建榮地基
KIN WING

CHINNEY KIN WING HOLDINGS LIMITED
建業建榮控股有限公司*

(Incorporated in Bermuda with limited liability)
Stock Code : 1556

ANNUAL REPORT 2015

** for identification purpose only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Herman Man-Hei FUNG *(Chairman)*
Yuen-Keung CHAN *(Vice Chairman)*
Wing-Sang YU
Hin-Kwong SO

Independent Non-Executive Directors

Siu-Chee KONG
Ivan Ti-Fan PONG
Robert Che-Kwong TSUI

AUDIT COMMITTEE

Siu-Chee KONG *(Chairman)*
Ivan Ti-Fan PONG
Robert Che-Kwong TSUI

REMUNERATION COMMITTEE

Robert Che-Kwong TSUI *(Chairman)*
Ivan Ti-Fan PONG
Yuen-Keung CHAN

NOMINATION COMMITTEE

Ivan Ti-Fan PONG *(Chairman)*
Robert Che-Kwong TSUI
Yuen-Keung CHAN

COMPANY SECRETARY

Ka-Yee WAN

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
PO Box HM 1022
Hamilton HM DX
Bermuda

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

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2308, 23/F, Wing On Centre
111 Connaught Road Central
Hong Kong

STOCK CODE

01556

BUSINESS ADDRESSES AND CONTACTS

Chinney Kin Wing Holdings Limited

Room 2308, 23/F,
Wing On Centre
111 Connaught Road Central
Hong Kong

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Fax	: (852) 2877-2035
Website	: http://www.chinneykinwing.com.hk
E-mail	: enquiry@chinneykinwing.com.hk

Kin Wing Engineering Company Limited
Kin Wing Foundations Limited
Kin Wing Machinery & Transportation Limited

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

Tel	: (852) 2415-6509
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Kinwing Engineering (Macau) Company Limited

Alameda Dr. Carlos D' Assumpção,
nºs 411-417, Praça Wong Chio,
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em Macau

Tel:	(853) 2871-5564
	(853) 2871-5718
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DrilTech Ground Engineering Limited
DrilTech Geotechnical Engineering Limited

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

Tel	: (852) 2371-0008
Fax	: (852) 2744-1037
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DrilTech Ground Engineering (Macau) Limited

Alameda Dr. Carlos D' Assumpção,
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em Macau

Tel:	(853) 2871-5564
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NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of Chinney Kin Wing Holdings Limited (the "Company", together with its subsidiaries, the "Group") will be held on Wednesday, 1 June 2016 at 3:30 p.m. at Full Moon Shanghai Restaurant, Macau Jockey Club, 3/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company for the year ended 31 December 2015 together with the reports of the directors and the independent auditors thereon.

2. To declare a special dividend for the year ended 31 December 2015.

3. To re-elect directors of the Company (the "Directors") and to authorise the board of Directors (the "Board") to fix the Directors' remuneration.

4. To re-appoint auditors and to authorise the Board to fix their remuneration.

5. To consider as special business and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) subject to paragraph (c) below, a general mandate be and is hereby unconditionally granted to the Directors to exercise during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers;

(b) the mandate in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the mandate in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted and approved by the shareholders of the Company for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) an issue of shares as scrip dividends or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company; or (iv) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed twenty per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said mandate shall be limited accordingly; and

(d) for the purpose of this Resolution,

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

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

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

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

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

By Order of the Board
Ka-Yee Wan
Company Secretary

Hong Kong, 28 April 2016

Notes:

(1) A shareholder entitled to attend and vote at the AGM (and at any adjournment thereof) is entitled to appoint another person as his proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder of the Company.

(2) In order to be valid, a form of proxy in the prescribed form, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or other authority must be completed, signed and deposited with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 48 hours before the time appointed for holding the AGM (and at any adjournment thereof).

(3) Where there are joint registered holders of any shares, any one of such joint holders may vote at the AGM (and at any adjournment thereof), either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

Notes: (continued)

(4) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), any vote of shareholders at a general meeting must be taken by poll and the Company must announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. The chairman of the meeting will therefore put each of the resolutions to be proposed at the AGM to be voted by way of a poll pursuant to the Company's Bye-laws. An announcement will be made by the Company following the conclusion of the AGM to inform the results of the AGM.

(5) With regard to resolution 3 in this notice, all Directors will retire at the AGM in accordance with bye-law 83(2) and bye-law 84 of the Bye-laws of the Company.

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

Herman Man-Hei Fung

Aged 78, was appointed as our executive Director on 9 July 2015 and concurrently serves as the chairman of our Board. Mr. Fung is primarily responsible for our Group's strategic planning and overall corporate development.

Mr. Fung has worked for Hon Kwok Land Investment Company, Limited (stock code: 160, "Hon Kwok") since 1986 and has been appointed as its executive director since 1988. He also held the positions as the managing director of Hon Kwok from 1991 to 2002 and then the vice chairman since November 2012. He has also been a director of Chinney Investments, Limited (stock code 216, "Chinney Investments") since 1987 and became the managing director in 1995. During the period from November 1996 to June 2005, Mr. Fung was appointed as a member of the Board of Review (Inland Revenue Ordinance) Hong Kong. He was admitted as a fellow of the Association of International Accountants in October 2002. He is currently a fellow member of The Hong Kong Institute of Directors.

Mr. Fung has actively participated in the property investment and development business for over twenty-eight years and has extensive experience in finance, marketing, construction and general administration of the real estate business. Capitalising on his experience and business relationship, Mr. Fung has been appointed as a non-executive director of Chinney Alliance Group Limited (stock code: 385, "CAGL") since 1998 and he holds directorship in some subsidiaries of CAGL and he participated in the general supervision of business operations of CAGL, including our Group, since then. Chinney Investments, Hon Kwok and CAGL are all listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

There is a service agreement entered into between the Company and Mr. Fung. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. He is entitled to a fixed fee of HK$150,000 per annum which is based on the Company's remuneration policy adopted for executive Directors.

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

Notes: (continued)

Yuen-Keung Chan

Aged 61, joined our Group in September 1994. He was appointed as our executive Director on 9 July 2015 and concurrently serves as the vice-chairman of our Board. Mr. Chan is responsible for strategic planning, overall corporate and business development of our Group. He also serves as a director of all subsidiaries of our Group.

Mr. Chan has over twenty years of experience in the construction industry. He was admitted as a member of the Chartered Institute of Building in March 1984.

Currently, Mr. Chan is an executive director, the vice chairman and the managing director of CAGL and he also holds directorship in most of the major subsidiaries of CAGL. He is also an executive director of Hon Kwok. CAGL and Hon Kwok are both listed on the Main Board of the Stock Exchange.

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

There is a service agreement entered into between the Company and Mr. Chan. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. He is entitled to a fixed fee of HK$150,000 per annum which is based on the Company's remuneration policy adopted for executive Directors. He was entitled to a performance-related bonus of HK$6,500,000 for the year ended 31 December 2015.

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

Wing-Sang Yu

Aged 55, was appointed as our executive Director on 9 July 2015 and concurrently serves as the managing director of our Company. Mr. Yu is responsible for formulating corporate and business strategies and leading and training our core management team. Mr. Yu is a founder of our Group and established Kin Wing Engineering Company Limited ("Kin Wing Engineering") in 1994. In February 2003, he left our Group to pursue his personal interest and re-joined as the managing director in May 2011. Mr. Yu currently also serves as a director of all subsidiaries of our Group.

Mr. Yu has over twenty years of experience in the foundation industry. He obtained a Bachelor's degree in Engineering from the University of Hong Kong in 1983 and a Master's degree in Arts (Christian Studies) from The Chinese University of Hong Kong in 2009. He has been a member of The Hong Kong Institution of Engineers since May 1992.

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

Notes: (continued)

There is a service agreement entered into between the Company and Mr. Yu. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. He is entitled to a fixed fee of HK$150,000 per annum which is based on the Company's remuneration policy adopted for executive Directors. Mr. Yu has an employment contract with the Company which is terminable by either party by serving to another party six months' advance written notice. He is entitled to monthly salary and allowances of HK$220,000 which has been fixed by reference to his position, his level of responsibilities and the remuneration policy of the Group. In addition, he is also entitled to a discretionary bonus to be determined by the Board and other employment benefits provided by the Group to all eligible staff. He was entitled to a performance-related bonus of HK$11,000,000 for the year ended 31 December 2015.

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

Hin-Kwong So

Aged 58, was appointed as our executive Director on 11 August 2015 and concurrently serves as the general manager of our Company. He is responsible for the overall management and supervision of operations of our Group, including but not limited to, tendering, project planning, project management, quality assurance and general corporate administration. He is currently a director of Kin Wing Engineering and Kin Wing Foundations Limited ("Kin Wing Foundations").

Mr. So has over thirty years of experience in site supervision, project management and tendering in various types of foundation, substructure and site formation projects. He worked as a joint general manager of Kin Wing Engineering and Kin Wing Foundations since April 2009 and the general manager since January 2012. Mr. So obtained a Bachelor's degree in Civil Engineering from the National Cheng Kung University in Taiwan in June 1982.

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

There is a service agreement entered into between the Company and Mr. So. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. He is entitled to a fixed fee of HK$150,000 per annum which is based on the Company's remuneration policy adopted for executive Directors. Mr. So has an employment contract with the Company which is terminable by either party by serving to another party six months' advance written notice. He is entitled to monthly salary and allowances of HK$115,000 which has been fixed by reference to his position, his level of responsibilities and the remuneration policy of the Group. In addition, he is also entitled to a discretionary bonus to be determined by the Board and other employment benefits provided by the Group to all eligible staff. He was entitled to a performance-related bonus of HK$2,620,000 for the year ended 31 December 2015.

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

Notes: (continued)

Siu-Chee Kong

Aged 69, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the audit committee of the Company.

He received his Bachelor's degree in Arts from the University of Hong Kong in November 1969 and a Master's degree in Business Administration from The Chinese University of Hong Kong in December 1980. He was admitted as an associate of The Institute of Bankers in the United Kingdom in 1973.

Mr. Kong began his career in 1969 with Standard Chartered Bank, where he served in various managerial positions for twenty-four years. He was a director of Champion Technology Holdings Limited (stock code: 0092) from 1993 to 1994 and a director of Kantone (UK) Limited from 1994 to 1996. From 1999 to 2005, he served as an executive vice president, director, and alternate chief executive officer of CITIC Ka Wah Bank Limited, and was an executive director of CITIC International Financial Holdings Limited (formerly known as CITIC Ka Wah Bank Limited). He has been an independent non-executive director of China New Town Development Company Limited (stock code: 1278; Singapore stock code: D4N.si) since November 2006 and an independent non-executive director of Harbin Bank Co., Ltd. (stock code: 6138) since October 2013. He is also currently a member of the audit committee of Harbin Bank Co., Ltd (stock code: 6138). He has been an independent non-executive director of DIGITALHONGKONG.COM (stock code: 8007, now known as Global Strategic Group Limited) from 28 March 2014 to 26 October 2014.

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

There is a service agreement entered into between the Company and Mr. Kong. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. He is entitled to a fixed fee of HK$150,000 per annum which is based on the Company's remuneration policy adopted for independent non-executive Directors.

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

Ivan Ti-Fan Pong

Aged 55, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the nomination committee of the Company. Mr. Pong obtained his Bachelor's degree in Economics (with Honours) from the University of Essex, U.K. in July 1983 and obtained his Master's degree in Business Administration from the EMBA Program of The Chinese University of Hong Kong in December 1999.

Mr. Pong has over thirty years of experience in the real estate investment market in Hong Kong and the PRC. Mr. Pong worked for Hon Kwok and its affiliated companies from January 1984 to October 1988 and was responsible for property development, property investments and project acquisitions for the Hon Kwok group. Mr. Pong worked at Chesterton Petty Ltd. as a senior agency manager in 1988. He joined Richard Ellis Ltd. as a senior manager in 1989 and promoted as an associate director in 1991. During the periods from 1993 to 1994 and from 1994 to 2000, Mr. Pong was a director of Metrobase Surveyors Limited and Cosmo Surveyors Limited respectively and completed a number of property investment and acquisition projects. He is currently a director of Metroland Property Consultants Limited.

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

Notes: (continued)

There is a service agreement entered into between the Company and Mr. Pong. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. He is entitled to a fixed fee of HK$150,000 per annum which is based on the Company's remuneration policy adopted for independent non-executive Directors.

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

Robert Che-Kwong Tsui

Aged 62, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the remuneration committee of the Company. He graduated from the University of Buckingham with a Bachelor's degree of Laws in February 1981. Mr. Tsui was admitted to the Law Society of Hong Kong in 1985 and qualified to practice law in Singapore in 1994 and in Anguilla, Caribbean in 2005.

Mr. Tsui has over twenty years of experience as practicing solicitor in Hong Kong. He is the founder and owner of Robert C.K. Tsui & Co., Solicitors, a law firm established in 1990. He is currently an independent non-executive director and a member of the audit committee and nomination committee of Eagle Legend Asia Limited (stock code: 0936), a company listed on the Main Board of the Stock Exchange. Mr. Tsui was an executive director of Landing International Development Limited (stock code: 0582, formerly known as "Greenfield Chemical Holdings Limited"), a company listed on the Main Board of the Stock Exchange from November 2007 to November 2009. He was also an independent non-executive director of APAC Resources Limited (stock code: 1104, formerly known as "Shanghai Merchants Holdings Limited"), a company listed on the Main Board of the Stock Exchange from July 2004 to November 2007 and Sino Credit Holdings Limited (stock code: 0628, formerly known as "Dore Holdings Limited"), a company listed on the Main Board of the Stock Exchange from August 2004 to July 2009.

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

There is a service agreement entered into between the Company and Mr. Tsui. His directorship is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. He is entitled to a fixed fee of HK$150,000 per annum which is based on the Company's remuneration policy adopted for independent non-executive Directors.

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

(7) At the date hereof, the Board comprises of seven Directors, of which four are executive Directors, namely Mr. Herman Man-Hei Fung, Mr. Yuen-Keung Chan, Mr. Wing-Sang Yu and Mr. Hin-Kwong So; and three are independent non-executive Directors, namely Mr. Siu-Chee Kong, Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui.

TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present to our shareholders the first-ever annual report of Chinney Kin Wing Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2015 since the public listing in November 2015. The Group's net profit for the year amounted to approximately HK$140.50 million (2014: HK$98.59 million), representing an increase of approximately 42.5% over the previous year.

The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 November 2015. On behalf of the Group, I would like to express our sincere gratitude to our colleagues and all related parties for their collective contributions, effort and incessant support throughout the period of the Group's growth in the past years and assisted us in bringing our Company to the Stock Exchange.

The Group is engaged in a wide range of foundation works including (i) foundation construction and other ancillary services (the "Foundation Division") and (ii) drilling and site investigation (the "Drilling Division"). For the past twenty years, our customer base has been expanding continuously while many of our clients offer us contracts repeatedly evidencing their satisfaction to our overall performance. Our Execution Panel, core management team and dedicated staff are committed to strive wholeheartedly to provide quality services to our valued customers, leading us to build up the Group's reputable market status for its cooperative manner and team spirit in expertise foundation contracting.

PROPOSED SPECIAL DIVIDEND

The Group expects to continue to perform satisfactorily on project costs estimation and avoidance of cost overruns or delays with the collective efforts of the members of our Execution Panel and our employees. All these factors attribute to the significant increase in profit achieved for the year under review relative to the previous year and also pave the way for a solid financial base of the Group in forthcoming years. As a reward to shareholders for their support to the Group for the listing of the Company's shares in November last year, the Board recommend the payment of a special dividend of HK3.0 cents per share for the year ended 31 December 2015 to the shareholders whose names appear on the Company's register of members on 10 June 2016. Subject to approval by the shareholders on the forthcoming annual general meeting, the dividend cheques are expected to be despatched to the shareholders on or before 27 June 2016.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 1 June 2016. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 30 May 2016 to 1 June 2016 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 27 May 2016.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed special dividend for the year ended 31 December 2015 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed special dividend, the register of members of the Company will be closed from 8 June 2016 to 10 June 2016 (both days inclusive), during which period no share transfers will be registered. The last day for dealing in the Company's share cum entitlements to the proposed special dividend will be 3 June 2016. In order to qualify for the proposed special dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 7 June 2016.

PROSPECTS

With the orderly supply of the Government land sale policy and the Public Housing Development Program to gradually satisfy the huge housing demand coupled with the on going large scale infrastructure projects, the Group believes that the foundation piling industry in Hong Kong is set to remain stable in the coming few years. Although the worldwide trade growth of major countries looks losing momentum and some of them are still struggling with negative interest while the Mainland is experiencing an overall economic slowdown, albeit slightly, prospects for the foundation piling industry in Hong Kong is expected to be steady in view of the incessant demand for housing from the general public.

While the Group's business has performed well for the year under review, challenges remain with aging and shortage of skilled workers, increasing operating costs and competitors entering the market. These factors will undoubtedly have downward pressure in the contract profitability. However, with the current contracts on hand, the Group's market status and barring any unforeseen circumstances, it is expected that the Group will continue to perform satisfactorily in this current financial year.

The Group shall continue its strategies to play an active role in the foundation works of private and public sectors in Hong Kong. With the use of the listing proceeds, the Group is in the course of acquiring more advanced fleet of machinery and recruit more talented and experienced staffs to sharpen its competitive edges in the foundation market. We are fully confident that the Group will continue to enhance and develop.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our customers, business partners and shareholders for their long-lasting support. I would also like to thank my fellow Directors for their advice and guidance, Execution Panel for their management of operation departments and all staff for their hard work, loyalty and contributions which are very essential to the Group's success during the past year.

Herman Man-Hei Fung
Chairman

Hong Kong, 30 March 2016

EXECUTIVE DIRECTORS

Herman Man-Hei Fung

Aged 78, was appointed as our executive Director on 9 July 2015 and concurrently serves as the chairman of our Board. Mr. Fung is primarily responsible for our Group's strategic planning and overall corporate development.

Mr. Fung has worked for Hon Kwok Land Investment Company, Limited (stock code: 160, "Hon Kwok") since 1986 and has been appointed as its executive director since 1988. He also held the positions as the managing director of Hon Kwok from 1991 to 2002 and then the vice chairman since November 2012. He has also been a director of Chinney Investments, Limited (stock code 216, "Chinney Investments") since 1987 and became the managing director in 1995. During the period from November 1996 to June 2005, Mr. Fung was appointed as a member of the Board of Review (Inland Revenue Ordinance) Hong Kong. He was admitted as a fellow of the Association of International Accountants in October 2002. He is currently a fellow member of The Hong Kong Institute of Directors.

Mr. Fung has actively participated in the property investment and development business for over twenty-eight years and has extensive experience in finance, marketing, construction and general administration of the real estate business. Capitalising on his experience and business relationship, Mr. Fung has been appointed as a non-executive director of Chinney Alliance Group Limited (stock code: 385, "CAGL") since 1998 and participated in the general supervision of business operations of CAGL, including our Group, since then. Chinney Investments, Hon Kwok and CAGL are all listed on the Main Board of the Stock Exchange.

Yuen-Keung Chan

Aged 61, joined our Group in September 1994. He was appointed as our executive Director on 9 July 2015 and concurrently serves as the vice chairman of our Board. Mr. Chan is responsible for strategic planning, overall corporate and business development of our Group. He also serves as a director of all subsidiaries of our Group.

Mr. Chan has over twenty years of experience in the construction industry. He was admitted as a member of the Chartered Institute of Building in March 1984.

Currently, Mr. Chan is an executive director, the vice chairman and the managing director of CAGL and an executive director of Hon Kwok. CAGL and Hon Kwok are both listed on the Main Board of the Stock Exchange.

Wing-Sang Yu

Aged 55, was appointed as our executive Director on 9 July 2015 and concurrently serves as the managing director of our Company. Mr. Yu is responsible for formulating corporate and business strategies and leading and training our core management team. Mr. Yu is a founder of our Group and established Kin Wing Engineering Company Limited ("Kin Wing Engineering") in 1994. In February 2003, he left our Group to pursue his personal interest and re-joined as the managing director in May 2011. Mr. Yu currently also serves as a director of all subsidiaries of our Group.

Mr. Yu has over twenty years of experience in the foundation industry. He obtained a Bachelor's degree in Engineering from the University of Hong Kong in 1983 and a Master's degree in Arts (Christian Studies) from The Chinese University of Hong Kong in 2009. He has been a member of The Hong Kong Institution of Engineers since May 1992.

EXECUTIVE DIRECTORS *(continued)*

Hin-Kwong So

Aged 58, was appointed as our executive Director on 11 August 2015 and concurrently serves as the general manager of our Company. He is responsible for the overall management and supervision of operations of our Group, including but not limited to, tendering, project planning, project management, quality assurance and general corporate administration. He is currently a director of Kin Wing Engineering and Kin Wing Foundations Limited ("Kin Wing Foundations").

Mr. So has over thirty years of experience in site supervision, project management and tendering in various types of foundation, substructure and site formation projects. He worked as a joint general manager of Kin Wing Engineering and Kin Wing Foundations since April 2009 and the general manager since January 2012. Mr. So obtained a Bachelor's degree in Civil Engineering from the National Cheng Kung University in Taiwan in June 1982.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Siu-Chee Kong

Aged 69, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the audit committee of the Company.

He received his Bachelor's degree in Arts from the University of Hong Kong in November 1969 and a Master's degree in Business Administration from The Chinese University of Hong Kong in December 1980. He was admitted as an associate of The Institute of Bankers in the United Kingdom in 1973.

Mr. Kong began his career in 1969 with Standard Chartered Bank, where he served in various managerial positions for twenty-four years. He was a director of Champion Technology Holdings Limited (stock code: 0092) from 1993 to 1994 and a director of Kantone (UK) Limited from 1994 to 1996. From 1999 to 2005, he served as an executive vice president, director, and alternate chief executive officer of CITIC Ka Wah Bank Limited, and was an executive director of CITIC International Financial Holdings Limited (formerly known as CITIC Ka Wah Bank Limited). He has been an independent non-executive director of China New Town Development Company Limited (stock code: 1278; Singapore stock code: D4N.si) since November 2006 and an independent non-executive director of Harbin Bank Co., Ltd. (stock code: 6138) since October 2013. He is also currently a member of the audit committee of Harbin Bank Co., Ltd (stock code: 6138). He has been an independent non-executive director of DIGITALHONGKONG.COM (stock sode: 8007, now known as Global Strategic Group Limited) from 28 March 2014 to 26 October 2014.

Ivan Ti-Fan Pong

Aged 55, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the nomination committee of the Company. Mr. Pong obtained his Bachelor's degree in Economics (with Honours) from the University of Essex, U.K. in July 1983 and obtained his Master's degree in Business Administration from the EMBA Program of The Chinese University of Hong Kong in December 1999.

Mr. Pong has over thirty years of experience in the real estate investment market in Hong Kong and the PRC. Mr. Pong worked for Hon Kwok and its affiliated companies from January 1984 to October 1988 and was responsible for property development, property investments and project acquisitions for the Hon Kwok group. Mr. Pong worked at Chesterton Petty Ltd. as a senior agency manager in 1988. He joined Richard Ellis Ltd. as a senior manager in 1989 and promoted as an associate director in 1991. During the periods from 1993 to 1994 and from 1994 to 2000, Mr. Pong was a director of Metrobase Surveyors Limited and Cosmo Surveyors Limited respectively and completed a number of property investment and acquisition projects. He is currently a director of Metroland Property Consultants Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Robert Che-Kwong Tsui

Aged 62, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the remuneration committee of the Company. He graduated from the University of Buckingham with a Bachelor's degree of Laws in February 1981. Mr. Tsui was admitted to the Law Society of Hong Kong in 1985 and qualified to practice law in Singapore in 1994 and in Anguilla, Caribbean in 2005.

Mr. Tsui has over twenty years of experience as practicing solicitor in Hong Kong. He is the founder and owner of Robert C.K. Tsui & Co., Solicitors, a law firm established in 1990. He is currently an independent non-executive director and a member of the audit committee and nomination committee of Eagle Legend Asia Limited (stock code: 0936), a company listed on the Main Board of the Stock Exchange. Mr. Tsui was an executive director of Landing International Development Limited (stock code: 0582, formerly known as "Greenfield Chemical Holdings Limited"), a company listed on the Main Board of the Stock Exchange from November 2007 to November 2009. He was also an independent non-executive director of APAC Resources Limited (stock code: 1104, formerly known as "Shanghai Merchants Holdings Limited"), a company listed on the Main Board of the Stock Exchange from July 2004 to November 2007 and Sino Credit Holdings Limited (stock code: 0628, formerly known as "Dore Holdings Limited"), a company listed on the Main Board of the Stock Exchange from August 2004 to July 2009.

SENIOR MANAGEMENT

Shui-Yung Tang

Aged 49, has been the assistant general manager (production) of our Group since January 2012. Mr. Tang is also a director of Kin Wing Engineering, Kin Wing Foundations and DrilTech Ground Engineering Limited ("DrilTech Ground"). He is responsible for the overall resources planning of our foundation construction projects such as labour, plant and materials, management of on-site construction works, safety compliance and maintenance of our machinery and equipment.

Mr. Tang has over twenty-seven years of experience in foundation engineering and construction site management. He obtained a Bachelor's degree in Civil Engineering from The Hong Kong Polytechnic University in October 1995.

Ka-Wah Chan

Aged 48, has been the assistant general manager (project) of our Group since January 2012. Mr. Chan is also a director of Kin Wing Engineering, Kin Wing Foundations, DrilTech Ground and DrilTech Geotechnical Engineering Limited ("DrilTech Geotechnical"). He is responsible for the overall project planning and management of our foundation construction and ancillary services business.

Mr. Chan has over twenty years of experience in supervising and managing foundation and site formation projects. Prior to joining our Group, he worked as a graduate/assistant engineer at Leighton-Bruckner Foundation Engineering Ltd. from August 1990 to April 1992 and a site engineer at Chee Shing Foundation Limited from April 1993 to July 1994. Mr. Chan joined our Group in 1994. He obtained a Bachelor's degree in Civil and Structural Engineering from the University of Hong Kong in 1990.

SENIOR MANAGEMENT *(continued)*

Addy Sik-Fan Oi

Aged 48, has been the assistant general manager (contracts and design) of our Group since January 2012. He is mainly responsible for the overall management and operations of design and quantity surveying departments relating to our foundation construction and ancillary services business.

Mr. Oi has over twenty-two years of experience in structural design, project management and site supervision in various foundation, ELS work, substructure and superstructure projects in Hong Kong and Macau. He was admitted as a member of The Hong Kong Institution of Engineers in March 2002 and The Institution of Structural Engineers in October 2001. Mr. Oi is currently a registered professional engineer (structural) under the Engineer Registration Ordinance (Cap. 409 of the Laws of Hong Kong) and is a chartered engineer of The Institution of Structural Engineers. He obtained a Bachelor's degree in Civil Engineering from The Hong Kong Polytechnic University in November 1991.

Hoi-Fan Lam

Aged 42, has been a director and the assistant general manager of our Group since January 2012. Mr. Lam is also a director of DrilTech Ground and DriTech Geotechnical. He is responsible for the overall management and operations of our drilling and site investigation business.

Mr. Lam has over twenty years of experience in performing and supervising various site investigation works. He joined DrilTech Ground in February 1997 as a senior technician. He obtained a Bachelor's degree in Civil Engineering from Chu Hai College of Higher Education in July 2009.

Man-Fu Tang

Aged 49, has been the senior construction manager of our Group since September 2013. He is primarily responsible for site management and implementation of foundation construction and ancillary services projects of our Group.

Mr. Tang has over twenty-two years of experience in project and site management. He obtained a Master's degree in Project Management from The University of South Australia in April 2004 and a Master's degree in Civil Engineering from The Hong Kong Polytechnic University in November 2010. He was admitted as a member of Australian Institute of Project Management in November 2004. Mr. Tang joined our Group as a site agent in January 2000.

Hon-Man Wai

Aged 42, has been the senior project manager of our Group since September 2011. Mr. Wai is also a director of Kin Wing Engineering, Kin Wing Foundations, DrilTech Ground and DrilTech Geotechnical. He is primarily responsible for site management and implementation of foundation construction and ancillary services projects of our Group.

Mr. Wai has over fifteen years of experience in supervising and managing various foundation piling projects. He obtained a Bachelor's degree in Environmental Engineering from The Hong Kong Polytechnic University in November 1996. After graduation, he joined our Group as an assistant engineer in September 1996.

SENIOR MANAGEMENT *(continued)*

Eric Wing-Hung Yuen

Aged 51, is the financial controller of our Group and is responsible for the financial and accounting matters of our Group. He joined Chinney Construction Company, Limited in September 1992 and worked for our Group since September 1994. Mr. Yuen has about twenty-seven years of experience in accounting field. He obtained a diploma in accountancy from Shue Yan College in July 1988 and was admitted as a member of the Hong Kong Institute of Certified Public Accountants in July 1993 and a fellow member of the Association of Chartered Certified Accountants in December 1997.

Ka-Yee Wan

Aged 42, is our Group's company secretary responsible for handling corporate, legal and regulatory compliance and administrative matters. Ms. Wan has worked for CAGL as a company secretarial manager since November 2003 and was re-designated as our Group's company secretary in August 2015. She has over eighteen years of experience in company secretarial and corporate governance practices. Ms. Wan has obtained a Bachelor of Arts degree from The Chinese University of Hong Kong in December 1997 and a postgraduate diploma in corporate administration from The City University of Hong Kong in November 2001. Ms. Wan has been an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators since September 2001.

CORPORATE GOVERNANCE PRACTICES

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

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

Throughout the year ended 31 December 2015, in the opinion of the Directors, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except A.1.1, which is discussed in this report.

CORPORATE GOVERNANCE STRUCTURE

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

BOARD OF DIRECTORS

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive Directors. The biographical details of the Directors are set out in the section "Biographies of Directors and Senior Management" on pages 13 to 17 of this Annual Report.

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

Executive Directors
Mr. Herman Man-Hei Fung *(Chairman)*
Mr. Yuen-Keung Chan *(Vice Chairman)*
Mr. Wing-Sang Yu
Mr. Hin-Kwong So

Independent Non-Executive Directors
Mr. Siu-Chee Kong
Mr. Ivan Ti-Fan Pong
Mr. Robert Che-Kwong Tsui

BOARD OF DIRECTORS *(continued)*

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

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

Code provision A.1.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. The Company did not hold any board meeting during the short period from 11 November 2015 (the "Listing Date") to 31 December 2015. From 2016 onwards, the Board will conduct meetings regularly in compliance with the CG Code.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of Chairman and Chief Executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the Chairman and the management executives.

Mr. Herman Man-Hei Fung, Chairman of the Company, is responsible for the management of the Board. The Group's business namely Foundation Division and Drilling Division are managed by its divisional managing directors and/or general managers.

Throughout the year, there was a clear division of responsibilities between the Chairman and the management executives.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his or her appointment, and every executive and non-executive Director are subject to retirement by rotation and re-election at the Company's annual general meeting by shareholders every three years under the provision of the Bye-laws of the Company.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities.

Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year for the Company to maintain a training record for its Directors.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT *(continued)*

During the year all Directors have participated in appropriate continuous professional development and refresh their knowledge and skills for ensuring their contribution to the Board remains informed and relevant. Such professional development was completed either by way of attending briefings, conference, courses, forum and seminars, teaching, self-reading and participated in business related research which are relevant to the business or directors' duties.

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the period from the Listing Date to 31 December 2015. Securities interests in the Company and its associated corporations held by each of the Directors are set out in the section "Report of the Directors" in pages 25 to 33 of this Annual Report.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 October 2015 and it currently comprises two independent non-executive Directors namely Mr. Robert Che-Kwong Tsui (as Chairman) and Mr. Ivan Ti-Fan Pong and an executive Director namely Mr. Yuen-Keung Chan.

The terms of reference of the Remuneration Committee are available on the Stock Exchange's website and the Company's website. The principal functions include, but not limited to:

– reviewing and approving the management's remuneration proposals with reference to the Board's goals and objectives; and

– as the Board shall direct, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

REMUNERATION COMMITTEE *(continued)*

The Remuneration Committee consults the chairman of the Board and an executive Director about their remuneration proposals for other executive Directors and senior management

Details of remuneration packages of the executive Directors during the year are set out under heading "Directors' Remuneration" on pages 67 and 68 in this annual report.

There was one meeting of Remuneration Committee held during the period from the Listing Date to 31 December 2015 at which all committee members attended. In March 2016, one meeting of the Remuneration Committee was held during which the remuneration packages of all executive Directors and senior management for the year have been reviewed individually and the proposal for year 2016 remuneration adjustment and 2015 bonus distribution were considered.

NOMINATION COMMITTEE

The Nomination Committee was established on 20 October 2015 and it currently comprises two independent non-executive Directors namely Mr. Ivan Ti-Fan Pong (as Chairman) and Mr. Robert Che-Kwong Tsui and an executive Director namely Mr. Yuen-Keung Chan.

The terms of reference of the Nomination Committee are available on the Stock Exchange's website and the Company's website.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become directors, selecting or making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession, and assessing the independence of the independent non-executive Directors.

There was no meeting of Nomination Committee held during the period from the Listing Date to 31 December 2015. In March 2016, one meeting of the Nomination Committee was held for reviewing the structure, size and composition, and assessing the independence of the independent non-executive Directors.

AUDIT COMMITTEE

The Audit Committee was established on 20 October 2015 and it currently comprises three independent non-executive Directors namely Mr. Siu-Chee Kong (as Chairman), Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui.

The terms of reference of the Audit Committee are available on the Stock Exchange's website and the Company's website.

The primary duties of the Audit Committee include, but not limited to:

– to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

– to review the accounting principles and policies adopted by the Company and discuss with management and the external auditors the financial reporting matters;

– to review the financial statements of the Group before their submission to the Board for approval; and

– to review the effectiveness of the internal control and risk management system of the Group.

AUDIT COMMITTEE *(continued)*

There was no meeting of Audit Committee held during the period from the Listing Date to 31 December 2015. In early 2016, one meeting of Audit Committee was held at which the Audit Committee members met with external auditors to discuss matters arising from the audit and the nature and scope of the audit and reporting obligations before the audit commences. In March 2016, one meeting of Audit Committee was held at which the Audit Committee reviewed the final results of the Company and its subsidiaries for the year ended 31 December 2015 as well as the audit report prepared by the external auditors relating to accounting issues and major findings during the course of audit.

All the committee members have attended the abovementioned meetings of Audit Committee.

AUDITORS' REMUNERATION

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

Services rendered	**Fees paid/payable**
	HK$'000
Audit services	1,420
Non-audit services (review and other services)	3,900

INTERNAL CONTROL

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a Shareholders' Communication Policy on 20 October 2015 reflecting mostly the current practices of the Company for communication with its shareholders. Information will be communicated to shareholders through:

– continuous disclosure to the Stock Exchange of all material information;

– periodic disclosure through the annual and interim reports;

– notices of meetings and explanatory material;

– the annual general meetings and other general meetings; and

– the Company's website.

Full text of the Shareholders' Communication Policy is available at the following link http://chinneykinwing.etnet.com.hk/cg_doc/E-communicationpolicy.pdf of the Company's website.

SHAREHOLDERS' RIGHTS

1. *Procedures for shareholders to convene a special general meeting*

Pursuant to bye-law 58 of the Bye-laws of the Company, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981, but any meeting so convened shall not be held after the expiration of three months from the said date.

The requisition must be signed by the requisitionists and deposited at the principal place of business of the Company at Room 2308, 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong (the "Principal Place of Business") for the attention of the Company Secretary.

The requisition will then be verified with the Company's Branch Share Registrar and Transfer Office in Hong Kong and upon its confirmation that the requisition is proper and in order, the Company Secretary will forward the requisition to the Board.

SHAREHOLDERS' RIGHTS *(continued)*

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

If a shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), wishes to propose a person for election as a Director at that meeting, he/she shall have to lodge a written notice at the Company's headquarters at Room 2308, 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong, for the attention of the Company Secretary of the Company.

In order for the Company to inform all shareholders of that proposal, the written notice must state (i) his/her intention to propose such person for election as a Director, and (ii) the biographical details of such nominated candidate as required under Rule 13.51(2) of the Listing Rules for publication by the Company and be signed by the shareholder concerned and the person who has been proposed indicating his/her willingness to be elected.

The period for lodgement of the above notice shall be a 7-day period commencing on the day after the despatch of the notice of the general meeting appointed for such election of Director(s) and ending on the date falling 7 days after the despatch of the said notice of the general meeting.

Upon receipt of the above notice from a shareholder which is received after publication of the notice of general meeting, the Company shall, prior to the general meeting, publish an announcement or issue a supplementary circular disclosing the particulars of the proposed Director pursuant to Rule 13.51(2) of the Listing Rules.

Full text of the Procedures for shareholders to propose a person for election as a director of the Company is available at the following link of the Company's website http://chinneykinwing.etnet.com.hk/cg_doc/E-proceduresforshareholders.pdf.

3. *The procedures for sending enquiries to the Board*

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

4. *The procedures for putting forward proposals at shareholders' meetings*

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

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

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

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is a limited liability company incorporated in Bermuda on 29 May 2015 with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 November 2015 (the "Listing Date").

The Company is an investment holding company. The principal activities of its subsidiaries comprise the foundation construction, and drilling and site investigation works for both public and private sectors in Hong Kong and Macau. Details of the principal subsidiaries and their activities are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement on page 11 and 12 of this Annual Report and the Management Discussion and Analysis set out on pages 26 to 28 of this report of the Directors.

In the opinion of the Directors, Chinney Alliance Group Limited ("CAGL"), a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange, is the ultimate holding company of the Company.

CAGL and its subsidiaries, but excluding the Group, are hereinafter collectively referred to as the "Remaining Group".

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the Group's financial position at that date are set out in the financial statements on pages 36 to 38.

On 15 October 2015, Kin Wing Chinney (BVI) Limited ("Kin Wing"), the then holding company of the companies now comprising the Group, declared and paid an interim dividend of HK$21,962,000 to Chinney Construction Group Limited ("Chinney Construction"), the then shareholder of Kin Wing to set off against the net amount due by Chinney Construction to Kin Wing.

On 20 October 2015, the Company declared and paid a special dividend of HK$210,000,000 to CAGL, the Company's then sole shareholder.

The board of Directors ("the Board") recommend the payment of a special dividend of HK 3.0 cents per ordinary share in respect of the year to shareholders on the register of members on 10 June 2016. Subject to approval by the shareholders on the forthcoming annual general meeting, the dividend cheque are expected to be despatched to the shareholders on or before 27 June 2016.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Main Board of the Stock Exchange on 11 November 2015, after deduction of related issuance expenses, amounted to approximately HK$192.71 million. As at 31 December 2015, the unused proceeds of approximately HK$155.85 million were deposited into licensed banks in Hong Kong.

As at 31 December 2015, the net proceeds had been utilised as follows:

	Actual net proceeds *HK$ million*	**Amount utilised up to 31 December 2015** *HK$ million*	**Balance as at 31 December 2015** *HK$ million*
Acquisition of additional machinery	115.63	35.49	80.14
Investment in human resources	38.54	0.48	38.06
Enhancement of design capability and modifications of plant and machinery	19.27	0.89	18.38
General working capital	19.27	–	19.27
Total	192.71	36.86	155.85

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

During the year under review, the Group had completed 12 and 56 projects with contract sum of approximately HK$1,573 million and HK$95 million in foundation construction and ancillary services (the "Foundation Division") and drilling and site investigation (the "Drilling Division") respectively.

As at 31 December 2015, the Group has 14 and 39 projects in progress with contract sum of approximately HK$2,003 million and HK$226 million in the Foundation Division and the Drilling Division respectively.

Revenue

Set out below is the breakdown of revenue of the Group during the current and previous year:

	2015 ***HK$'000***	2014 *HK$'000*
Foundation Division	**1,375,772**	1,233,410
Drilling Division	**143,154**	148,079
	1,518,926	1,381,489

The Group's total revenue for the year under review was approximately HK$1,518.93 million (2014: HK$1,381.49 million), representing an increase of approximately 9.95% over the previous year. Such increase was mainly due to the Group's efforts in pursuing projects of relatively larger scale in terms of contract sum.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS AND OPERATION REVIEW *(continued)*

Gross profit and gross profit margin

During the year under review, the Group's total gross profit was approximately HK$413.20 million (2014: HK$278.05 million), representing an increase of approximately 48.61% over the previous year. The increase in the total gross profit for the year was due to the growth of the Group's revenue and the improved gross profit margin from more technically complex and sizable projects and the successful implementation of stringent project cost control policies. The Group's gross profit margin for the year was approximately 27.20% (2014: 20.13%).

Administrative expenses

The Group's general and administrative expenses increased to approximately HK$242.36 million for the year under review from approximately HK$166.53 million for the year ended 31 December 2014, representing an increase of approximately 45.54%. Such increase was mainly due to the incurring of listing expenses, increase in staff costs and depreciation charges derived from the acquisition of machinery during the year.

Net profit

The Group's net profit for the year under review was approximately HK$140.50 million (2014: HK$98.59 million), representing an increase of approximately 42.51% over the previous year. The increase in net profit was mainly attributable to the increase of gross profit.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2015, the Group had unpledged cash and bank balances of approximately HK$302.10 million as compared with that of 31 December 2014 of approximately HK$155.25 million. The increase was mainly due to the net cash inflow from operating activities and the issue of new shares upon listing of the Company's shares on the Main Board of the Stock Exchange.

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of assets

As at 31 December 2015, time deposits of approximately HK$12.93 million (2014: HK$10.76 million) were pledged to banks to secure the performance bonds issued in favour of the Group's clients on contracting works. In addition, a time deposit of HK$1.00 million (2014: HK$1.00 million) was pledged to a bank to secure general banking facilities extended to the Group.

Capital commitments

As at 31 December 2015, the Group had capital commitments of approximately HK$11.59 million (2014: HK$11.65 million) contracted for the acquisition of machinery.

Contingent liabilities

Details of the Group's contingent liabilities as at 31 December 2015 are set out in note 25 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Employees and remuneration policies

As at 31 December 2015, the Group employed 552 staffs in Hong Kong. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

OUTLOOK AND FUTURE PLANS

As at 31 December 2015, the Group has 14 and 39 projects in progress with contract sum of approximately HK$2,003 million and HK$226 million in the Foundation Division and the Drilling Division, respectively. Subsequent to the year ended 31 December 2015 and up to the date of this report, our Foundation Division and Drilling Division had submitted 39 and 72 tenders respectively and during the aforesaid period, we have been awarded 4 foundation contracts and 12 drilling contracts with total contract sum of approximately HK$219 million.

Aiming at profit maximisation of the Group's existing contracts on hand and to cope with the highly competitive foundation market condition, we will focus to strengthen the capabilities of our Project management team, Production capacities and efficiency as well as the operation of the Plant department (namely the "3P Enhancement Program"). While self-improvement of the other 10 operation departments within their own team will be underway to contribute for the entire better performance of the Group as a whole. In particular, we will upgrade our design capability by employing advance computer software to derive a more economical foundation proposal to target for, as our usual edge and strategy, design and build contracts. In view of our long term development in the foundation industry in Hong Kong, our Group will seek opportunity to invest a self-owned open storage depot for our advanced fleet of machinery.

With the platform of the listing status, the continued improvement of our competitive strength and the strong financial resources of the Group, we are convinced that our Group shall be able to have a sustainable development in the future.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Group for the last four financial years, as extracted from the audited financial statements and the prospectus (the "Prospectus") of the Company dated 30 October 2015, is set out below.

RESULTS

	Year ended 31 December			
	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,518,926**	1,381,489	1,178,324	1,048,694
PROFIT FOR THE YEAR	**140,499**	98,590	58,821	33,386

SUMMARY OF FINANCIAL INFORMATION *(continued)*

ASSETS AND LIABILITIES

	As at 31 December			
	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,042,458**	879,385	747,279	539,341
TOTAL LIABILITIES	**(696,772)**	(655,863)	(521,847)	(351,730)
	345,686	223,522	225,432	187,611

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

PERMITTED INDEMNITY PROVISION

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

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to HK$48,363,000 as at 31 December 2015, of which HK$45,000,000 has been proposed as a special dividend for the year. In addition, the Company's share premium account, in the amount of HK$63,628,000, may be distributed to shareholders of the Company in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 57.9% of the total sales for the year and sales to the largest customer included therein amounted to 18.4%. Purchases from the Group's five largest suppliers accounted for approximately 36.9% and purchases from the largest supplier included therein amounted to 14.2%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers nor suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Herman Man-Hei Fung *(Chairman)*	(appointed on 9 July 2015)
Yuen-Keung Chan *(Vice Chairman)*	(appointed on 9 July 2015)
Wing-Sang Yu	(appointed on 9 July 2015)
Hin-Kwong So	(appointed on 11 August 2015)

Independent Non-Executive Directors:

Siu-Chee Kong	(appointed on 20 October 2015)
Ivan Ti-Fan Pong	(appointed on 20 October 2015)
Robert Che-Kwong Tsui	(appointed on 20 October 2015)

In accordance with bye-law 83(2) and bye-law 84 of the Bye-laws of the Company, all Directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from Mr. Siu-Chee Kong, Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "Listing Rules") and the Company is of the view that all independent non-executive Directors are independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 17 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

No director has a service contract with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remuneration is subject to shareholders' approval at general meetings. The remuneration of the Directors of the Company is reviewed by the Remuneration Committee having regard to the Company's operating results, individual performance of the directors and comparable market statistics. Details of the Directors' remuneration are set out in note 9 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in the section "Connected transactions" below and in note 27 to the financial statements, no Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

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

At 31 December 2015, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2015, the following interests and short positions of 5% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	**Notes**	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
James Sai-Wing Wong	*1*	Interest through controlled corporations	1,117,500,000	74.50%
Chinney Alliance Group Limited		Beneficial owner	1,117,500,000	74.50%
Enhancement Investments Limited	*1, 2*	Interest through a controlled corporation	1,117,500,000	74.50%

Notes:

1. Dr. James Sai-Wing Wong and Enhancement Investments Limited are deemed to be interested in the same parcel of the 1,117,500,000 shares by virtue of Section 316 of the SFO; and

2. Enhancement Investments Limited is beneficially owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at 31 December 2015, no person had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Prior to listing of the shares of the Company on 11 November 2015, Chinney Construction Company, Limited ("CCCL"), an indirectly wholly-owned subsidiary of CAGL, had selected Kin Wing Engineering Company Limited ("Kin Wing Engineering"), a wholly-owned subsidiary of the Company, as a sub-contractor for piling system and bored piles from various tenderers for its construction project at Yau Yue Wan Village Road, Tseung Kwan O, Hong Kong. CCCL and Kin Wing Engineering had entered into a subcontracting agreement on 12 October 2015 (the "Sub-Contracting Arrangement").

The total estimated contract sum for the Sub-Contracting Arrangement amounted to approximately HK$35.8 million which was arrived at after arm's length negotiations between CCCL and Kin Wing Engineering and was determined with reference to, among other things, (i) the prevailing market prices of the materials; (ii) the scale, complexity and specifications of the project; (iii) the estimated gross profit margins of the Group for similar projects with independent third party contractors; and (iv) credit worthiness of CCCL. The Directors are of the view that such transactions had been entered into in the ordinary and usual course of the Company's business, on normal commercial terms that are fair and reasonable and in the interests of the Company's shareholders as a whole. All works under the Sub-Contracting Arrangement are expected to be completed in April 2016.

The Sub-Contracting Arrangement was a one-off transaction entered into by Kin Wing Engineering prior to listing. Such transaction is not, following listing, constituted continuing connected transaction of the Group under Chapter 14A of the Listing Rules, and is not subject to further requirements under the Listing Rules.

During the year ended 31 December 2015, the total amount of contracting income from CCCL under the Sub-Contracting Arrangement was approximately HK$3,533,000. Further detail of the transaction is included in note 27(a)(v) to the financial statements.

Save as disclosed above, during the year under review, there was no transaction or arrangement needed to be disclosed as a connected transaction in accordance with the Listing Rules. The related party transactions as set out in note 27 to the financial statements are connected transactions/continuing connected transactions exempted from disclosure and independent shareholders' approval requirements under the Listing Rules.

NON-COMPETITION UNDERTAKING

To ensure that there is a clear delineation between the business of the Remaining Group and that of the Group, CAGL, Dr. James Sai-Wing Wong and the Company entered into a Deed of Non-competition (the "Deed") on 20 October 2015. Pursuant to the Deed, CAGL and Dr. James Sai-Wing Wong undertakes that the Remaining Group would not, inter alia, engage in any foundation business that is or is likely to be in competition with that of the Group. For details about the above-mentioned Deed, please refer to section headed "Relationship with Controlling Shareholders" in the Prospectus dated 30 October 2015.

CAGL and Dr. James Sai-Wing Wong had confirmed to the Company of its compliance with the Deed. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed have been complied with by CAGL and Dr. James Sai-Wing Wong and duly enforced since the Listing Date and up to 31 December 2015.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's relationships with its employees are set out in the Management Discuss and Analysis section above.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

AUDITORS

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

ON BEHALF OF THE BOARD
Yuen-Keung Chan
Vice Chairman

Hong Kong, 30 March 2016

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To the shareholders of Chinney Kin Wing Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chinney Kin Wing Holdings Limited ("the Company") and its subsidiaries set out on pages 36 to 90, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the 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.

To the shareholders of Chinney Kin Wing Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

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

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	6	**1,518,926**	1,381,489
Cost of construction		**(1,105,725)**	(1,103,437)
Gross profit		**413,201**	278,052
Other income and gains	6	**933**	4,081
Administrative expenses		**(242,362)**	(166,530)
Finance costs	8	**–**	(75)
PROFIT BEFORE TAX	7	**171,772**	115,528
Income tax expense	11	**(31,273)**	(16,938)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**140,499**	98,590
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**140,499**	98,590
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		**HK 12.00 cents**	HK 8.82 cents

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**382,810**	269,586
Deferred tax assets	23	**352**	1,952
Total non-current assets		**383,162**	271,538
CURRENT ASSETS			
Inventories	15	**1,597**	3,103
Gross amount due from contract customers	16	**93,161**	43,067
Trade receivables	17	**32,399**	189,213
Retention monies receivables	16	**199,502**	164,425
Prepayments, deposits and other receivables	18	**16,607**	19,068
Due from the Remaining Group	22	**–**	21,962
Pledged time deposits	19	**13,928**	11,755
Cash and cash equivalents	19	**302,102**	155,254
Total current assets		**659,296**	607,847
CURRENT LIABILITIES			
Gross amount due to contract customers	16	**457,266**	420,221
Trade payables	20	**113,265**	126,790
Retention monies payables	16	**29,074**	26,090
Other payables and accruals	21	**43,921**	39,334
Due to the Remaining Group	22	**–**	96
Tax payable		**14,130**	9,579
Total current liabilities		**657,656**	622,110
NET CURRENT ASSETS/(LIABILITIES)		**1,640**	(14,263)
TOTAL ASSETS LESS CURRENT LIABILITIES		**384,802**	257,275
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	**39,116**	33,753
Net assets		**345,686**	223,522

	Notes	2015 HK$'000	2014 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	24	**150,000**	–
Reserves		**195,686**	223,522
Total equity		**345,686**	223,522

On behalf of the Board
Yuen-Keung Chan
Director

On behalf of the Board
Wing-Sang Yu
Director

	Issued capital *HK$'000*	Share premium* *HK$'000*	Capital reserve* *HK$'000*	Merger reserve* *HK$'000*	Retained profits* *HK$'000*	Total equity *HK$'000*
At 1 January 2014	–	–	–	20,002	205,430	225,432
Profit and total comprehensive income for the year	–	–	–	–	98,590	98,590
Interim dividend paid *(note 12)*	–	–	–	–	(100,500)	(100,500)
At 31 December 2014 and 1 January 2015	–	–	–	20,002	203,520	223,522
Profit and total comprehensive income for the year	–	–	–	–	140,499	140,499
Interim dividend paid *(note 12)*	–	–	–	–	(21,962)	(21,962)
Special dividend paid *(note 12)*	–	–	–	–	(210,000)	(210,000)
Issue of new shares pursuant to the Reorganisation *(note 24(b))*	1	–	(1)	–	–	–
Capitalisation issue *(note 24(c))*	111,749	(111,749)	–	–	–	–
Issue of new shares pursuant to the Global Offer *(note 24(d))*	38,250	187,425	–	–	–	225,675
Share issue expenses	–	(12,048)	–	–	–	(12,048)
At 31 December 2015	150,000	63,628	(1)	20,002	112,057	345,686

The merger reserve of the Group represents the capital contribution from the equity holders of a subsidiary now comprising the Group before the completion of the Reorganisation.

* These reserve accounts comprise the consolidated reserves of HK$195,686,000 (2014: HK$223,522,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**171,772**	115,528
Adjustments for:			
Finance costs	8	**–**	75
Interest income	6	**(388)**	(2,612)
Depreciation	7	**47,519**	35,307
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**2,652**	(404)
		221,555	147,894
Decrease in inventories		**1,506**	483
Decrease/(increase) in gross amount due from contract customers		**(49,575)**	36,435
Decrease/(increase) in trade receivables		**156,814**	(50,565)
Increase in retention monies receivables		**(35,077)**	(58,619)
Decrease/(increase) in prepayments, deposits and other receivables		**2,461**	(3,856)
Increase in gross amount due to contract customers		**37,045**	129,716
Increase/(decrease) in trade payables		**(13,525)**	1,700
Increase in retention monies payables		**2,984**	2,237
Increase in other payables and accruals		**4,587**	9,345
Net movement in balances with the Remaining Group		**21,866**	(20,779)
Cash generated from operations		**350,641**	193,991
Hong Kong profits tax refunded/(paid), net		**(17,403)**	4,834
Overseas taxes paid		**(2,356)**	–
Net cash flows from operating activities		**330,882**	198,825
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**388**	2,612
Purchases of items of property, plant and equipment	14	**(163,992)**	(75,688)
Proceeds from disposal of items of property, plant and equipment		**78**	836
Increase in pledged time deposits		**(2,173)**	(5,004)
Net cash flows used in investing activities		**(165,699)**	(77,244)

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	8	**–**	(75)
Repayment of bank loans		**–**	(2,400)
Dividend paid		**(231,962)**	(100,500)
Proceeds from issue of shares		**225,675**	–
Share issue expenses		**(12,048)**	–
Net cash flows used in financing activities		**(18,335)**	(102,975)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**146,848**	18,606
Cash and cash equivalents at beginning of year		**155,254**	136,648
CASH AND CASH EQUIVALENTS AT END OF YEAR		**302,102**	155,254
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**132,102**	145,254
Non-pledged time deposits with original maturity of less than three months when acquired	19	**170,000**	10,000
Cash and cash equivalents as stated in the consolidated statement of cash flows		**302,102**	155,254

1. CORPORATE INFORMATION

Chinney Kin Wing Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda on 29 May 2015. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Room 2308, 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 November 2015.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in foundation construction, and drilling and site investigation works for both public and private sectors in Hong Kong and Macau (the "Foundation Business").

In the opinion of the directors, Chinney Alliance Group Limited ("CAGL"), a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange, is the ultimate holding company of the Company.

The Company and its subsidiaries are hereinafter collectively referred to as the "Group"; whereas CAGL and its subsidiaries, but excluding the Group, are hereinafter collectively referred to as the "Remaining Group".

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kin Wing Chinney (BVI) Limited	British Virgin Islands	US$208	100	–	Investment holding
DrilTech Geotechnical Engineering Limited	Hong Kong	HK$10,000	–	100	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited	Hong Kong	HK$12,500,000	–	100	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering (Macau) Limited	Macau	MOP1,000,000	–	100	Drilling, site investigation and related ground engineering construction
Kin Wing Engineering Company Limited	Hong Kong	HK$20,000,000	–	100	Foundation piling

1. CORPORATE INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Kin Wing Foundations Limited	Hong Kong	HK$10,000	–	100	Foundation piling
Kin Wing Machinery & Transportation Limited	Hong Kong	HK$100	–	100	Equipment and machinery leasing
Kinwing Engineering (Macau) Company Limited	Macau	MOP1,000,000	–	100	Foundation piling

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 15 October 2015. Details of the Reorganisation are set out in the section headed "History and Corporate Structure" in the prospectus of the Company dated 30 October 2015 (the "Prospectus").

Prior to the incorporation of the Company, the Foundation Business was carried out by certain subsidiaries of CAGL. In order to rationalise the current structure of the Group, the Company underwent the Reorganisation to acquire the shares of Kin Wing Chinney (BVI) Limited ("Kin Wing") which is the then holding company of the companies now comprising the Group on 15 October 2015. Details of the Reorganisation are set out in the paragraph headed "History and Corporate Structure – Our Reorganisation" in the Prospectus.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, the companies now comprising the Group were under the common control of the controlling shareholder before and after the Reorganisation. Accordingly, these financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the financial periods presented.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2.1 BASIS OF PRESENTATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

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

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

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

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

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group does not have any investment property during the year and so this amendment is not applicable.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but available for adoption

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

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

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

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

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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

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

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

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

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

Impairment of non-financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Over the lease terms or 10% – 33⅓%
Plant and machinery	6% – 25%
Motor vehicles	25%
Furniture, fixtures and equipment	20%

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

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

Leases

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade payables, retention monies payables, other payables and accruals, and an amount due to the Remaining Group.

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories comprise construction work materials and consumables and are stated at the lower of cost and net realisable value. Cost is determined using the first in, first-out (FIFO) method.

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) rental income, on a time proportion basis over the lease terms.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, depends on the nature of the contract works, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts. When the outcome of the contracts cannot be estimated reliably, revenue is recognised only to the extent of certified work performed that is probable to be recoverable.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Macau are required to participate in a central pension scheme operated by the Macau Government. The subsidiaries are required to contribute a fixed amount of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The assets of the above-mentioned schemes are held separately from those of the Group in independently administered funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

The preparation of the Group's financial statements requires the use of estimates and assumptions about future events and conditions. In this connection, the directors consider that the significant areas where management's judgement is necessary are those in relation to (i) provision for foreseeable losses against the gross amount due from contract customers; and (ii) recognition of losses against the Group's trade and other receivables and retention monies receivables.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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

Impairment of property, plant and equipment

The Group assesses at the end of the reporting period whether there is an indication that property, plant and equipment may be impaired. If any indication exists, the Group estimates the recoverable amount of the property, plant and equipment. The Group measures the recoverable amount of the property, plant and equipment with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from property, plant and equipment and a suitable discount rate in order to calculate the present value. The net carrying amount of property, plant and equipment at 31 December 2015 was approximately HK$382,810,000 (2014: HK$269,586,000).

Outcome of construction contracts

The Group determines whether the outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. The contract costs incurred plus recognised profits less recognised losses and foreseeable losses as at 31 December 2015 amounted to approximately HK$7,625,810,000 (2014: HK$6,093,835,000). Further details are contained in note 16 to the financial statements.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

- Foundation construction and ancillary services; and
- Drilling and site investigation

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted operating profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as unallocated corporate gains and expenses are excluded from this measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2015

	Foundation construction and ancillary services *HK$'000*	Drilling and site investigation *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	1,375,772	143,154	1,518,926
Intersegment sales	–	43,166	43,166
Other revenue	745	178	923
	1,376,517	186,498	1,563,015
Reconciliation:			
Elimination of intersegment sales			(43,166)
Other revenue			(923)
Revenue			1,518,926
Segment results	184,870	8,231	193,101
Reconciliation:			
Corporate and other unallocated expenses			(21,717)
Interest income			388
Profit before tax			171,772
Segment assets	946,920	95,538	1,042,458
Reconciliation:			
Corporate and other unallocated assets			–
Total assets			1,042,458
Segment liabilities	585,325	110,744	696,069
Reconciliation:			
Corporate and other unallocated liabilities			703
Total liabilities			696,772
Other segment information:			
Depreciation	47,055	983	48,038
Capital expenditure *	163,662	330	163,992

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

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2014

	Foundation construction and ancillary services *HK$'000*	Drilling and site investigation *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	1,233,410	148,079	1,381,489
Intersegment sales	–	22,371	22,371
Other revenue			
– Rental income from leasing of machinery	1,065	–	1,065
– Other	2,896	120	3,016
	1,237,371	170,570	1,407,941
Reconciliation:			
Elimination of intersegment sales			(22,371)
Other revenue			(4,081)
Revenue			1,381,489
Segment results	105,746	7,314	113,060
Reconciliation:			
Corporate and other unallocated expenses			(69)
Interest income			2,612
Finance costs			(75)
Profit before tax			115,528
Segment assets	794,276	85,109	879,385
Reconciliation:			
Corporate and other unallocated assets			–
Total assets			879,385
Segment liabilities	562,055	93,688	655,743
Reconciliation:			
Corporate and other unallocated liabilities			120
Total liabilities			655,863
Other segment information:			
Depreciation	34,795	955	35,750
Capital expenditure *	74,032	1,656	75,688

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

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**1,512,567**	1,212,749
Macau	**6,359**	168,740
	1,518,926	1,381,489

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

(b) Non-current assets

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**382,810**	269,586

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the Group's revenue, is set out below:

	2015	2014
	HK$'000	*HK$'000*
Customer A	**279,956**	*
Customer B	**192,702**	248,903
Customer C	**165,975**	*
Customer D	*****	230,393
Customer E	*****	168,740

* Less than 10%

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate portion of construction contract revenue received and receivable during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Construction contract revenue	**1,518,926**	1,381,489
Other income and gains		
Bank interest income	**388**	1,003
Interest income from the Remaining Group	**–**	1,609
Rental income from leasing of machinery	**–**	1,065
Exchange gains, net	**367**	–
Gain on disposal of items of property, plant and equipment, net	**–**	404
Others	**178**	–
	933	4,081

7. PROFIT BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Contract costs	**1,105,725**	1,103,437
Depreciation	**48,038**	35,750
Less: Amount capitalised in contract costs	**(519)**	(443)
	47,519	35,307
Staff costs (excluding directors' remuneration *(note 9)*):		
Salaries, wages and allowances	**247,318**	199,409
Pension scheme contributions	**9,055**	6,663
	256,373	206,072
Less: Amount capitalised in contract costs	**(184,004)**	(149,575)
	72,369	56,497
Auditors' remuneration	**1,420**	1,082
Minimum lease payments under operating leases	**3,381**	2,991
Loss/(gain) on disposal of items of property, plant and equipment, net	**2,652**	(404)
Foreign exchange differences, net	**(367)**	393

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**–**	75

9. DIRECTORS' REMUNERATION

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

	2015	2014
	HK$'000	*HK$'000*
Fees	**147**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**3,911**	3,815
Performance related bonuses*	**20,120**	5,188
Pension scheme contributions	**189**	170
	24,367	9,173

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

(a) *Independent non-executive directors*

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

	2015	2014
	HK$'000	*HK$'000*
Siu-Chee Kong	**21**	–
Ivan Ti-Fan Pong	**21**	–
Robert Che-Kwong Tsui	**21**	–
	63	–

There were no other emoluments payable to the independent non-executive directors during the year.

9. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015					
Herman Man-Hei Fung	**21**	**–**	**–**	**–**	**21**
Yuen-Keung Chan	**21**	**–**	**6,500**	**–**	**6,521**
Wing-Sang Yu	**21**	**2,560**	**11,000**	**128**	**13,709**
Hin-Kwong So	**21**	**1,351**	**2,620**	**61**	**4,053**
	84	**3,911**	**20,120**	**189**	**24,304**
2014					
Herman Man-Hei Fung	–	–	–	–	–
Yuen-Keung Chan	–	–	1,000	–	1,000
Wing-Sang Yu	–	2,480*	3,500*	114	6,094
Hin-Kwong So	–	1,335	688	56	2,079
	–	3,815	5,188	170	9,173

* As Mr. Wing-Sang Yu ("Mr. Yu") signed the employment contract with the Remaining Group but only provided services solely for the Group, the staff costs of Mr. Yu were initially paid by the Remaining Group, and were then reimbursed by the Group on an actual basis, as further detailed in note 27 to the financial statements.

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

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2014: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2014: three) non-director highest paid employees for the year are as follows:

	2015	2014
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other benefits in kind	**2,087**	3,056
Bonuses paid and payable	**1,590**	876
Pension scheme contributions	**99**	123
	3,776	4,055

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

	Number of employees	
	2015	2014
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**2**	–
	2	3

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Macau complementary income tax has been provided at the rate of 12% (2014: 12%) on the estimated assessable profits arising in Macau during the year.

	2015	2014
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**23,730**	8,673
Over provision in prior years	**(80)**	(35)
Current – Macau		
Charge for the year	**660**	2,370
Deferred *(note 23)*	**6,963**	5,930
Total tax charge for the year	**31,273**	16,938

11. INCOME TAX *(continued)*

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

	2015 **HK$'000**	2014 HK$'000
Profit before tax	**171,772**	115,528
Tax at the statutory tax rate	**28,342**	19,062
Effect of different rates for companies operating in other jurisdictions	**(338)**	(937)
Adjustment in respect of current tax of previous periods	**(80)**	(35)
Expenses not deductible for tax	**3,629**	13
Income not subject to tax	**(371)**	(166)
Tax losses utilised from previous periods	**–**	(1,674)
Tax losses not recognised	**181**	5
Temporary differences not recognised	**–**	714
Others	**(90)**	(44)
Tax charge for the year	**31,273**	16,938

12. DIVIDENDS

	Notes	**2015** **HK$'000**	2014 HK$'000
Interim dividend	*(a)*	**21,962**	100,500
Special dividend	*(b)*	**210,000**	–
Proposed special dividend of HK 3.0 cents per ordinary share	*(c)*	**45,000**	–
		276,962	100,500

Notes:

(a) On 15 October 2015, Kin Wing, the then holding company of the companies now comprising the Group declared and paid an interim dividend of HK$21,962,000 to a former immediate holding company (before the Reorganisation) pursuant to the Reorganisation.

(b) On 20 October 2015, the Company declared and paid a special dividend of HK$210,000,000 to the then sole shareholder.

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$140,499,000 (2014: HK$98,590,000) and the weighted average number of ordinary shares of 1,170,945,205 (2014: 1,117,500,000) in issue during the year, as if the Reorganisation had been effective since 1 January 2014.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2015 includes the one ordinary share of the Company issued upon incorporation, the 9,999 new ordinary shares issued pursuant to the Reorganisation (note 24(b)) and the 1,117,490,000 new ordinary shares issued pursuant to the Capitalisation Issue (note 24(c)), as if all these shares had been in issue throughout the year ended 31 December 2015, and the weighted average of 382,500,000 new ordinary shares issued in connection with the listing of the ordinary shares of the Company on the Stock Exchange.

The number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2014 was based on 1,117,500,000 ordinary shares, representing the number of ordinary shares of the Company immediately after the Capitalisation Issue, as if all these shares had been in issue throughout the year ended 31 December 2014.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 December 2015					
At 31 December 2014 and at 1 January 2015:					
Cost	2,813	606,231	7,942	8,694	625,680
Accumulated depreciation	(1,435)	(343,393)	(3,300)	(7,966)	(356,094)
Net carrying amount	1,378	262,838	4,642	728	269,586
At 1 January 2015, net of accumulated depreciation	1,378	262,838	4,642	728	269,586
Additions	128	162,636	621	607	163,992
Disposals	–	(2,730)	–	–	(2,730)
Depreciation provided during the year	(215)	(45,841)	(1,723)	(259)	(48,038)
At 31 December 2015, net of accumulated depreciation	1,291	376,903	3,540	1,076	382,810
At 31 December 2015:					
Cost	2,941	734,199	8,169	9,301	754,610
Accumulated depreciation	(1,650)	(357,296)	(4,629)	(8,225)	(371,800)
Net carrying amount	1,291	376,903	3,540	1,076	382,810

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

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 December 2014					
At 31 December 2013 and at 1 January 2014:					
Cost	2,813	535,024	6,070	8,694	552,601
Accumulated depreciation	(1,251)	(309,434)	(4,139)	(7,697)	(322,521)
Net carrying amount	1,562	225,590	1,931	997	230,080
At 1 January 2014, net of accumulated depreciation	1,562	225,590	1,931	997	230,080
Additions	–	71,573	4,115	–	75,688
Disposals	–	(266)	(166)	–	(432)
Depreciation provided during the year	(184)	(34,059)	(1,238)	(269)	(35,750)
At 31 December 2014, net of accumulated depreciation	1,378	262,838	4,642	728	269,586
At 31 December 2014:					
Cost	2,813	606,231	7,942	8,694	625,680
Accumulated depreciation	(1,435)	(343,393)	(3,300)	(7,966)	(356,094)
Net carrying amount	1,378	262,838	4,642	728	269,586

15. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Materials and consumables for construction works	**1,597**	3,103

16. CONSTRUCTION CONTRACTS

	2015	2014
	HK$'000	*HK$'000*
Gross amount due from contract customers	**93,161**	43,067
Gross amount due to contract customers	**(457,266)**	(420,221)
	(364,105)	(377,154)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**7,625,810**	6,093,835
Less: Progress billings	**(7,989,915)**	(6,470,989)
	(364,105)	(377,154)

As at 31 December 2015, the retentions held by customers for contract works included in the retention monies receivables included in the current assets of the Group amounted to approximately HK$199,502,000 (2014: HK$164,425,000).

As at 31 December 2015, the retentions held by the Group for contract works included in retention monies payables included in the current liabilities of the Group amounted to approximately HK$29,074,000 (2014: HK$26,090,000).

17. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**32,399**	189,213

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. At 31 December 2015, the Group has certain concentration of risk that may arise from the exposure to the five largest customers, which accounted for 79% (2014: 70%) of the Group's total receivables. At 31 December 2015, the Group has certain concentration of risk that may arise from the exposure to the largest customer which accounted for 33% (2014: 27%) of the Group's total receivables.

17. TRADE RECEIVABLES *(continued)*

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

	2015	2014
	HK$'000	*HK$'000*
Current to 30 days	**20,101**	117,602
31 to 60 days	**876**	32,787
61 to 90 days	**572**	38,552
Over 90 days	**10,850**	272
	32,399	189,213

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**20,101**	131,115
Less than 31 days past due	**876**	51,850
31 to 90 days past due	**637**	5,976
Past due over 90 days	**10,785**	272
	32,399	189,213

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Prepayments	**–**	758
Deposits and other receivables	**16,607**	18,310
	16,607	19,068

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

19. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	2015	2014
	HK$'000	*HK$'000*
Cash and bank balances	**132,102**	145,254
Time deposits	**170,000**	10,000
Pledged time deposits	**13,928**	11,755
	316,030	167,009
Less: Pledged time deposits for letters of guarantee, performance bonds and bank overdrafts	**(13,928)**	(11,755)
Cash and cash equivalents	**302,102**	155,254

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
Current to 30 days	**107,087**	68,880
31 to 60 days	**3,237**	39,863
61 to 90 days	**459**	10,655
Over 90 days	**2,482**	7,392
	113,265	126,790

The trade payables are non-interest-bearing and normally settled on 30-day terms.

21. OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	*HK$'000*
Other payables	**–**	107
Accruals	**43,921**	39,227
	43,921	39,334

Other payables are non-interest-bearing and payable on demand.

22. BALANCES WITH THE REMAINING GROUP

The balances with the Remaining Group were unsecured, interest-free and repayable on demand.

23. DEFERRED TAX

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

Deferred tax liabilities

	Accelerated tax depreciation *HK$'000*
At 1 January 2014	31,893
Deferred tax charged to profit or loss during the year *(note 11)*	4,933
At 31 December 2014 and 1 January 2015	36,826
Deferred tax charged to profit or loss during the year *(note 11)*	13,674
Gross deferred tax liabilities as at 31 December 2015	50,500

Deferred tax assets

	Related depreciation over depreciation allowance *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	1,835	4,187	6,022
Deferred tax credited/(charged) to profit or loss during the year *(note 11)*	117	(1,114)	(997)
At 31 December 2014 and 1 January 2015	1,952	3,073	5,025
Deferred tax credited/(charged) to profit or loss during the year *(note 11)*	(1,600)	8,311	6,711
Gross deferred tax assets as at 31 December 2015	352	11,384	11,736

23. DEFERRED TAX *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2015 HK$'000	2014 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**352**	1,952
Net deferred tax liabilities recognised in the consolidated statement of financial position	**39,116**	33,753

The Group has estimated tax losses arising in Hong Kong of approximately HK$70,028,000 (2014: HK$18,629,000), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in Macau of approximately HK$117,000 (2014: HK$161,000) that can be used to offset against future taxable profits of the companies in which the losses arose for a maximum of three years.

Deferred tax assets of approximately HK$181,000 (2014: HK$5,000) have not been recognised in respect of these losses as in the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

24. SHARE CAPITAL

	2015 HK$'000	2014 HK$'000
Authorised: 3,000,000,000 (2014: Nil) ordinary shares of HK$0.1 each	**300,000**	–
Issued and fully paid: 1,500,000,000 (2014: Nil) ordinary shares of HK$0.1 each	**150,000**	–

There was no authorised and issued capital as at 31 December 2014 since the Company had not yet been incorporated.

24. SHARE CAPITAL *(continued)*

The movements in the Company's authorised and issued share capital during the period from 29 May 2015 (date of incorporation) to 31 December 2015 were as follows:

	Notes	Number of ordinary shares of HK$0.1 each	Nominal value of ordinary shares HK$'000
Authorised:			
At 29 May 2015 (date of incorporation)	*(a)*	780,000	78
Increase in authorised capital on 15 October 2015	*(b)(i)*	2,999,220,000	299,922
At 31 December 2015		3,000,000,000	300,000

	Notes	Number of shares in issue	Issued capital HK$'000
Issued and fully paid:			
At 19 June 2015	*(a)*	1	–
Issue of new shares pursuant to the Reorganisation	*(b)(ii), (iii)*	9,999	1
Capitalisation Issue	*(c)*	1,117,490,000	111,749
Issue of new shares pursuant to the Global Offer	*(d)*	382,500,000	38,250
At 31 December 2015		1,500,000,000	150,000

24. SHARE CAPITAL *(continued)*

Notes:

(a) The Company was incorporated on 29 May 2015 with initial authorised share capital of HK$78,000 divided into 780,000 shares of HK$0.1 each. On 19 June 2015, 1 ordinary share of HK$0.1 was issued and allotted to Chinney Construction, a subsidiary of CAGL, at par.

(b) (i) On 15 October 2015, the authorised share capital of the Company was increased from HK$78,000 divided into 780,000 shares to HK$300,000,000 divided into 3,000,000,000 shares by creation of additional 2,999,220,000 shares.

(ii) On 15 October 2015, the Company acquired from Chinney Construction the entire issued share capital of Kin Wing pursuant to the Share Purchase Agreement at a consideration of HK$1,622, which is equivalent to the book value of the investment cost in Kin Wing. Such consideration was satisfied by the Company by allotting and issuing 9,999 new shares credited as fully paid up to Chinney Construction.

(iii) On 15 October 2015, the board of directors of Chinney Construction declared a special dividend by way of distribution in specie of its entire shareholding of the Company in favour of Chinney Alliance Trading (BVI) Limited ("Chinney Alliance"), the immediate holding company of Chinney Construction and the board of directors of Chinney Alliance in turn declared a special dividend by way of distribution in specie of its entire shareholding in the Company in favour of CAGL. As a result, the total issued capital of the Company comprised of HK$1,000 divided into 10,000 shares was held by CAGL and the Company in turn held the entire issued share capital of Kin Wing.

(c) Pursuant to the authority given by the resolutions of the then sole shareholder of the Company on 20 October 2015, a sum of HK$111,749,000 standing to the credit of the share premium account of the Company was approved to be capitalised and applied in paying in full at par of 1,117,490,000 ordinary shares of HK$0.1 each for allotment and issue on 11 November 2015 (the "Capitalisation Issue").

(d) In connection with the listing of the shares of the Company on the Stock Exchange (the "Global Offer"), 382,500,000 new ordinary shares of HK$0.1 each were issued at a price of HK$0.59 per share for a total consideration before expenses, of HK$225,675,000. Dealings in the shares of the Company on the Stock Exchange commenced on 11 November 2015.

25. CONTINGENT LIABILITIES

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

	2015	2014
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to the Remaining Group	**–**	413,000

As at 31 December 2014, the banking facilities granted to the Remaining Group subject to guarantees given to the banks by the Group were utilised to the extent of approximately HK$128,729,000. All such guarantees were cancelled before the listing of the Company on 11 November 2015.

(b) The Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of approximately HK$285,811,000 (2014: HK$236,324,000) for the issue of performance bonds in its ordinary course of business. Certain of these performance bonds were also secured by time deposits amounting to approximately HK$12,928,000 (2014: HK$10,755,000).

26. OPERATING LEASE ARRANGEMENTS

The Group leases its warehouses and offices under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

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

	2015	2014
	HK$'000	*HK$'000*
Within one year	**3,649**	3,456
In the second to fifth years, inclusive	**593**	3,744
	4,242	7,200

27. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the reporting year.

	Notes	**2015** **HK$'000**	2014 *HK$'000*
Rental expenses to the Remaining Group	*(i)*	**1,531**	1,516
Rental expense to a related company	*(i)*	**80**	–
Interest income from the Remaining Group	*(ii)*	**–**	(1,609)
Reimbursement of staff costs to the Remaining Group	*(iii)*	**–**	5,980
Purchase from the Remaining Group	*(iv)*	**237**	570
Contracting income from the Remaining Group	*(v)*	**(3,533)**	(164)

Notes:

(i) Rental expenses charged by the Remaining Group and a related company are based on the market price.

(ii) Interest received from the Remaining Group was charged at the Hong Kong dollar prime rate per annum on the net outstanding interest-bearing balances.

(iii) The reimbursement of staff costs related to the staff costs of Mr. Yu, being the managing director of all members of the Group. As Mr. Yu signed the employment contract with the Remaining Group but only provided services solely for the Group, the staff costs of Mr. Yu were initially paid by the Remaining Group, and were then reimbursed by the Group on an actual basis, as further detailed in note 9 to the financial statements.

(iv),(v) In the opinion of the directors, the above transactions were made according to the published prices and conditions similar to those offered to other major customers and suppliers.

The related party transactions in respect of items (i) and (iv) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. Since the amounts in respect of items (i) and (iv) are below de minims threshold for the purposes of Rule 14A.76 of the Listing Rules, items (i) and (iv) are fully exempt from shareholders' approval, annual review and all disclosure requirements under the Listing Rules. Furthermore, the related party transactions in respect of item (v) above constitute connected transaction but they are one-off transactions entered prior to listing. Such transactions did not constitute continuing connected transaction under Chapter 14A of the Listing Rules, and are not subject to further requirement under the Listing Rules.

(b) Other transactions with related parties:

As at 31 December 2014, the Group had provided guarantees to certain banks in connection with banking facilities granted to the Remaining Group, as further detailed in note 25 to the financial statements. All such guarantees were cancelled before the listing of the Company on 11 November 2015.

27. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties:

Details of the Group's balances with the Remaining Group as at the end of the reporting period are included in note 22 to the financial statements.

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

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 9 to the financial statements.

28. COMMITMENT

In addition to the operating lease commitments detailed in note 26 above, the Group had the following capital commitment at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Plant and machinery	**11,588**	11,654

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Financial assets

	Loans and receivables	
	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**32,399**	189,213
Retention monies receivables	**199,502**	164,425
Financial assets included in prepayments, deposits and other receivables	**16,607**	18,310
Due from the Remaining Group	**–**	21,962
Pledged time deposits	**13,928**	11,755
Cash and cash equivalents	**302,102**	155,254
	564,538	560,919

29. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	2015	2014
	HK$'000	*HK$'000*
Trade payables	**113,265**	126,790
Retention monies payables	**29,074**	26,090
Financial liabilities included in other payables and accruals	**38,921**	4,010
Due to the Remaining Group	**–**	96
	181,260	156,986

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, trade and retention monies receivables, trade and retention monies payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and balances with the Remaining Group approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

As at 31 December 2015, the Group did not have any financial assets and liabilities measured at fair value (2014: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has other financial assets and liabilities such as trade and retention monies receivables, deposits and other receivables, trade and retention monies payables, other payables, and balances with the Remaining Group which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties and group companies. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, trade and retention monies receivables, deposits and other receivables, and amounts due from the Remaining Group, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group's policy is to maintain the Group at a net current asset position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015					
Trade payables	**–**	**113,265**	**–**	**–**	**113,265**
Retention monies payables	**–**	**29,074**	**–**	**–**	**29,074**
Financial liabilities included in other payables and accruals	**38,921**	**–**	**–**	**–**	**38,921**
	38,921	**142,339**	**–**	**–**	**181,260**
2014					
Trade payables	–	126,790	–	–	126,790
Retention monies payables	–	26,090	–	–	26,090
Financial liabilities included in other payables and accruals	4,010	–	–	–	4,010
Due to the Remaining Group	96	–	–	–	96
Guarantees given to banks	413,000	–	–	–	413,000
	417,106	152,880	–	–	569,986

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and risk associated with each class of capital. Based on recommendations of the directors, the Group will balance the overall capital structure of the Group through the payment of dividends, issue of new shares as well as raising of new bank loans.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2015	2014
	HK$'000	*HK$'000*
NON-CURRENT ASSET		
Investment in a subsidiary	**2**	–
CURRENT ASSETS		
Amounts due from subsidiaries	**262,631**	–
CURRENT LIABILITIES		
Other payables and accruals	**641**	–
NET CURRENT ASSETS	**261,990**	–
Net assets	**261,992**	–
EQUITY		
Issued capital	**150,000**	–
Reserves *(note)*	**111,992**	–
Total equity	**261,992**	–

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

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

	Share premium *HK$'000*	Capital reserve* *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
Incorporation on 29 May 2015	–	–	–	–
Total comprehensive income for the period	–	–	258,363	258,363
Special dividend	–	–	(210,000)	(210,000)
Issue of new shares pursuant to the Reorganisation	–	1	–	1
Capitalisation Issue	(111,749)	–	–	(111,749)
Issue of new shares pursuant to the Global Offer	187,425	–	–	187,425
Share issue expenses	(12,048)	–	–	(12,048)
At 31 December 2015	63,628	1	48,363	111,992

* Capital reserve represents the contributed surplus with respect to the Company's share allotment of 9,999 new shares at par value of HK$0.1 each in the acquisition of the entired issued share capital of Kin Wing amounted to HK$1,622 from Chinney Construction on 15 October 2015.

33. APPROVAL OF THE FINANCIAL STATEMENTS

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