units to enable employees to widen their knowledge and experience in an international context. As at 31 December 2015, the Group had a total of 1,665 employees, of which 217 were in Hong Kong and Macau, 768 in Mainland China and 680 in other regions.

Staff Recruitment Programs

The Group has been recruiting through open recruitment and campus recruitment programs. Open recruitment aims at bringing technical and management expertise into the Group to strengthen its operations management. Campus recruitment aims at hiring fresh graduates from elite universities and colleges to inject "new blood" into the Group who will bring in new energy and enthusiasm into the organisation and to provide opportunities for graduates to start their career which is also one of the responsibilities that a corporation shall undertake in pursuit of its business goals. In Hong Kong, we offer an internship program for university students who will be considered for full-time employment after leaving universities. While in Mainland China, we recruit facade engineering graduates from universities through a well-established campus interview process.

Staff Training and Development

The Group gives full support to its employees for their lifelong learning and self-development, and has in place a subsidy program to encourage employees to take external courses, thus promoting a better development of their careers. In a fiercely competitive market, training is a key element in maintaining stable development of an organisation. The Group is dedicated to understanding the training needs of its employees at all levels and providing relevant trainings and seminars to meet the need of its employees for career development. In 2015, the Group offered different types of training courses to its employees which included mainly management and technical training, soft skill training, language and computer application courses. A total of 847 employees participated in the training courses with 2,456 total training hours.

Incentive Mechanism

A good incentive system can significantly improve individual performance of an employee and thus help the Group achieve better performance. In view of a shortage of labour in the curtain wall industry and of high-caliber expertise, the Group has introduced a variety of incentive mechanisms to maintain a stable workforce and improve its operation effectiveness. Through the implementation of the "Operation Management Responsibility for the Subsidiary" (子公司經營管理責任狀), "Site Contracting Responsibility System" (地盤目標管理責任制), the "Design Contracting Incentives System" (設計承包激勵制度), the "Site-related Integrated Appraisal and Incentives Methods" (地盤綜合獎勵評選辦法) and the "Shenzhen Production Line Motivation System" (深圳生產線激勵制度), the Group's annual targets were reasonably split into smaller targets for the operating units. The annual incentive payouts for each operating units will be determined according to their achievement of the targets set for them so that employees' individual performance is aligned with the overall performance of their respective operating units, thus integrating employees' personal interests with the group's profitability. In addition, the Group conducts an annual review of its remuneration and benefit packages to ensure that they are in line with the comparable companies in the market and that they remain fair and competitive.

STAKEHOLDER ENGAGEMENT

As a multinational corporation, we have businesses in Asia, Europe, America and Australia. The Group always seeks to balance the views and interests of various stakeholders through constructive dialogue with them to help drive sustainability. At our Group, stakeholder engagement is about developing relationships with our stakeholders for mutual benefit.

Shareholders and Investors

The Group encourages shareholders to participate in shareholders' meetings physically or appoint proxies to attend and vote at the meetings and have regular communications with analysts, institutional investors and fund managers.

Employees

The Group has always regarded employees as its core asset for sustainable development and is dedicated to providing a platform for staff development and growth. The Group has developed a diversified staff training program to provide resources and support which help employees to understand the Group's strategies, embrace the corporate culture, broaden their knowledge and strengthen their management skill.

The Group recognises the importance of employee team building and activities such as workshops, outings, sport matches, birthday parties are organised to create a good and harmonious working relationship.

In 2015, the Group has expanded its recruitment channel by organising recruitment activities in the university campus which, together with the ordinary open recruitment, can provide adequate supply of talent to meet the rapid growth of the Group's businesses. In order to improve operation effectiveness and increase employees' loyalty and satisfaction, the Group has conducted an employee opinion survey through a third party consultant with participants being the employees in Mainland China, Hong Kong and Macau and the findings were used for formulating long-term work plan and remuneration and resources strategy.

Supply Chain

Our supply chain predominantly consists of subcontractors, who perform installation work at our project sites, and suppliers, who provide materials. We collect and evaluate views from suppliers and subcontractors through regular discussion and social gathering which can help us improve the satisfaction level of our supply chain and build a stronger tie with them. Through our central procurement of key supplies, we can benefit from the strategic supplier partnership and economies of scale.

Customers

Customer feedback is crucial to building a sustainable business, especially in a highly competitive environment. The Group has a range of channels to communicate with its customers, including regular meetings with clients, joining and participating in relevant industry associations, inviting customers to site visit of high-quality projects, and maintaining relationships with the ultimate employers. Through the Company's website and social networking platform, the Group can promote its corporate culture, obtain views and establish communication with potential customers.

Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of corporate management services. The activities of the Company's principal subsidiaries are shown in note 17 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 71 and 72 respectively.

An analysis of the Group's performance for the year by segments is set out in note 5 to the consolidated financial statements.

An interim dividend of HK0.6 cent per share was paid to shareholders on 5 October 2015. The Board recommends the declaration of a final dividend of HK0.6 cent per share payable on 6 July 2016 to shareholders whose names appear on the register of members of the Company on 14 June 2016. Together with the interim dividend of HK0.6 cent per share, this results in total dividends for the year of HK1.2 cents per share and represents a total distribution of HK$25,866,000.

BUSINESS REVIEW

A fair review of the Group's business, including the important events affecting the Group that have occurred since the end of 2015 and the likely future developments, is set out in the "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" sections of this Annual Report, and disclosures relating to the Group's environmental policies and performance, and relationships with major stakeholders can be found in the "Corporate Citizenship" section of this Annual Report.

Principal Risks and Uncertainties

Below are the principal risks and uncertainties facing the Group that could adversely impact the Group's business, financial condition and profitability. There may be other risks in addition to those disclosed below which are not known to the Group or which may currently be immaterial but turn out to be material in the future.

Risk	Description	Management Measures
Foreign Exchange	The Group's foreign currency exposures primarily arise from certain sales or purchases by operating units in currencies other than the unit's functional currency where these sales or purchases are mainly denominated in United States dollar, Renminbi, Australian dollar, Canadian dollar, Pound Sterling and Macau Pataca.	The Group monitors foreign exchange exposure by closely reviewing the movement of the foreign currency rate and adapting natural hedge strategies. During the year ended 31 December 2015, the Group did not engage in the use of other financial instruments for hedging purposes, and there were no hedging instruments outstanding as at 31 December 2015.
Interest Rate	The Group's interest rate risk mainly related to variable rate borrowings.	The Group has established policies and procedures to the assessment, booking and monitoring such risk and will consider hedging significant interest rate fluctuation should the need arise.

Risk	Description	Management Measures
Market	The effects of national or market trends, political change or new developments in infrastructure expenditure may cause customers to postpone, reduce or change existing or future projects, which may impact the Group's strategy, business model, revenue or profitability in the short or medium term.	The Group's strategy to focus on the more resilient and stable infrastructure and property markets and geographies will help mitigate this risk. The effect of spending changes in any one market is mitigated by the Group's broad exposure to infrastructure and property markets across the globe and the continued need for infrastructure spending. It also mitigates the effects of such market conditions by continuing to adapt its business model. It is essential that the financial solvency and strength of counterparties is always considered before contracts are signed. During the life of a contract, such assessments are updated and reviewed whenever possible. The business also seeks to ensure that it is not over-reliant on any one counterparty.
Bidding	The Group's success depends on its ability to identify, price and execute the right volume and quality of bids to maintain a profitable, sustainable order book. This in turn requires that it has a competitive business model and overheads.	All bids are subject to rigorous estimating and tendering processes within the risk management framework. The Group has defined delegated authority levels for approving all tenders. Reviews are conducted following all tenders to ensure lessons are learnt and applied to future tenders.
Project Execution	The Group performs the construction projects with complex design, engineering and construction works. If it fails to deliver them on time, to customers' requirements, and in accordance with its own cost assumptions and reporting, the Group faces the risk of financial loss, claims and reputational damage.	Each business unit has defined operating procedures to address the risks inherent in project delivery. In addition, the revision of the Group risk management framework and increased controls aid identification and quantification of specific risks on projects and the mitigating actions required. This has been further reinforced through the implementation of common minimum standards in project and commercial management.
Supply Chain	The Group is heavily reliant on its supply chain partners for successful operational delivery, which means it is also exposed to a variety of risks in the supply chain, including financial, technical, quality, safety and ethics.	The Group aims to develop long-term relationships with key subcontractors, working closely with them to understand their operations. It develops contingency plans to address subcontractor failure, and also obtains project retentions, bonds and/or letters of credit from subcontractors, where appropriate to mitigate the impact of any insolvency. The Group aims to work as much as possible with preferred suppliers and subcontractors who undergo rigorous, risk-based prequalification processes and share its values. It also aims to avoid becoming over-reliant on any one supplier or subcontractor.

Risk	Description	Management Measures
People	Inability to recruit and retain the best management and employees who have the appropriate competencies and also share Company values and behaviours may hamper the Group's growth prospects.	All potential recruits for key roles in the organisation are measured against a competency and leadership system. The Group's succession planning process to identify and develop high-potential personnel is reviewed regularly within the organisation and by the Board of Directors. The Group has appropriate remuneration and incentive packages to help it attract and retain key employees.
Business Conduct	The Group operates in various markets that present business conduct-related risks involving fraud, bribery or corruption, whether by its own staff or via third parties such as partners or subcontractors. Those risks are higher in some countries and sectors. Overall the construction industry has a higher risk profile than other industries.	The Group has a range of risk assessment, due diligence and procurement controls that are designed to identify and minimize such risks.
Legal	The Group operates in different markets and its businesses are subject to a variety of complex, demanding and evolving legal, tax and regulatory requirements.	The Group monitors and responds to legal and regulatory requirements by qualified internal personnel and external lawyers or counsel. The Group has established comprehensive policies, guidelines, and manuals with proper training courses provided to staff members.

Compliance with Relevant Laws and Regulations

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects throughout the year ended 31 December 2015.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 136.

PROPERTY, PLANT AND EQUIPMENT

Particulars of the movements of property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 to the consolidated financial statements.

RESERVES

Distributable reserves of the Company as at 31 December 2015 amounted to HK$961,738,000 (2014: HK$899,822,000).

Movements in the reserves of the Company and the Group during the year are set out in note 31 to the consolidated financial statements and the consolidated statement of changes in equity on page 75 respectively.

DIRECTORS

The Directors during the year and up to the date of this Annual Report are:

Chairman and Non-executive Director

Mr. Zhou Yong

Executive Directors

Mr. Zhang Yifeng *(Vice Chairman and Chief Executive Officer)*	(resigned on 21 September 2015)
Mr. Zhu Yijian *(Vice Chairman and Chief Executive Officer)*	(appointed as Chief Executive Officer on 21 September 2015)
Mr. Luo Haichuan	(appointed on 21 September 2015)
Mr. Wang Hai	(ceased to be Associate Chief Executive Officer with effect from 21 September 2015)
Mr. Chan Sim Wang	
Mr. Qin Jidong	

Independent Non-executive Directors

Mr. Zhou Jinsong
Mr. Hong Winn
Ms. Kwong Sum Yee Anna

Notes:

Pursuant to article 83(3) of the Articles of Association of the Company, Mr. Luo Haichuan, who was appointed by the Board after the 2015 annual general meeting shall hold office until the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

Pursuant to article 84(1) of the Articles of Association of the Company, Mr. Qin Jidong, Mr. Zhou Jinsong and Ms. Kwong Sum Yee Anna will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Information of Directors' emoluments is set out in note 10 to the consolidated financial statements.

With effect from 1 February 2016, Mr. Chan Sim Wang's salary (inclusive of fixed allowance) has been increased to HK$1,177,900 per annum. The remuneration of all other Directors remains unchanged.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out in the "Directors and Organisation" section of this Annual Report.

CONFIRMATION OF INDEPENDENCE

The Company received an annual confirmation from each of the Independent Non-executive Directors of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considered each of them to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year, Messrs. Zhou Yong, Zhu Yijian, Luo Haichuan, Wang Hai, Chan Sim Wang and Qin Jidong held directorships and/or senior management positions in the Company's holding companies and/or their subsidiaries. These companies are engaged in construction, property development and related business.

The Board is independent of the boards of directors of the Company's holding companies and their subsidiaries. With the presence of appropriate portion of Independent Non-executive Directors in the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of its holding group.

DIRECTORS' INDEMNITY

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by him by reason of any act done, concurred in or omitted in or about the execution of his duty as a Director provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to the Director. A directors and officers insurance policy is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

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

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were 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 for Securities Transactions by Directors of Listed Issuers as adopted by the Company (the "Model Code") were as follows:

(a) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of ordinary shares held	% of shares in issue(Note)
Zhu Yijian	Beneficial owner	Personal interest	1,000,000	0.046
Chan Sim Wang	Beneficial owner	Personal interest	50,000	0.002
Qin Jidong	Beneficial owner	Personal interest	900,000	0.042

Note: The percentage is based on the total number of ordinary shares of the Company in issue as at 31 December 2015 (i.e. 2,155,545,000 ordinary shares).

(b) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares and underlying shares of the associated corporation of the Company — China State Construction International Holdings Limited ("CSCIHL")

Name of Director	Capacity	Nature of Interests	Number of ordinary shares held	% of shares in issue(Note)
Zhou Yong	Beneficial owner	Personal interest	3,233,027	0.080
Zhu Yijian	Beneficial owner	Personal interest	1,322,211	0.033
Chan Sim Wang	Beneficial owner	Personal interest	28,800	0.001

Note: The percentage is based on the total number of ordinary shares of CSCIHL in issue as at 31 December 2015 (i.e. 4,056,314,622 ordinary shares).

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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. Nor any of the Directors or chief executive of the Company (including their spouses and children under the age of 18), during the year ended 31 December 2015, held any interests in, or was granted any right to subscribe for, the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 10 March 2010 and unless otherwise cancelled or amended, is valid and effective for 10 years from 30 March 2010. A summary of the Scheme is as follows:

(a) The purpose of the Scheme is to provide incentives or rewards to the eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

(b) Share options may be granted to any director, employee, supplier and customer of the Group or any entity in which the Group holds an equity interest ("Invested Entity") and any consultant, adviser, manager, officer or entity that provides research, development and other technological support to the Group or any Invested Entity.

(c) The total number of shares which may be issued upon exercise of all options granted and to be granted under the Scheme and any other share option schemes of the Group shall not exceed 10% of the shares of the Company in issue immediately following the completion of the Global Offering of the Company (as defined in the Prospectus issued by the Company dated 17 March 2010) unless the Company obtains a fresh approval from the shareholders.

(d) As at the date of this Annual Report, the total number of shares which may be issued under the Scheme is 38,689,000 shares i.e. 1.79% of the Company's shares in issue as at that date.

(e) The maximum entitlement for any participant (other than a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates) under the Scheme is that the total number of shares issued and to be issued upon exercise of all options granted and to be granted in any 12-month period up to and including the date of the proposed grant does not exceed 1% of the shares of the Company for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

(f) The period within which an option may be exercised under the Scheme will be determined by the Board at its absolute discretion provided that such period shall not be more than ten years from the date of grant of the option.

(g) The exercise price of the share options shall be determined by the Board, at its absolute discretion, but in any case, shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant of such option, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.

(h) Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

No share options were granted to or exercised by any Directors or chief executive of the Company or employees of the Group or other participants, nor were cancelled, or lapsed during the year ended 31 December 2015.

As at 1 January 2015, 31 December 2015 and the date of this Annual Report, the Company had no share options outstanding under the Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Scheme, at no time during the year ended 31 December 2015 was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except for the connected transactions set out on pages 63 to 68 and the related party transactions set out in note 30 to the consolidated financial statements, there were no transactions, arrangements or contracts of significance in relation to the business of the Company and its subsidiaries to which the Company, its subsidiary, fellow subsidiary or holding company was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

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

So far as is known to any Directors or chief executive of the Company, as at 31 December 2015, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held	Total	% of shares in issue[(1)]
Add Treasure Holdings Limited ("Add Treasure")	Beneficial owner	1,537,983,279	1,537,983,279	71.35
China State Construction International Holdings Limited ("CSCIHL")[(2)]	Interest in controlled corporation	1,596,403,279	1,596,403,279	74.06
China Overseas Holdings Limited ("COHL")[(3)]	Interest in controlled corporation	1,596,403,279	1,596,403,279	74.06
中國建築股份有限公司 (China State Construction Engineering Corporation Limited) ("CSCECL")[(3)]	Interest in controlled corporation	1,596,403,279	1,596,403,279	74.06
China State Construction Engineering Corporation ("CSCEC")[(3)]	Interest in controlled corporation	1,596,403,279	1,596,403,279	74.06

Notes:

1. The percentage is based on the total number of ordinary shares of the Company in issue as at 31 December 2015 (i.e. 2,155,545,000 ordinary shares).

2. Add Treasure is a wholly-owned subsidiary of CSCIHL which, by virtue of the SFO, is taken to be interested in the same 1,537,983,279 shares held by Add Treasure and the 58,420,000 shares of the Company held by another wholly-owned subsidiary of CSCIHL.

3. CSCIHL is owned as to approximately 57.59% by COHL, which in turn, is a wholly-owned subsidiary of CSCECL. CSCECL is, in turn, a subsidiary of CSCEC. By virtue of the SFO, each of COHL, CSCECL and CSCEC is deemed to be interested in the same 1,596,403,279 shares held indirectly by CSCIHL.

Save as disclosed above, as at 31 December 2015, no other person (other than the Directors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CONNECTED TRANSACTIONS

The connected and continuing connected transactions required to be disclosed in accordance with Chapter 14A of the Listing Rules, are disclosed on pages 63 to 68.

EQUITY-LINKED AGREEMENT

Other than the Scheme as disclosed in this report, there were no equity-linked agreements entered into by the Company during the year or subsisted at the end of the year.

RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The Group's employees outside Hong Kong are primarily covered by the respective defined contribution schemes in accordance with local legislation and practices. During the year, the Group made contribution to these schemes amounting to approximately HK$9 million. No forfeited contribution under these schemes are available to reduce the contribution payable in future years.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company, or the laws of Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PUBLIC FLOAT

As at the date of this Annual Report, based on publicly available information and within the Directors' knowledge, more than 25 per cent of the Company's issued share capital was held by the public.

DONATIONS

During the year, the Group made charitable and other donations amounted to approximately HK$12,000.

MAJOR CUSTOMERS AND SUPPLIERS

In 2015, the five largest customers of the Group accounted for approximately 42.5% of the Group's revenue and the revenue from the largest customer included therein accounted for approximately 13.3%. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

Other than disclosed above, at no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) have an interest in any of the Group's five largest customers.

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

During the year, neither the Company nor any of its subsidiaries has made any purchase, sale or redemption of any of the Company's listed securities.

AUDITOR

PricewaterhouseCoopers was appointed as auditor of the Company at the 2012 annual general meeting in place of the retiring auditor, RSM Nelson Wheeler, and was re-appointed at the 2013, 2014 and 2015 annual general meetings. Save as disclosed above, there was no other change of the auditor of the Company in the past three years.

The consolidated financial statements for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
FAR EAST GLOBAL GROUP LIMITED
Zhou Yong
Chairman and Non-executive Director

Hong Kong, 17 March 2016

Connected Transactions

CONTINUING CONNECTED TRANSACTIONS UNDER THE LISTING RULES

1. FE-CSCECL Sub-construction Engagement Agreement

On 28 October 2014, the Company entered into a new agreement ("FE-CSCECL Sub-construction Engagement Agreement") with China State Construction Engineering Corporation Limited ("CSCECL", an intermediate holding company of the Company) to replace the previous agreement entered into between the parties on 11 June 2012. Under the FE-CSCECL Sub-construction Engagement Agreement, the Group may continue to act as subcontractor of CSCECL and its subsidiaries (the "CSCECL Group") for provision of contracting service, supply, project consultancy service and project management service in relation to exterior facade works ("Exterior Facade Works") to the construction works of the CSCECL Group for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 provided that the total contract sum that may be awarded by the CSCECL Group to the Group under the FE-CSCECL Sub-construction Engagement Agreement for each year shall not exceed HK$800 million (i.e. the CSCECL Works Cap).

As a general principle, the prices and terms of the contracts with respect to the Exterior Facade Works shall be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those provided to the independent third party customers.

The Group will normally need to go through a tender or similar process before being selected and appointed as subcontractor of the CSCECL Group. The Group has a standard and systematic tender submission procedure to determine the prices and terms of a tender and such procedure applies to tenders submitted to both connected persons and independent third parties. In preparing and assessing a tender, the Group will consider the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risks associated with the project. The Group will then perform site inspection, formulate a tentative construction program and conduct quantitative costs analysis and risk assessment. In determining the tender price, the Group will review the costs information maintained in its in-house database for material supplies and prices from subcontractors for the Group's previous projects and peripheral operation. The Group will also review and compare the prices of previous tenders submitted to both connected persons and independent third parties to ensure that the price of the tender to be submitted is not more favourable than those submitted to independent third parties.

Where the Group submits the tender directly to the ultimate employer and is nominated by the ultimate employer as subcontractor to the CSCECL Group, consideration to the Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the FE-CSCECL Sub-construction Engagement Agreement (i.e. the CSCECL Works Cap) exceeded 5%, the transactions contemplated thereunder were subject to the annual review, reporting, announcement and independent shareholders' approval requirements. An announcement was published on 28 October 2014 and a circular dated 18 November 2014 was despatched to the shareholders of the Company. The FE-CSCECL Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 December 2014.

The total value of the contracts awarded to the Group under the FE-CSCECL Sub-construction Engagement Agreement during the year ended 31 December 2015 was HK$318,658,326.

2. FE-CSC Sub-construction Engagement Agreement

On 28 October 2014, the Company entered into a new agreement ("FE-CSC Sub-construction Engagement Agreement") with China State Construction International Holdings Limited ("CSCIHL", an intermediate holding company of the Company) to replace the previous agreement entered into between the parties on 11 June 2012. Under the FE-CSC Sub-construction Engagement Agreement, the Group may continue to act as subcontractor of CSCIHL and its subsidiaries (the "CSCIHL Group") for provision of contracting and engineering works, project consultancy service and project management service to the construction works of the CSCIHL Group ("CSC Works Transactions") for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 provided that the total contract sum that may be awarded by the CSCIHL Group to the Group under the FE-CSC Sub-construction Engagement Agreement for each year shall not exceed HK$1,200 million (i.e. the CSC Works Cap).

As a general principle, the prices and terms of the contracts with respect to the CSC Works Transactions shall be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those provided to the independent third party customers.

In respect of the contracting and engineering works, the Group will normally need to go through a tender or similar process before being selected and appointed as subcontractor of the CSCIHL Group. The Group has a standard and systematic tender submission procedure to determine the prices and terms of a tender and such procedure applies to tenders submitted to both connected persons and independent third parties. In preparing and assessing a tender, the Group will consider the technical requirements, quantity specifications, expected completion time, customer's expectations and possible risks associated with the project. The Group will then perform site inspection, formulate a tentative construction program and conduct quantitative costs analysis and risk assessment. In determining the tender price, the Group will review the costs information maintained in its in-house database for material supplies and prices from subcontractors for the Group's previous projects and peripheral operation. The Group will also review and compare the prices of previous tenders submitted to both connected persons and independent third parties to ensure that the price of the tender to be submitted is not more favourable than those submitted to independent third parties.

Where the Group submits the tender directly to the ultimate employer and is nominated by the ultimate employer as subcontractor to the CSCIHL Group, consideration to the Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

In respect of the project consultancy service and project management service, the Group is typically engaged through direct appointment by the CSCIHL Group. The price and terms of each service provided to the CSCIHL Group shall be determined on a fair basis and on normal commercial terms based on the scale, degree of difficulty of the project, geographical location and duration of the project, which shall also be in line with the basis for engagements by independent third parties to provide services for projects of similar size and nature. The service fees shall be determined based on a percentage of not more than 20% of the value or remaining value of the projects. The quote to be offered will be reviewed and scrutinized by the Group's senior management with reference to the costs expected to be incurred and the fees previously offered to both connected persons and independent third parties to ensure that the price and terms are no more favourable than those offered to independent third parties.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the FE-CSC Sub-construction Engagement Agreement (i.e. the CSC Works Cap) exceeded 5%, the transactions contemplated thereunder were subject to the annual review, reporting, announcement and independent shareholders' approval requirements. An announcement was published on 28 October 2014 and a circular dated 18 November 2014 was despatched to the shareholders of the Company. The FE-CSC Sub-construction Engagement Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 December 2014.

The total value of the contracts awarded to the Group under the FE-CSC Sub-construction Engagement Agreement during the year ended 31 December 2015 was HK$1,142,848,385.

3. FE-CSC Operational Services Agreement

On 28 October 2014, the Company entered into an agreement ("FE-CSC Operational Services Agreement") with CSCIHL to replace the three letter agreements entered into between the parties on 14 October 2014 in respect of the engagement of the CSCIHL Group by the Group for the provision of mechanical and electrical engineering works, leasing of machineries, provision of insurance services and supply of building materials to the Group.

3.1 Mechanical and Electrical Engineering Works Transactions

Under FE-CSC Operational Services Agreement, the Group may engage the CSCIHL Group as subcontractor of the Group for provision of mechanical and electrical engineering works to the Group's construction works ("Mechanical and Electrical Engineering Works Transactions") for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 provided that the total contract sum that may be awarded by the Group to the CSCIHL Group in respect of the Mechanical and Electrical Engineering Works Transactions for each year shall not exceed HK$450 million (i.e. the Mechanical and Electrical Engineering Works Cap).

As a general principle, the prices and terms of the contracts with respect to the Mechanical and Electrical Engineering Works Transactions shall be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those awarded to independent third party subcontractors.

Where the CSCIHL Group is nominated by the ultimate employer as subcontractor to the Group, consideration to the CSCIHL Group will be ascertained by an independent professional quantity surveyor appointed by the ultimate employer.

Where the Group has the right to select contractor(s), consideration to such contractor(s) will be ascertained under the supervision of an in-house qualified professional quantity surveyor. The Group will obtain at least three quotations from a list of pre-approved contractors (which is subject to periodic review and update by the management to ensure contractors' quality standards).

For projects which involve substantial contract amounts, the CSCIHL Group will participate in a tender with all bidders (including independent third parties in the market), the winning bid of which will be the one with the lowest tender amount in accordance with the Group's internal tender procedures on the condition that the bidder also satisfies all other essential requirements (including but not limited to relevant experience, capability, historical relationship and track records) as set out in the invitation to bid.

No contracts were awarded to the CSCIHL Group in respect of the Mechanical and Electrical Engineering Works Transactions during the year ended 31 December 2015.

3.2 Machineries Leasing Transactions

Under the FE-CSC Operational Services Agreement, the Group may lease machineries from the CSCIHL Group for the Group's construction works ("Machineries Leasing Transactions") for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 provided that the total rent payable in respect of the Machineries Leasing Transactions for each year shall not exceed HK$25 million (i.e. the Machineries Leasing Cap).

As a general principle, the prices and terms of the contracts with respect to the Machineries Leasing Transactions shall be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those paid to independent third party vendors.

The Group will obtain at least three quotations from a list of pre-approved vendors (which is subject to periodic review and update by its management to ensure vendors' machinery and equipment are in good operational condition). For the selection of a vendor, the lowest quotation will be selected on the condition that the vendor also satisfies all other essential requirements (including but not limited to the specification and condition of the machinery and equipment).

The total rent in respect of the Machineries Leasing Transactions during the year ended 31 December 2015 was HK$2,870,167.

3.3 Insurance Services Transactions

Under the FE-CSC Operational Services Agreement, the Group may engage the CSCIHL Group to provide insurance services to the Group ("Insurance Services Transactions") for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 provided that the total fees payable in respect of the Insurance Services Transactions for each year shall not exceed HK$70 million (i.e. the Insurance Services Cap).

As a general principle, the prices and terms of the contracts with respect to the Insurance Services Transactions shall be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those paid to independent third party insurers.

The Group will obtain at least three quotations from independent insurers (directly or indirectly through independent insurance brokers) and the CSCIHL Group. If the price and terms offered by the CSCIHL Group are equal to or better than those offered by independent insurers on the condition that the insurer also satisfies all other essential requirements (including but not limited to paying ability, financial strength, specialisation, historical relationship and record of claim refusal), the Group may probably accept the quotation of the CSCIHL Group.

The total fee in respect of the Insurance Services Transactions during the year ended 31 December 2015 was HK$5,211,640.

3.4 Supply of Building Materials Transactions

Under the FE-CSC Operational Services Agreement, the CSCIHL Group may supply building materials to the Group for the Group's construction works ("Supply of Building Materials Transactions") for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 provided that the total sum payable in respect of the Supply of Building Materials Transactions for each year shall not exceed HK$150 million (i.e. the Supply of Building Materials Cap).

As a general principle, the prices and terms of the contracts with respect to the Supply of Building Materials Transactions shall be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no more favourable than those paid to independent third party suppliers.

The Group will obtain at least three quotations from a list of pre-approved suppliers (which is subject to periodic review and update by its management to ensure a portfolio of best in class suppliers is available for use). For the selection of a supplier, the lowest quotation will be selected on the condition that the supplier also satisfies all other essential requirements (including but not limited to relevant experience, qualities and specifications of materials and track records).

The total sum in respect of the Supply of Building Materials Transactions during the year ended 31 December 2015 was HK$12,362,469.

Since the applicable percentage ratios as defined in the Listing Rules in respect of the maximum total contract sum that may be awarded for each year under the New FE-CSC Operational Services Agreement (i.e. the Mechanical and Electrical Engineering Works Cap, the Machineries Leasing Cap, the Insurance Services Cap and the Supply of Building Materials Cap in aggregate) exceeded 5%, the transactions contemplated thereunder were subject to the annual review, reporting, announcement and independent shareholders' approval requirements. An announcement was published on 28 October 2014 and a circular dated 18 November 2014 was despatched to the shareholders of the Company. The FE-CSC Operational Services Agreement was duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 December 2014.

A summary of all related party transactions entered into by the Group during the year ended 31 December 2015 is contained in note 30 to the consolidated financial statements. The construction fees of approximately HK$6,000,000 (out of HK$409,137,000) received from fellow subsidiaries as described in the note relate to the provision of contracting and engineering work to the CSCIHL Group by the Group for a construction project under a sub-contractor agreement which was entered into between the parties in September 2009 and at which time, members of the CSCIHL Group were not connected persons of the Company. Except for the remaining construction fees of HK$403,137,000, and the service income of HK$1,333,000, received from fellow subsidiaries, and the service fees of HK$20,444,000 paid to fellow subsidiaries related to transactions which were entered into pursuant to the continuing connected transactions described above, none of the related party transactions described in the note constitute "connected transactions" or "continuing connected transactions" as defined in Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year ended 31 December 2015.

In respect of the financial year ended 31 December 2015, each of the continuing connected transactions mentioned above has been subject to annual review by the Independent Non-executive Directors pursuant to Rule 14A.55 of the Listing Rules who have concluded that each continuing connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the auditor has confirmed in a letter to the Board that:

a. nothing has come to the attention of the auditor that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the auditor that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to the attention of the auditor that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the attention of the auditor that causes them to believe that the disclosed continuing connected transactions have exceeded the annual caps set by the Company.

Independent Auditor's Report

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF FAR EAST GLOBAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Far East Global Group Limited (the "Company") and its subsidiaries set out on pages 71 to 135, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	5	**2,194,896**	1,682,149
Cost of sales	7	**(1,983,383)**	(1,506,811)
Gross profit		**211,513**	175,338
Other income and other gains, net	6	**1,594**	13,674
Administrative, selling and other operating expenses	7	**(174,840)**	(210,290)
Finance costs	8	**(11,549)**	(11,419)
Profit/(loss) before tax		**26,718**	(32,697)
Income tax (charge)/credit	9	**(22,490)**	22,503
Profit/(loss) for the year		**4,228**	(10,194)
Profit/(loss) for the year attributable to:			
Owners of the Company		**71,463**	57,738
Non-controlling interests		**(67,235)**	(67,932)
		4,228	(10,194)
Earnings per share (HK cents)			
Basic and diluted	13	**3.32**	2.68

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Profit/(loss) for the year	**4,228**	(10,194)
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences arising on translation of foreign operations	**(47,409)**	(9,859)
Gain on fair value changes of available-for-sale investments	**208**	289
Other comprehensive income for the year, net of tax	**(47,201)**	(9,570)
Total comprehensive income for the year, net of tax	**(42,973)**	(19,764)
Total comprehensive income for the year attributable to:		
Owners of the Company	**41,426**	48,359
Non-controlling interests	**(84,399)**	(68,123)
	(42,973)	(19,764)

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current Assets			
Property, plant and equipment	14	138,500	154,525
Goodwill	15	138,149	138,149
Deferred tax assets	26	161,519	154,801
Deposits and prepayments		–	1,654
Available-for-sale investments	16	–	18,853
		438,168	467,982
Current Assets			
Inventories	18	13,649	12,551
Amounts due from customers for contract work	19	574,975	672,474
Trade and other receivables	20	817,879	468,832
Deposits and prepayments		31,834	30,739
Available-for-sale investments	16	19,061	–
Tax recoverable		884	4,760
Bank and cash balances	22	200,485	242,030
		1,658,767	1,431,386
		2,096,935	1,899,368
Current Liabilities			
Bank and other borrowings	23	180,391	119,585
Amounts due to customers for contract work	19	182,027	33,864
Trade payables, other payables and accruals	24	462,654	329,462
Finance lease payables	25	951	998
Current tax payables		44,722	23,824
Amounts due to fellow subsidiaries	21	1,727	59,311
Deposits received and advances from customers		43,126	80,497
		915,598	647,541
Total Assets less Current Liabilities		1,181,337	1,251,827

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Capital and Reserves			
Share capital	27	**21,555**	21,555
Share premium and reserves	28	**1,151,024**	1,133,309
Equity attributable to owners of the Company		**1,172,579**	1,154,864
Non-controlling interests		**(206,974)**	(122,588)
		965,605	1,032,276
Non-current liabilities			
Bank and other borrowings	23	**212,720**	215,778
Finance lease payables	25	**2,719**	3,480
Deferred tax liabilities	26	**293**	293
		215,732	219,551
		1,181,337	1,251,827

On behalf of the Board

Zhu Yijian
Director

Chan Sim Wang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Share capital (note 27) HK$'000	Share premium (note 28) HK$'000	Special Reserve (note 28) HK$'000	Share-based payments reserve (note 28) HK$'000	Investment revaluation reserve (note 28) HK$'000	Foreign currency translation reserve (note 28) HK$'000	Statutory reserves (note 28) HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	21,555	898,654	(17,254)	4,636	(937)	5,844	12	223,350	1,135,860	(54,465)	1,081,395
Effect of combination under common control	–	–	30	–	–	–	–	–	30	–	30
Profit/(loss) for the year	–	–	–	–	–	–	–	57,738	57,738	(67,932)	(10,194)
Gain on fair value changes of available-for-sale investments	–	–	–	–	289	–	–	–	289	–	289
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(9,668)	–	–	(9,668)	(191)	(9,859)
Total comprehensive income for the year	–	–	–	–	289	(9,668)	–	57,738	48,359	(68,123)	(19,764)
2013 final dividend paid	–	–	–	–	–	–	–	(10,778)	(10,778)	–	(10,778)
2014 interim dividend paid	–	–	–	–	–	–	–	(10,778)	(10,778)	–	(10,778)
Distribution to a former shareholder	–	–	(7,829)	–	–	–	–	–	(7,829)	–	(7,829)
At 31 December 2014 and 1 January 2015	21,555	898,654	(25,053)	4,636	(648)	(3,824)	12	259,532	1,154,864	(122,588)	1,032,276
Profit/(loss) for the year	–	–	–	–	–	–	–	71,463	71,463	(67,235)	4,228
Gain on fair value changes of available-for-sale investments	–	–	–	–	208	–	–	–	208	–	208
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(30,245)	–	–	(30,245)	(17,164)	(47,409)
Total comprehensive income for the year	–	–	–	–	208	(30,245)	–	71,463	41,426	(84,399)	(42,973)
Contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	13	13
2014 final dividend paid	–	–	–	–	–	–	–	(10,778)	(10,778)	–	(10,778)
2015 interim dividend paid	–	–	–	–	–	–	–	(12,933)	(12,933)	–	(12,933)
At 31 December 2015	21,555	898,654	(25,053)	4,636	(440)	(34,069)	12	307,284	1,172,579	(206,974)	965,605

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Profit/(loss) before tax	**26,718**	(32,697)
Adjustments for:		
Finance costs	**11,549**	11,419
Bank interest income	**(549)**	(1,415)
Loss on disposal of property, plant and equipment	**2,200**	424
Warranty provisions, net	**7,775**	13,476
Amortisation of project backlogs	**–**	11,934
Depreciation	**9,669**	9,977
Provision/(write back) for impairment of trade and other receivables, net	**1,764**	(4,483)
Provision for impairment of deposits and prepayments	**–**	6,567
Reversal of other payables and accruals	**(2,290)**	(2,700)
Operating cash flows before working capital changes	**56,836**	12,502
(Increase)/decrease in inventories	**(1,098)**	5,099
Decrease/(increase) in amounts due from/to customers for contract work, net	**255,128**	(90,913)
Increase in trade and other receivables	**(350,811)**	(109,329)
Increase in deposits and prepayments	**(1,095)**	(16,873)
(Decrease)/increase in amounts due to fellow subsidiaries	**(57,584)**	65,687
Increase in trade payables, other payables and accruals	**124,752**	59,535
(Decrease)/increase in deposits received and advances from customers	**(37,371)**	80,497
Net cash (used in)/generated from operations	**(11,243)**	6,205
Income tax paid, net	**(7,276)**	(10,013)
Net cash used in operating activities	**(18,519)**	(3,808)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(6,295)**	(11,947)
Proceeds from disposals of property, plant and equipment	**38**	493
Interest received	**549**	1,415
Net cash used in investing activities	**(5,708)**	(10,039)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Cash flows from financing activities		
Finance costs paid	(11,549)	(11,419)
Drawdown/(repayment) of bank loans, net	60,536	(442,469)
Repayment from an intermediate holding company	–	96,470
Repayment from fellow subsidiaries	–	346,617
Repayment of finance lease payables	(808)	(889)
Payment to a fellow subsidiary pursuant to common control combination	–	(2,000)
Distribution to a former shareholder	–	(7,800)
Share capital paid from non-controlling interests of a subsidiary	13	–
Dividends paid	(23,711)	(21,556)
Net cash from/(used in) financing activities	24,481	(43,046)
Net increase/(decrease) in cash and cash equivalents	254	(56,893)
Effect of foreign exchange rate changes	(41,799)	(11,529)
Cash and cash equivalents at the beginning of year	242,030	310,452
Cash and cash equivalents at the end of year	200,485	242,030
Analysis of cash and cash equivalents		
Bank and cash balances	200,485	242,030

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 GENERAL INFORMATION

Far East Global Group Limited (the "Company") and its subsidiaries (together the "Group") are involved in the general contracting business and the facade contracting business, including the design, engineering, manufacture and installation of curtain wall systems made primarily of fabricated aluminium cladding, stainless steel and glass.

The Company is a limited liability company incorporated in the Cayman Islands and under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is 16th Floor, Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong.

Its immediate holding company is Add Treasure Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of China State Construction International Holdings Limited ("CSCIHL") whose shares are listed on the Stock Exchange of Hong Kong Limited.

Its intermediate holding company is China Overseas Holdings Limited, a company incorporated in Hong Kong which, in turn, is a wholly-owned subsidiary of China State Construction Engineering Corporation Limited ("CSCECL"). CSCECL is a joint stock company established in the People's Republic of China ("PRC") with its shares listed on the Shanghai Stock Exchange. The Company's ultimate holding company is China State Construction Engineering Corporation ("CSCEC") which is a state-owned enterprise established in the PRC.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited since 30 March 2010.

These consolidated financial statements are presented in the thousands of Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosures in Note 4.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of amendments and interpretation to existing standards

In the current year, the Group has applied the following amendments and interpretation to existing Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), (hereinafter collectively referenced to as the "new HKFRSs") issued by the HKICPA.

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

The application of the above new HKFRSs in the current year has had no material impact on the Group's results and financial position.

New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New standards, amendments and improvements to existing standards not yet effective

The Group has not early applied the following new and revised standards, amendments and improvements to existing standards that have been issued but are not yet effective.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[1]
HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Annual Improvements Project	Annual Improvements 2012–2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods at a date to be determined by the IASB

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

New standards, amendments and improvements to existing standards not yet effective *(Continued)*
The Group has not early adopted the above new standards, amendments and improvements to existing standards, and is not yet in a position to state whether there are substantial changes to the Group's accounting policies and presentation of the Group's consolidated financial statements.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

A subsidiary is an entity (including structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations — common control combinations

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 'Merger Accounting for Common Control Combinations'. In applying merger accounting, the consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated income statement also takes into account the profit or loss attributable to the non-controlling interests of the controlling party. Upon the completion of common control combinations, the retained profit of the combining entities or business is transferred to the retained profits of the Group.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

Business combinations -acquisition method

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statement.

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within 'other income and other gains, net'.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(ii) Transactions and balances *(Continued)*

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

(f) Property, plant and equipment

Land and buildings comprise mainly factories and offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold land	Not depreciated
Land and buildings	Over the shorter of the term of the relevant lease or 50 years
Leasehold improvements	4 years
Plant and machinery	5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4–5 years

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income and other gains, net' in the income statement.

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Project backlogs

Project backlogs arise in business combination are recognised at fair value on initial recognition. Subsequent to initial recognition, project backlogs are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss based on straight-line method over the respective contract period.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill is not subject to amortisation and is tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprises 'deposits and prepayments', 'trade and other receivables' and 'bank and cash balances' in the statement of financial position.

(ii) Available-for-sale investment

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale investments are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'other income and other gains, net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to the event occurred after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement. In the case of equity investment classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement — is removed from equity and recognised in consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Construction contracts

When the outcome of a construction contract can be estimated reliably revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as receipt in advance. Amounts billed for work performed, but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(o) Trade payables, other payables and accruals

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables, other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Borrowing costs

Relevant general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Current and deferred income tax *(Continued)*

(ii) Deferred income tax *(Continued)*

Outside basis differences

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Leases, the Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(v) Employee benefits

(i) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies. The Group has defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Share-based payments

(a) Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in consolidated income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

(b) Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

(x) Revenue recognition

(i) Construction contracts

When the outcome of a fixed price construction contract can be estimated reliably, revenue is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract, after making due allowances for contingencies. Provisions are made for any foreseeable losses when they are identified. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a cost-plus construction contract including construction services of the infrastructure under service concession arrangements can be estimated reliably, revenue is recognised by reference to the recoverable costs incurred during the year plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

For the year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Revenue recognition *(Continued)*

(ii) Interest income

Interest income on bank deposits is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iii) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(iv) Service income

Service income is recognised on accrual basis when the services are rendered.

(y) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(z) Insurance contracts

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. If the carrying amount of the relevant insurance liabilities is less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the end of the reporting period, the Group recognises the entire difference in the consolidated income statement. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

(aa) Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s and the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders/directors.

For the year ended 31 December 2015

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar, Renminbi and the Australian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's foreign currency exposures primarily arise from monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency, where these assets and liabilities are mainly denominated in United States dollar, Renminbi and Australian dollar.

In view of the fact that the Hong Kong dollar is pegged to the United States dollar, the foreign currency exposure of operating units having the Hong Kong dollar as their functional currency on United States dollar transactions and balances is minimal.

At 31 December 2015, if the Hong Kong dollar had weakened/strengthened 5% against Renminbi and the Australian dollar with all other variables held constant, the consolidated profit for the year would have been HK$556,000 lower/higher (2014: HK$2,074,000 lower/higher), and HK$593,000 lower/higher (2014: HK$549,000 lower/higher), respectively.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group currently does not have a formal foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For the year ended 31 December 2015

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale investments. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

At 31 December 2015, if the prices of the respective securities had been 5% higher/lower with all other variables held constant, the consolidated other comprehensive income would increase/decrease by HK$953,000 (2014: HK$943,000) as a result of gains/losses on investments classified as available-for-sale.

(iii) Interest rate risk

The Group's interest rate risk arises from bank and other borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2015 and 2014, the Group's borrowings at variable rate were denominated in the Hong Kong dollar, Canadian dollar and United States dollar.

The sensitivity analyses below have been determined based on the exposure to interest rates for floating interest debt securities and variable-rate trade and other receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2014: 50) basis points increase or decrease representing management's assessment of the reasonably possible change in interest rates is used.

At 31 December 2015, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been HK$1,236,000 lower/higher (2014: consolidated loss for the year would have been HK$1,215,000 higher/lower), arising mainly as a result of higher/lower interest expense on bank and other borrowings, netting off against bank interest income.

For the year ended 31 December 2015

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The carrying amount of the bank and cash balances, deposits and prepayments, trade and other receivables, and available-for-sale investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers and fellow subsidiaries with an appropriate credit history. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on available-for-sale investments is limited because the counterparties are well-established securities broker firms in Hong Kong.

For the year ended 31 December 2015

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group					
At 31 December 2015					
Trade payables, other payables and accruals, excluding warranty provision	411,747	29,733	–	–	441,480
Amounts due to fellow subsidiaries	1,727	–	–	–	1,727
Bank and other borrowings	186,293	18,274	205,100	–	409,667
Finance lease payables	978	794	1,773	859	4,404
	600,745	48,801	206,873	859	857,278
At 31 December 2014					
Trade payables, other payables and accruals, excluding warranty provision	280,312	32,823	–	–	313,135
Amounts due to fellow subsidiaries	59,311	–	–	–	59,311
Bank and other borrowings	125,700	206,005	15,757	–	347,462
Finance lease payables	1,026	988	2,012	1,402	5,428
	466,349	239,816	17,769	1,402	725,336

For the year ended 31 December 2015

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current bank and other borrowings' as shown in the consolidated statement of financial position) less bank and cash balances. Total capital is calculated as 'equity attributable to the owners of the Company' as shown in the consolidated statement of financial position.

The gearing ratio is calculated as follows:

	2015 HK$'000	2014 HK$'000
Bank and other borrowings	393,111	335,363
Add: finance lease payables	3,670	4,478
Less: bank and cash balances	(200,485)	(242,030)
Net debt	196,296	97,811
Net assets	965,605	1,032,276
Gearing ratio	20%	9%

The gearing ratio increased from 9% to 20% was resulted by an increase in bank and other borrowings for operations needs.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

For the year ended 31 December 2015

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale investments				
— Certificate of deposits	–	–	19,061	19,061
Total assets	–	–	19,061	19,061

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale investments				
— Certificate of deposits	–	–	18,853	18,853
Total assets	–	–	18,853	18,853

During the year ended 31 December 2015, there was no transfer between the levels.

The change in fair value of available-for-sale investments in level 3 was recognised in other comprehensive income.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

For the year ended 31 December 2015

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Specific valuation techniques used to value financial instruments include:

- The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group has adopted the indicative market value provided by the issuer as its best estimate of the fair value of the investment.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Deposits and prepayments
- Bank and cash balances
- Amounts due to fellow subsidiaries
- Deposits received and advances from customers
- Trade payables, other payables and accruals
- Bank and other borrowings

As at 31 December 2015 and 2014, all available-for-sale investments are level 3 instruments.

The following table presents the changes in level 3 instruments for the years ended 31 December 2015 and 2014.

	Available-for-sale investments	
	2015 **HK$'000**	2014 HK$'000
Opening balance	**18,853**	18,564
Net gain on fair value changes recognised in other comprehensive income	**208**	289
Closing balance	**19,061**	18,853

Changing unobservable inputs used in the level 3 valuation to reasonable alternative assumptions would not change significantly the fair values recognised.

For the year ended 31 December 2015

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Construction contracts

As explained in note 2(x), revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contract, as well as the work done to date. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of management budgets by comparing the budgeted amounts to the actual amounts incurred.

A considerable amount of judgement is required in estimating the total contract revenue, contract costs, variation works and contract claims which may have an impact in terms of percentage of completion and job profit taken.

(ii) Estimation of foreseeable losses in respect of construction works

Management estimates the amount of foreseeable losses of construction works based on management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic review of management budgets by comparing the budgeted amounts to the actual amounts incurred.

For the year ended 31 December 2015

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iii) Impairment of assets

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2(g)(i). The recoverable amount of goodwill is the higher of the fair values less costs of disposal and value in use.

A considerable amount of judgement and assumptions are required in estimating the recoverable amount of goodwill, including growth rate, gross margin and weighted average discount rate applied to the discounted cashflows.

Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(iv) Allowances for bad and doubtful debts

The allowances for bad and doubtful debts of the Group are based on the evaluation of collectability and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer.

(v) Fair value of available-for-sale investments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has adopted the indicative market value provided by the issuer as its best estimate of the fair value of the investment.

(vi) Warranty provision

The Group provides a maintenance warranty for a period of 10 years for the projects completed by the Group. The Group undertakes to rectify the product that fail to perform satisfactorily. The warranty provision has been recognised at the year end for expected warranty claims based on past experience of the level of repairs and returns. Management will review the sufficiency of provision and make adjustments, if appropriate, at the end of each reporting period.

For the year ended 31 December 2015

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(vii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts and relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

The Group has exercised significant accounting judgement on recognition and utilisation of deferred tax assets in respect of losses, particular for the North America division. The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement regarding the future financial performance of the relevant division. Those significant estimations and judgement include gross profit margin, overhead and capital expenditure applied to the profit forecasts.

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the facade contracting business and general contracting business . The Group's revenue represents revenue from construction contracts.

As a result of reporting structure reorganisation, the Group has reclassified the reportable segments into two divisions which are also the Group's operating segments, principally based on the geographical locations of the projects as well as the reporting organisation hierarchy, and are determined as follows:

— North America includes projects in the United States of America and Canada.

— Greater China, Asia and Others includes projects in the People's Republic of China (the "PRC"), Hong Kong and Macau, Singapore, the United Arabs Emirates, Chile, Australia, the United Kingdom and maintenance projects in all segments.

The executive directors of the Company are the Group's chief operating decision-maker ("CODM"). The CODM assesses the performance of the operating segments based on a measure of adjusted profit or loss before interest and tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, if any, such as restructuring costs, legal expenses and impairment of goodwill. The measurement also excludes the effects of share-based payments and unrealised gains/losses on financial instruments. Interest income and expenses resulting from the central treasury function are not allocated to segments.

For the year ended 31 December 2015

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment results for the years ended 31 December 2015 and 2014 are as follows:

	Revenue		Gross profit		Segment result	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
North America	**793,340**	817,741	**(7,118)**	(38,517)	**(88,666)**	(134,005)
Greater China, Asia and Others	**1,401,556**	864,408	**218,631**	213,855	**186,012**	179,216
Total	**2,194,896**	1,682,149	**211,513**	175,338	**97,346**	45,211
Unallocated administrative, selling and other operating expenses					**(59,355)**	(67,322)
Other income and other gains, net					**276**	833
Finance costs					**(11,549)**	(11,419)
Profit/(loss) before tax					**26,718**	(32,697)

Amounts included in the measurement of segment result:

	North America		Greater China, Asia and Others		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Depreciation of property, plant and equipment and amortisation of project backlogs	**5,106**	17,503	**4,563**	4,408	**9,669**	21,911
(Gain)/loss on disposal of property, plant and equipment	**(36)**	(5)	**2,236**	429	**2,200**	424

An analysis of the Group's financial position by territory is as follows:

	Non-current assets*		Addition to property, plant and equipment	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
North America	**214,938**	226,295	**1,584**	4,592
Greater China, Asia and Others	**61,711**	68,033	**6,365**	7,355
	276,649	294,328	**7,949**	11,947

* Other than available-for-sales investments and deferred tax assets.

For the year ended 31 December 2015

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the CODM for performance assessment and resource allocation. Accordingly, no segment assets and liabilities are presented.

Major customer information

Revenue from one (2014: one) customer in Greater China, Asia and Others (2014: North America) amounted to approximately HK$290,845,000 (2014: HK$199,324,000), which represents more than 10% (2014: 10%) of the Group's total revenue.

6 OTHER INCOME AND OTHER GAINS, NET

	2015 HK$'000	2014 HK$'000
(Provision)/write back for provision of impairment on trade and other receivables	**(1,764)**	4,483
Bank interest income	**549**	1,415
Reversal of other payables and accruals	**2,290**	2,700
Rental income	**241**	300
Service income	**1,333**	1,700
Sundry income	**1,145**	3,500
Loss on disposal of property, plant and equipment	**(2,200)**	(424)
	1,594	13,674

For the year ended 31 December 2015

7 EXPENSES BY NATURE

	2015 HK$'000	2014 HK$'000
Cost of sales		
Cost of contracting works performed	1,975,608	1,481,401
Warranty provisions, net	7,775	13,476
Amortisation of project backlogs	–	11,934
	1,983,383	1,506,811
Administrative, selling and other operating expenses		
Staff costs, including directors' emoluments:		
Salaries, bonuses and allowances	498,056	502,863
Retirement benefits scheme contributions	9,162	10,759
Less: amounts included in cost of contracting works performed	(411,977)	(410,833)
	95,241	102,789
Depreciation	16,688	16,770
Less: amounts included in cost of contracting works performed	(7,019)	(6,793)
	9,669	9,977
Operating lease charges — land and buildings	34,856	31,804
Less: amounts included in cost of contracting works performed	(20,931)	(18,954)
	13,925	12,850
Auditor's remuneration		
— Audit services	2,245	2,177
— Non-audit services	373	370
	2,618	2,547
Others	53,387	82,127
	174,840	210,290

8 FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	11,292	11,073
Interest on other loans wholly repayable within five years	–	74
Finance lease charges	257	272
	11,549	11,419

For the year ended 31 December 2015

9 INCOME TAX (CHARGE)/CREDIT

(a) The amount of taxation charged/(credited) to the consolidated income statement represents:

	2015 HK$'000	2014 HK$'000
Current tax — Hong Kong profits tax		
Provision for the year	**2,081**	400
Overprovision in prior years	**(461)**	(1,239)
	1,620	(839)
Current tax — overseas		
Provision for the year	**31,489**	21,921
Overprovision in prior years	**(914)**	(820)
	30,575	21,101
Deferred tax, net (note 26)	**(9,705)**	(42,765)
Income tax charge/(credit) for the year	**22,490**	(22,503)

Hong Kong profits tax has been provided at 16.5% of the estimated assessable profit for both years.

The Group's subsidiaries in the Mainland China were approved as new and high technology enterprises pursuant to which the Mainland China subsidiaries can enjoy a preferential income tax rate of 15% effective from 2015 to 2017.

The tax charge on estimated assessable profits elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices.

(b) The taxation on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2015 HK$'000	2014 HK$'000
Profit/(loss) before tax	**26,718**	(32,697)
Taxation at Hong Kong profits tax rate at 16.5%	**4,408**	(5,395)
Effect of different taxation rates in other countries	**(31,196)**	(52,385)
Income not subject to taxation	**(1,863)**	(8,767)
Expenses not deductible for taxation purposes	**19,059**	4,132
Temporary differences not recognised	**(23)**	(172)
Tax losses not recognised	**45,784**	42,308
Recognition of tax losses not previously recognised	**(8,781)**	–
Utilisation of tax losses not recognised	**(3,523)**	(165)
Overprovision in prior years	**(1,375)**	(2,059)
Income tax charge/(credit)	**22,490**	(22,503)

For the year ended 31 December 2015

10 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking								
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Total HK$'000
Zhou Yong	800	–	–	–	–	–	–	–	800
Zhang Yifeng (i)	–	971	440	–	–	94	–	–	1,505
Zhu Yijian (ii)	–	1,584	1,629	–	–	116	–	–	3,329
Luo Haichuan (iii)	–	396	1,255	–	–	–	–	–	1,651
Wang Hai (iv)	–	1,695	1,111	–	–	–	–	–	2,806
Chan Sim Wang	–	1,122	268	–	–	18	–	–	1,408
Qin Jidong	–	1,253	1,356	–	–	–	–	–	2,609
Zhou Jinsong	150	–	–	–	–	–	–	–	150
Hong Winn	120	–	–	–	–	–	–	–	120
Kwong Sum Yee Anna	120	–	–	–	–	–	–	–	120
	1,190	7,021	6,059	–	–	228	–	–	14,498

For the year ended 31 December 2015

10 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2014:

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking								
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Total HK$'000
Zhou Yong	800	–	–	–	–	–	–	–	800
Zhang Yifeng (i)	–	1,010	2,581	–	–	17	–	–	3,608
Cheong Chit Sun (v)	–	1,398	–	–	–	6	–	–	1,404
Zhu Yijian (ii)	–	693	1,751	–	–	–	–	–	2,444
Wang Hai (iv)	–	1,401	1,331	–	–	8	–	–	2,740
Chan Sim Wang	–	1,070	230	–	–	17	–	–	1,317
Qin Jidong	–	1,044	1,184	–	–	–	–	–	2,228
Zhou Jinsong	150	–	–	–	–	–	–	–	150
Hong Winn	120	–	–	–	–	–	–	–	120
Kwong Sum Yee Anna	120	–	–	–	–	–	–	–	120
	1,190	6,616	7,077	–	–	48	–	–	14,931

For the year ended 31 December 2015

10 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Notes:

(i) Appointed as Executive Director on 11 March 2014, as Chief Executive Officer on 16 July 2014, resigned as Executive Director and Chief Executive Officer on 21 September 2015.

(ii) Appointed as Executive Director on 16 July 2014 and as Chief Executive Officer on 21 September 2015.

(iii) Appointment effective on 21 September 2015.

(iv) Appointed as Chief Executive Officer on 30 May 2014, redesignated as Associate Chief Executive Officer on 16 July 2014 and ceased as Associate Chief Executive Officer on 21 September 2015.

(v) Retired as Executive Director and Chief Executive Officer on 30 May 2014.

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

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Five highest paid individuals

The five highest paid individuals in the Group during the year included 3 (2014: 4) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2014: 1) individual is set out below:

	2015 HK$'000	2014 HK$'000
Basic salaries and allowances	**3,613**	2,450
Discretionary bonuses	**670**	–
Retirement benefit scheme contributions	**18**	123
	4,301	2,573

The emoluments fell within the following bands:

	2015 No. of employees	2014 No. of employees
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	–
	2	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 31 December 2015

11 SENIOR MANAGEMENT EMOLUMENTS

The emoluments of the senior management for the year ended 31 December 2015 and 2014 were as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	14,030	10,971
Contributions to retirement benefit schemes	233	159
	14,263	11,130

The emoluments of the senior management for 2015 and 2014 were within the following bands:

	2015 No. of employees	2014 No. of employees
HK$1,000,000 or less	1	3
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	6	3
HK$2,000,001 to HK$2,500,000	–	1
More than HK$2,500,001	1	–
	9	8

12 DIVIDENDS

	2015 HK$'000	2014 HK$'000
Interim dividend paid of HK0.6 cent (2014: HK0.5 cent) per ordinary share	12,933	10,778
Final proposed dividend of HK0.6 cent (2014: HK0.5 cent) per ordinary share	12,933	10,778
	25,866	21,556

The final dividend proposed after 31 December 2015 was not recognised as a liability at 31 December 2015 and is subject to approval by shareholders in the forthcoming annual general meeting. The final dividend for 2014 was recognised and paid during the year.

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13 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following:

	2015 HK$'000	2014 HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	71,463	57,738
Number of shares	'000	'000
Weighted average number of ordinary shares used in diluted earnings per share calculation	2,155,545	2,155,545
Basic earnings per share (HK cents)	3.32	2.68

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2015 (2014: Nil).

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14 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Tota HK$'000
Cost							
At 1 January 2014	136,222	2,583	36,302	37,803	4,026	5,238	222,174
Exchange difference	(2,173)	(130)	(1,412)	(966)	(16)	(2)	(4,699)
Additions	–	93	2,902	8,471	481	–	11,947
Disposals	–	–	(4)	(1,952)	(270)	(466)	(2,692)
At 31 December 2014	134,049	2,546	37,788	43,356	4,221	4,770	226,730
Exchange difference	(3,907)	(235)	(2,961)	(2,934)	(94)	–	(10,131)
Additions	–	23	3,501	4,425	–	–	7,949
Disposals	–	–	–	(3,989)	–	–	(3,989)
At 31 December 2015	130,142	2,334	38,328	40,858	4,127	4,770	220,559
Accumulated depreciation and impairment							
At 1 January 2014	19,720	985	14,001	17,703	2,368	4,770	59,547
Exchange difference	(20)	(244)	(1,402)	(495)	(176)	–	(2,337)
Charge for the year	2,864	571	6,052	6,575	708	–	16,770
Disposals	–	–	(4)	(1,501)	(270)	–	(1,775)
At 31 December 2014	22,564	1,312	18,647	22,282	2,630	4,770	72,205
Exchange difference	(1,020)	(205)	(2,402)	(1,367)	(89)	–	(5,083)
Charge for the year	2,731	533	6,023	6,577	824	–	16,688
Disposals	–	–	–	(1,751)	–	–	(1,751)
At 31 December 2015	24,275	1,640	22,268	25,741	3,365	4,770	82,059
Net book value as at							
At 31 December 2015	105,867	694	16,060	15,117	762	–	138,500
At 31 December 2014	111,485	1,234	19,141	21,074	1,591	–	154,525

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14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

An analysis of the cost of the Group's land and buildings is as follows:

	2015 HK$'000	2014 HK$'000
Located in:		
Hong Kong, under medium-term leases	**50,645**	50,645
Mainland China, under medium-term leases	**7,306**	7,306
Canada, freehold	**15,764**	19,671
The United States of America, freehold	**56,427**	56,427
	130,142	134,049

At 31 December 2015, the carrying amount of the Group's land and buildings pledged as security for the Group's banking facilities amounted to HK$14,463,000 (2014: HK$17,934,000) (Note 23).

At 31 December 2015, the carrying amount of property and motor vehicles held under finance lease is HK$35,051,000 (2014: HK$36,249,000) (Note 25).

15 GOODWILL

	HK$'000
Cost, at 31 December 2015 and 31 December 2014	159,707
Impairment, at 31 December 2015 and 31 December 2014	(21,558)
Carrying values, at 31 December 2015 and 31 December 2014	138,149

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit ("CGU") that is expected to benefit from that business combination.

The carrying amount of goodwill had been allocated to the CGU relating to the operations of Gamma North America, Inc. ("Gamma Group") and its subsidiaries within the North America segment.

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on the long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and turnover are based on past practices and expectations of market development.

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15 GOODWILL *(Continued)*

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next fifteen years with the average growth rate ranging from 5%–15% and the residual period using the growth rate of 3%. These rates do not exceed the average long-term growth rate for the relevant markets. A financial budget of fifteen years reflects the medium term plan of management in expanding the customer base and market share. The pre-tax rates used to discount the forecast cash flows are ranging from 18.9% to 21.7%. With all other variables held constant, if the revenue growth rates used in the value-in-use calculation had been decreased by 0.7% or the pre-tax discount rate used in the value-in-use calculation had been increased by 0.8% than management estimated as at 31 December 2015, the headroom would drop to Nil.

16 AVAILABLE-FOR-SALE INVESTMENTS

	2015 **HK$'000**	2014 HK$'000
Unlisted investments, at fair value:		
Certificate of deposits	**19,061**	18,853
	19,061	18,853

The certificate of deposits were designated as available-for-sale investments on initial recognition. These investments are capital guaranteed.

The fair value of unlisted available-for-sale investments is determined by reference to the quoted market price or secondary market redemption price as provided by the issuer of the underlying investments.

The certificate of deposits were arranged at floating rates and maturity date is in February 2016. The maximum exposure to credit risk at the reporting date is the carrying value of the certificate of deposits. None of these financial assets is either past due or impaired. No impairment loss on certificate of deposits is recognised as the issuers of the securities are with high credit ratings and no default interest payment was noted in the past records. The balances are denominated in United States dollar.

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17 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
Far East Aluminium (B.V.I.) Limited	British Virgin Islands	6,000 ordinary shares of US$1 each	100%	–	Investment holding
Far East Aluminium Works Company Limited	Hong Kong	900,000 ordinary shares of HK$188,952,242 5,000 non-voting deferred shares of HK$500,000	–	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Treasure Construction Engineering Limited	Hong Kong	2 ordinary shares of HK$2	–	100%	Building constructions
Far East Facade (UK) Limited	United Kingdom	1 ordinary share of GBP1	–	100%	Design, manufacture and Installation of curtain walls, aluminium windows and other related products
Far East Facade (UAE) Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	–	100%	Investment holding
World Eastern Cladding Works (LLC)	United Arab of Emirates	100 ordinary shares of AED3,000 each	–	100%	Installation of curtain walls, aluminium windows and other related products
Far East Facade, Inc.	United States of America	100,000 common shares of US$0.01 each	–	100%	Installation of curtain walls, aluminium windows and other related products
Far East Facade (HK) Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	–	100%	Investment holding
Heng Fai International Limited	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Venture Synergy Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Netfortune Limited	Hong Kong	500,000 ordinary shares of HK$500,000	–	100%	Investment holding
Netfortune Enterprise Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding

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17 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
Far East Global Investment (China) Limited	Hong Kong	5,000,000 ordinary shares of HK$5,000,000	–	100%	Investment holding
Willbert Limited	British Virgin Islands	1 ordinary shares of US$1	–	100%	Property holding
Far East Aluminium Works (Guangzhou) Company Limited	Hong Kong	2 ordinary shares of HK$2	–	100%	Property holding
FEA Engineering Limited	British Virgin Islands	100 ordinary shares of US$1 each	–	100%	Investment holding
FEA Investments Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Better View Investment Limited	Hong Kong	2 ordinary shares of HK$2	–	100%	Property holding
FEA Corporate Services Limited	Hong Kong	2 ordinary shares of HK$2	–	100%	Provision of company secretarial services to Group companies
Far East Global Investment Ltd	British Virgin Islands	1 ordinary shares of US$1	–	100%	Investment holding
Far East Global Property Development Ltd	Hong Kong	1 ordinary share of HK$1	–	100%	Building construction and project management
Far East Aluminium Works (Singapore) Pte. Limited	Singapore	700,000 ordinary shares of SGD1 each	–	100%	Installation of curtain walls, aluminum windows and other related products
上海力進鋁質工程有限公司	The People's Republic of China	Registered capital of RMB10,000,000	–	100%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Netfortune Engineering (FEA) Macau Limited	Macau	25,000 ordinary shares of MOP1 each	–	100%	Installation of curtain walls, aluminum windows and other related products

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17 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
Far East Aluminium Works (U.S.) Corporation	United States of America	200,000,000 common stock of US$0.001 each	–	100%	Installation of curtain walls, aluminium windows and other related products
Far East Facade Investments Limited	British Virgin Islands	10,000 ordinary share of US$1 each	–	100%	Investment holding
Far East Aluminium Works Canada Corp.	Canada	100 common stock of CAD1 each	–	100%	Installation of curtain walls, aluminium windows and other related products
Far East Aluminium Works Chile Limitada	Chile	Registered share capital of PESO10,000,000	–	100%	Installation of curtain walls, aluminium windows and other related products
遠東幕牆制品(深圳)有限公司	The People's Republic of China	Registered capital of HK$20,000,000	–	100%	Manufacture of curtain walls, aluminium windows and other related products
Gamma Buffalo , Inc.	United States of America	1 share of US$1	–	100%	Property holding
Gamma North America, Inc.	United States of America	1,000 shares of US$0.001 each	–	55%	Investment holding
Gamma USA, Inc.	United States of America	1,000 shares of US$0.001 each	–	55%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Gamma Installations Inc.	United States of America	100 shares of US$0.001 each	–	55%	Installation of curtain walls, aluminium windows and other related products
Gamma Windows and Walls International Inc.	Canada	100 common shares of CAD53,362.36 each	–	55%	Design, manufacture and installation of curtain walls, aluminium windows and other related products
Gamma North Corporation	United States of America	1 share of US$1	–	55%	Manufacture of curtain walls, aluminium windows and other related products

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17 SUBSIDIARIES *(Continued)*

(a) Material non-controlling interests

The non-controlling interest as at 31 December 2015 of HK$206,974,000 (2014: HK$122,588,000) is mainly for Gamma North America, Inc. and its subsidiaries ("Gamma Group") within the North America division.

Set out below is the summarised financial information for Gamma Group that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	Gamma Group	
	2015 HK$'000	2014 HK$'000
Current		
Assets	**612,458**	460,243
Liabilities	**(1,231,852)**	(901,473)
Total current net liabilities	**(619,394)**	(441,230)
Non-current		
Assets	**171,737**	184,530
Liabilities	**(12,980)**	(16,438)
Total non-current net assets	**158,757**	168,092
Net liabilities	**(460,637)**	(273,138)

Summarised income statement

	Gamma Group	
	2015 HK$'000	2014 HK$'000
Revenue	**791,204**	817,561
Loss before tax	**(149,357)**	(167,690)
Income tax credit	**–**	23,850
Other comprehensive income	**(38,142)**	(425)
Total comprehensive income	**(187,499)**	(144,265)
Other comprehensive income allocated to non-controlling interests	**(17,164)**	(191)

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17 SUBSIDIARIES *(Continued)*

(a) Material non-controlling interests *(Continued)*

Summarised cash flow

	Gamma Group	
	2015	2014
	HK$'000	HK$'000
Operating cash flows		
Cash used in operations	**(56,918)**	(16,066)
Interest paid	**6,072**	6,133
Income tax refund	**(324)**	(318)
Net cash used in operating activities	**(51,170)**	(10,251)
Net cash used in investing activities	**(1,584)**	(4,592)
Net cash from financing activities	**60,091**	12,649
Net increase/(decrease) in cash and cash equivalents	**7,337**	(2,194)
Cash and cash equivalents at beginning of year	**5,100**	7,297
Effect of foreign exchange rate changes	**(5)**	(3)
Cash and cash equivalents at end of year	**12,432**	5,100

The information above is before inter-company eliminations.

18 INVENTORIES

	2015	2014
	HK$'000	HK$'000
Raw materials	**13,649**	8,875
Consumables	**–**	3,676
	13,649	12,551

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately HK$202,098,000 (2014: HK$298,350,000).

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19 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2015 HK$'000	2014 HK$'000
Contract costs incurred plus recognised profits less foreseeable losses	7,859,026	6,319,725
Less: progress billings	(7,466,078)	(5,681,115)
	392,948	638,610
Amounts due from contract customers	574,975	672,474
Amounts due to contract customers	(182,027)	(33,864)
	392,948	638,610

20 TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	451,255	247,559
Retention receivables	318,731	183,699
	769,986	431,258
Less: Provision for impairment	(15,208)	(13,444)
	754,778	417,814
Other receivables	63,101	51,018
Trade and other receivables	817,879	468,832

The Group's trade receivables mainly represent progress billing receivables from facade building contracting works. The Group adopts credit policies which are consistent with the trade practices prevalent in the building industry in countries in which the Group has operations. The Group recognises its trade receivables when the value of the subcontract works is certified by the architect. Pursuant to the trade practices, the main contractor from time to time makes applications for payment certificates which include the certified value of the nominated subcontract works.

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum. No aging analysis of retention receivables is presented as the retentions are released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects in question.

For the year ended 31 December 2015

20 TRADE AND OTHER RECEIVABLES *(Continued)*

The analysis of trade and other receivables, including the aging analysis of trade receivables, based on the invoice date, and net of provisions, is as follows:

	2015 HK$'000	2014 HK$'000
Trade receivables:		
0 to 30 days	302,014	114,500
31 to 60 days	85,792	89,666
61 to 90 days	7,212	4,187
More than 90 days	49,879	34,612
	444,897	242,965
Retention receivables	309,881	174,849
	754,778	417,814
Other receivables	63,101	51,018
Trade and other receivables	817,879	468,832

Except for the receivable arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreement, the Group generally allows an average credit period not exceeding 90 days (2014: 90 days) to its customers and the retention receivables are repayable approximately one year after the expiry of the defect liability period of construction projects.

As of 31 December 2015, trade receivables of HK$49,879,000 (2014: HK$34,612,000) were past due based on credit terms but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
90 to 365 days	42,153	27,956
Over 365 days	7,726	6,656
	49,879	34,612

As at 31 December 2015, trade and retention receivables of approximately HK$15,208,000 (2014: HK$13,444,000) were impaired and fully provided.

The individually impaired trade and retention receivables relate to contracts under disputes with customers and are expected not to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

For the year ended 31 December 2015

20 TRADE AND OTHER RECEIVABLES *(Continued)*

Movements of provision for impairment of the trade and retention receivables are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**13,444**	17,820
Addition/(reversal) of provisions	**1,764**	(4,483)
Exchange difference	**–**	107
At 31 December	**15,208**	13,444

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
United States dollar	**240,828**	160,174
Hong Kong dollar	**214,736**	108,387
Macau Pataca	**178,653**	16,632
Canadian dollar	**91,211**	85,982
Renminbi	**62,294**	62,870
Great British Pound	**13,443**	17,650
United Arab Emirates Dirham	**13,136**	13,121
Others	**3,578**	4,016
	817,879	468,832

There is no concentration of credit risk with respect to trade and retention receivables, as the Group has a large number of customers.

The carrying amounts of the Group's trade and other receivables approximate the fair value of these balances.

21 AMOUNTS DUE TO FELLOW SUBSIDIARIES

Balances with fellow subsidiaries are unsecured, interest-free and repayable on demand. The amount is denominated in Hong Kong dollar.

For the year ended 31 December 2015

22 BANK AND CASH BALANCES

Bank and cash balances of the Group are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
Hong Kong dollar	**73,051**	44,208
Renminbi	**55,025**	29,023
Macau Pataca	**42,674**	38,582
Australian dollar	**12,893**	13,140
United States dollar	**12,884**	11,159
Canadian dollar	**835**	10,959
United Arab Emirates Dirham	**814**	89,845
Others	**2,309**	5,114
	200,485	242,030

In respect of the balance denominated in RMB of the Group's subsidiaries incorporated in the PRC, conversion into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23 BANK AND OTHER BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans, secured	**13,191**	16,308
Bank loans, unsecured	**379,920**	319,055
	393,111	335,363

The borrowings are repayable as follows:

	2015 HK$'000	2014 HK$'000
On demand or within one year	**180,391**	119,585
In the second year	**12,720**	200,564
In the third to fifth years, inclusive	**200,000**	15,214
	393,111	335,363
Less: amounts due for settlement within twelve months	**(180,391)**	(119,585)
Amounts due for settlement after twelve months	**212,720**	215,778

At 31 December 2015, bank loans of HK$13,191,000 (2014: HK$16,308,000) are secured by the Group's land and buildings (Note 14).

For the year ended 31 December 2015

23 BANK AND OTHER BORROWINGS *(Continued)*

The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	Hong Kong dollar HK$'000	Canadian dollar HK$'000	United States dollar HK$'000	Total HK$'000
31 December 2015				
Bank loans	**200,000**	**109,467**	**83,644**	**393,111**
31 December 2014				
Bank loans	200,000	17,008	118,355	335,363

The average interest rates at 31 December were as follows:

	2015	2014
Bank loans	**2.62%**	3.16%

All bank and other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The carrying amounts of bank and other borrowings approximate the fair value of these balances.

24 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The analysis of trade payables, other payables and accruals, including the aging analysis of trade payables, based on invoice date, is as follows:

	2015 HK$'000	2014 HK$'000
Trade payables:		
0 to 30 days	**287,680**	184,724
31 to 60 days	**10,153**	20,403
More than 60 days	**9,621**	14,501
	307,454	219,628
Retention payables	**61,488**	36,414
	368,942	256,042
Other payables and accruals	**93,712**	73,420
Trade payables, other payables and accruals	**462,654**	329,462

As at 31 December 2015, the amount of retention payables expected to be due after more than twelve months was approximately HK$24,107,000 (2014: HK$5,137,000).

For the year ended 31 December 2015

24 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS *(Continued)*

The carrying amounts of the Group's trade payables, other payables and accruals are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
Hong Kong dollar	**150,983**	72,649
Renminbi	**111,081**	65,197
Macau Pataca	**84,255**	42,124
United States dollar	**58,346**	77,268
Canadian dollar	**54,528**	64,433
Great British Pound	**2,371**	6,666
Others	**1,090**	1,125
	462,654	329,462

The carrying amounts of trade payables, other payables and accruals approximate the fair value of these balances.

Movement of warranty provisions included in other payables and accruals are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**16,327**	17,778
Addition	**7,775**	13,867
Reversal	**–**	(391)
Exchange differences	**(722)**	501
Utilisation	**(2,206)**	(15,428)
At 31 December	**21,174**	16,327

The Group provides warranties to its customers on facade contracting works in accordance with terms and conditions as stipulated in contracts, under which defective works are rectified or replaced.

The amount of the warranty provision is estimated based on the past experience of the level of defective works and the estimation basis is regularly reviewed and revised where appropriate.

For the year ended 31 December 2015

25 FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**978**	1,026	**951**	998
In the second to fifth years, inclusive	**2,567**	3,000	**2,146**	2,545
Over five years	**859**	1,402	**573**	935
	4,404	5,428	**3,670**	4,478
Less: Future finance charges	**(734)**	(950)		
Present value of lease obligations	**3,670**	4,478		
Less: Amount due for settlement within twelve months			**(951)**	(998)
Amount due for settlement after twelve months			**2,719**	3,480

The average lease term is 6 years. At 31 December 2015, the average effective borrowing rate was 6.0% (2014: 5.8%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the property and motor vehicles at nominal prices.

All finance lease payables are denominated in the following currencies:

	2015	2014
	HK$'000	HK$'000
United States dollar	**3,562**	4,295
Canadian dollar	**108**	183
	3,670	4,478

The Group's finance lease payables are secured by the lessor's title to the leased assets (Note 14).

For the year ended 31 December 2015

26 DEFERRED TAXATION

The analysis of the Group's deferred tax liabilities and (assets) is as follows:

	2015 HK$'000	2014 HK$'000
Deferred tax liabilities to be crystalised after more than twelve months	3,036	3,036
Deferred tax assets to be recovered after more than twelve months	(148,281)	(124,440)
Deferred tax assets to be recovered within twelve months	(15,981)	(33,104)
	(164,262)	(157,544)

The following are the major deferred tax liabilities and (assets) recognised by the Group.

	Accelerated tax depreciation HK$'000	Recognition of intangible assets on business combination HK$'000	Revaluation of land and buildings HK$'000	Tax losses HK$'000	Others (note) HK$'000	Total HK$'000
At 1 January 2014	1,990	5,109	753	(126,356)	6,049	(112,455)
Exchange difference	–	–	–	712	–	712
Charged/(credited) to consolidated income statement (note 9)	293	(5,109)	–	(31,900)	(6,049)	(42,765)
At 31 December 2014	2,283	–	753	(157,544)	–	(154,508)
Exchange difference	–	–	–	2,987	–	2,987
Credited to consolidated income statement (note 9)	–	–	–	(9,705)	–	(9,705)
At 31 December 2015	**2,283**	**–**	**753**	**(164,262)**	**–**	**(161,226)**

Note: The balance mainly represents the deferred tax arising from the accrued income for construction work in progress.

For the year ended 31 December 2015

26 DEFERRED TAXATION *(Continued)*

The following is analysis of net deferred tax balances for statement of financial position purposes:

	2015 HK$'000	2014 HK$'000
Deferred tax liabilities	**293**	293
Deferred tax assets	**(161,519)**	(154,801)
	(161,226)	(154,508)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$619,927,000 (2014: HK$417,020,000) to be carried forward in offsetting future taxable income. The expiry dates of these tax losses are subject to the tax ruling of the respective jurisdictions.

27 SHARE CAPITAL

	Issued and fully paid Number of shares '000	 Share capital Amount '000
Ordinary shares of HK$0.01 each		
At 1 January 2014, 1 January 2015 and 31 December 2015	2,155,545	21,555

28 SHARE PREMIUM AND RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium and retained profits

Under the Companies Law of the Cayman Islands, the funds in the share premium and retained profits of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The distributable reserves of the Company amounted to approximately HK$961,738,000 (2014: HK$899,822,000).

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2 to the financial statements.

For the year ended 31 December 2015

28 SHARE PREMIUM AND RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 2 to the financial statements.

(iv) Share-based payment reserve

The share-based payment reserve represents the fair value of the equity instruments granted to directors and employees of the Group, recognised in accordance with the accounting policy adopted for share-based payments in note 2 to the financial statements.

(v) Statutory reserves

The statutory reserves, which are non-distributable, are appropriated from the profit after taxation of the Group's PRC and Macau subsidiaries under the applicable laws and regulations in the PRC and Macau respectively.

(vi) Special reserve

On 11 March 2014, the Group acquired 100% of equity interests in Treasure Construction Engineering Limited from Barkgate Enterprises Limited, a wholly owned subsidiary of China State Construction International Holdings Limited ("CSCIHL"), which is the intermediate holding company of the Company, at a cash consideration of HK$2,000,000. The excess of approximately HK$1,970,000, representing the difference between the fair value of consideration paid for the acquisition and the net asset value of Treasure Construction at the acquisition date, was charged to special reserve.

(vii) Included in retained profits as at 31 December 2015 is the proposed 2015 final dividend of approximately HK$12,933,000.

29 LEASE COMMITMENTS

At 31 December 2015 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**30,676**	27,724
In the second to fifth years inclusive	**60,182**	73,963
After fifth year	**19,587**	53,278
	110,445	154,965

Operating lease payments represent rentals payable by the Group for certain of its offices, factories and staff quarters. Leases are negotiated for a term ranging from one to ten years and rentals are fixed over the lease terms and do not include contingent rentals.

For the year ended 31 December 2015

30 RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

(a) Transactions with related parties

	2015 HK$'000	2014 HK$'000
Construction fee received from fellow subsidiaries	**409,137**	209,754
Service income received from fellow subsidiaries	**1,333**	89,012
Service fees paid to fellow subsidiaries	**20,444**	1,464

Transactions with other state-controlled entities in the Mainland China

Certain of the Group's business is operated in an economic environment currently predominated by entities directly or indirectly owned, controlled or significantly influenced by the government of the Mainland China. In addition, the Group is itself part of a larger group of companies under CSCEC.

Apart from transactions with its fellow subsidiaries, the Group has transactions with other state-controlled entities, mainly interest income.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2015 HK$'000	2014 HK$'000
Short term employee benefits	**28,299**	25,854
Post-employment benefits	**462**	207
	28,761	26,061

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

For the year ended 31 December 2015

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	2015 HK$'000	2014 HK$'000
Non-current Asset			
Interests in subsidiaries		**938,353**	875,426
Current Assets			
Deposits, prepayments and other receivables		**385**	377
Amounts due from subsidiaries		**50,000**	50,000
Tax recoverable		**869**	1,986
Bank and cash balances		**404**	206
		51,658	52,569
Current Liabilities			
Other payables and accruals		**1,582**	1,582
Current tax payables		**500**	400
		2,082	1,982
Total Assets less Current Liabilities		**987,929**	926,013
Capital and Reserves			
Share capital		**21,555**	21,555
Share premium and reserves	(Note (a))	**966,374**	904,458
		987,929	926,013

On behalf of the Board

Zhu Yijian
Director

Chan Sim Wang
Director

For the year ended 31 December 2015

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Note (a) Reserve movement of the Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2014	898,654	4,636	18,621	921,911
Profit for the year	–	–	4,103	4,103
2013 final dividend paid	–	–	(10,778)	(10,778)
2014 interim dividend paid	–	–	(10,778)	(10,778)
At 31 December 2014 and 1 January 2015	898,654	4,636	1,168	904,458
Profit for the year	–	–	85,627	85,627
2014 final dividend paid	–	–	(10,778)	(10,778)
2015 interim dividend paid	–	–	(12,933)	(12,933)
At 31 December 2015	**898,654**	**4,636**	**63,084**	**966,374**

Five-Year Financial Summary

The table set out below summarizes the results and the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Group's published consolidated financial statements of the respective years and restated/reclassified as appropriate. This summary is not part of the audited consolidated financial statements.

CONSOLIDATED RESULTS

	2011 HK$'000 (restated)	2012 HK$'000 (restated)	2013 HK$'000 (restated)	2014 HK$'000	**2015 HK$'000**
Revenue	1,533,185	1,860,615	1,418,808	1,682,149	**2,194,896**
Gross profit	207,536	93,606	8,443	175,338	**211,513**
Profit/(loss) before tax	91,458	(181,529)	(168,168)	(32,697)	**26,718**
Profit/(loss) attributable to owners of the Company	79,005	(136,813)	50,398	57,738	**71,463**
Basic earnings/(losses) per share (HK cents)	7.09	(6.87)	2.34	2.68	**3.32**
Diluted earnings/(losses) per share (HK cents)	7.01	(6.87)	2.34	2.68	**3.32**

CONSOLIDATED NET ASSETS

	2011 HK$'000 (restated)	2012 HK$'000 (restated)	2013 HK$'000 (restated)	2014 HK$'000	**2015 HK$'000**
Non-current assets	376,012	382,605	456,054	467,982	**438,168**
Current assets	1,179,294	1,609,897	1,756,800	1,431,386	**1,658,767**
Current liabilities	855,808	689,606	496,475	647,541	**915,598**
Non-current liabilities	51,478	153,866	634,984	219,551	**215,732**
Net asset	648,020	1,149,030	1,081,395	1,032,276	**965,605**

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