2017
Annual Report

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

* 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)*
James Sing-Wai WONG
Wing-Sang YU *(Managing Director)*
Philip Bing-Lun LAM
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

AUDITOR

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
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

SEHK 01556

CORPORATE INFORMATION

BUSINESS ADDRESSES AND CONTACTS

Chinney Kin Wing Holdings Limited

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

Tel	: (852) 2877-3307
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
Kowloon
Hong Kong

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

Kinwing Engineering (Macau) Company Limited

Alameda Dr. Carlos D'Assumpção
nºs 411-417, Praça Wong Chio
5º andar D-G
em Macau

Tel	: (853) 2871-5564
	(853) 2871-5718
Fax	: (853) 2871-3948

DrilTech Ground Engineering Limited
DrilTech Geotechnical Engineering Limited

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

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

DrilTech Ground Engineering (Macau) Limited

Alameda Dr. Carlos D'Assumpção
nºs 411-417, Praça Wong Chio
5º andar D-G
em Macau

Tel	: (853) 2871-5564
	(853) 2871-5718
Fax	: (853) 2871-3948

DrilTech Ground Engineering (Singapore) Pte. Ltd.

100 Beach Road
#30-00 Shaw Tower
Singapore 189702

Tel	: (65) 6534-5755
Fax	: (65) 6534-5766

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of Chinney Kin Wing Holdings Limited (the "Company", collectively with its subsidiaries, the "Group") will be held on Friday, 1 June 2018 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 2017 together with the reports of the directors and the independent auditor thereon.

2. To declare a final dividend for the year ended 31 December 2017.

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 auditor 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 of the Company to exercise during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers;

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

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

(d) for the purpose of this Resolution,

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

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

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

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

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

By Order of the Board
Ka-Yee Wan
Company Secretary

Hong Kong, 26 April 2018

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 (the "Listing Rules"), any vote of shareholders at a general meeting must be taken by poll and the Company must announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. The chairman of the meeting will therefore put each of the resolutions to be proposed at the AGM to be voted by way of a poll pursuant to the 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, Mr. Wing-Sang Yu ("Mr. Yu"), Mr. Hin-Kwong So ("Mr. So") and Mr. Robert Che-Kwong Tsui ("Mr. Tsui") will retire by rotation at the AGM in accordance with bye-law 84 of the Bye-laws of the Company. All Mr. Yu, Mr. So and Mr. Tsui, being eligible, will offer themselves for re-election at the AGM.

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

Wing-Sang Yu

Aged 57, 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 major 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.

Save as disclosed, he has no directorships in other listed companies in the last three years, nor does he hold any other positions with the Company and other members of the Group, nor does he has any relationships with any directors, senior management, substantial or controlling shareholders of the Company.

At the date hereof, Mr. Yu did not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO").

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 of the Company. 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$250,000 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$6,400,000 for the year ended 31 December 2017.

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.

Notes: (continued)

Hin-Kwong So

Aged 60, was appointed as our executive Director on 11 August 2015 and concurrently serves as the general manager of our Company. He is the Head of our Execution Panel and 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, 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 of the Company. 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$140,000 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$1,640,000 for the year ended 31 December 2017.

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.

Robert Che-Kwong Tsui

Aged 64, 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 thirty 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 of Hong Kong Limited (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 Gome Finance Technology Co., Ltd. (stock code: 0628, formerly known as "Sino Credit 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, substantial or controlling shareholders of the Company.

Notes: (continued)

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 of the Company.

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

(7) At the date hereof, the Board comprises of eight Directors, of which five are executive Directors, namely Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong, Mr. Wing-Sang Yu, Mr. Philip Bing-Lun Lam 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 Annual Report of Chinney Kin Wing Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2017. The Group's revenue was decreased by 14.12% to HK$1,190 million for the year ended 31 December 2017 (2016: HK$1,386 million). The profit and total comprehensive income for the year under review attributable to equity holders of the Company amounted to HK$82 million (2016: HK$102 million), representing a decrease of 20.02%.

The decrease in revenue was primarily due to the continuing weakness of the foundations market and keen competition among the market players which in turn resulted in reducing the contract value of individual projects. The reduced number of foundation contracts from both the public and private sectors of the construction industry had a further negative impact on our revenue and profit margin. As both the revenue and the profit margin of new contracts undertaken in the year under review decreased, the profit for the year was thus reduced. Nevertheless, the Group's financial position was sound and remained debt free over the year under review.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2017 to the shareholders of the Company whose names appear on the Company's register of members on 11 June 2018. It is expected that the final dividend cheques will be despatched to the shareholders on or before 28 June 2018.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 1 June 2018. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 29 May 2018 to 1 June 2018 (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 28 May 2018.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2017 is subject to the approval by the shareholders of the Company at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 8 June 2018 to 11 June 2018 (both days inclusive), during which period no share transfers will be registered. The last day for dealing in the Company's share cum entitlements to the proposed final dividend will be 5 June 2018. In order to qualify for the proposed final 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 2018.

PROSPECTS

The foundation industry in Hong Kong continues to be weak in 2017 and keen competition among the market players still persist. The Group believes that while the foundation market may recover in late 2018, the tender price will only escalate on a relatively slow pace. The pressure to increase interest rates in the coming period will bring uncertainties to the Hong Kong property development sector which will in turn directly affect the demand of foundation works. At the same time, the intensive competition in bidding for new contracts among the growing number of competitors will likely lower overall profit margins for the Group in the coming financial year.

As one of the key active market players in the foundation industry taking into account the challenges ahead, the Group will continue to execute its strategies to: implement stringent cost control measures on projects; strengthen the project management team; optimise our design capabilities and flexibilities; and improve our production efficiency in order to minimise any adverse effects to the Group. With a strengthened management team and our modernised fleet of machinery, the Group is in an excellent position to make gains against our competitors and provide premium quality services to our clients. We will closely monitor the market changes and adopt relevant strategies to explore new foundation contracts, including our Drilling Division, DrilTech, in seeking other business opportunities in overseas countries, in order to maximise the return to our shareholders.

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, the Execution Panel for their management of operation departments and all colleagues for their hard work, loyalty and contributions which are very essential to the Group's success during the year under review.

Herman Man-Hei Fung
Chairman

Hong Kong, 27 March 2018

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Herman Man-Hei Fung

Aged 80, 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 thirty 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 of Hong Kong Limited (the "Stock Exchange"). As announced earlier, he will retire as chairman and executive Director of the Company with effect from 1 April 2018.

Yuen-Keung Chan

Aged 63, 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 major subsidiaries of our Group. As announced earlier, Mr. Chan will be re-designated from vice chairman to chairman of the Board in replacement of Mr. Herman Man-Hei Fung who will retire from the Board with effect from 1 April 2018.

Mr. Chan has over thirty 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.

EXECUTIVE DIRECTORS *(continued)*

James Sing-Wai Wong

Aged 54, was appointed as our executive Director on 2 September 2016. He graduated from the University of Washington with a Bachelor's degree with honors in Economics. He also holds a Juris Doctor degree from the University of California Hastings College of Law, and a Master's degree in Systems Engineering and Information Systems from the Florida Institute of Technology. He is licensed to practice law in the United States of America and the State of California, where he also holds a Real Estate Broker's License. He has accumulated over twenty-nine years of experience in economics, law, management, and information systems in Hong Kong, United States, Canada, the United Kingdom, and the Mainland China.

Mr. Wong is currently the director of all major subsidiaries of the Company.

He is an executive director of CAGL (stock code: 385), being a controlling shareholder of the Company. He is a director of Hon Kwok (stock code: 160). He had been a director of Chinney Investments (stock code: 216) until he resigned in August 2017. CAGL, Hon Kwok and Chinney Investments are listed on the Main Board of the Stock Exchange. He is the son of Dr. James Sai-Wing Wong, the Chairman and substantial shareholder of CAGL and Chinney Investments and a controlling shareholder of the Company.

Wing-Sang Yu

Aged 57, 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 major 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 ("HKU") 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)*

Philip Bing-Lun Lam

Aged 75, was appointed as our executive Director on 2 September 2016. Mr. Lam began his career in 1963 with Hang Seng Bank Limited for eleven years, and then joined HKU in 1975 as an Assistant Finance Director. He then worked as the Chief Accountant and Comptroller in Overseas Bank (Canada) in Vancouver for three years from 1982 to 1985. In 1985, Mr. Lam re-joined HKU and had served as the Director of Finance from 1990 until his retirement on 30 June 2012. He was then asked by the Vice-Chancellor of HKU to be his Senior Advisor for financial, investment and fund-raising matters until June 2014, and since then, he has been the Honorary Advisor to the Chairman of The University of Hong Kong Foundation for Educational Development and Research.

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

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

Mr. Lam is an executive director of CAGL (stock code: 385, the shares of which are listed on the Main Board of the Stock Exchange) and also an independent non-executive director of Oriental University City Holdings (H.K.) Limited (stock code: 8067, the shares of which are listed on the GEM Board of the Stock Exchange).

Hin-Kwong So

Aged 60, was appointed as our executive Director on 11 August 2015 and concurrently serves as the general manager of our Company. He is the Head of our Execution Panel and 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 71, was appointed as our independent non-executive Director on 20 October 2015. He is also the chairman of the audit committee of the Company.

Mr. Kong received an MBA degree from The Chinese University of Hong Kong in December 1980, and received a diploma in Banking from the Chartered Banker Institute in London in December 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) 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. 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.

Ivan Ti-Fan Pong

Aged 58, 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 People's Republic of China. 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 64, 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 thirty 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 Gome Finance Technology Co., Ltd. (stock code: 0628, formerly known as "Sino Credit Holdings Limited", a company listed on the Main Board of the Stock Exchange) from August 2004 to July 2009.

SENIOR MANAGEMENT

Addy Sik-Fan Oi

Aged 50, has been the assistant general manager (contracts and design) of our Group since January 2012. He is the Deputy Head of our Execution Panel 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-four 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.

Shui-Yung Tang

Aged 51, 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 the Head of our plant department and responsible for managing the overall plant resources planning, depot operation and maintenance of our machinery and equipment.

Mr. Tang has over twenty-nine 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.

SENIOR MANAGEMENT *(continued)*

Ka-Wah Chan

Aged 50, 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-two 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 HKU in 1990.

Hoi-Fan Lam

Aged 44, 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 DrilTech Geotechnical. He is the Head of our safety department and DrilTech and responsible for the overall management and operations of our drilling and site investigation business.

Mr. Lam has over twenty-two 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.

Clement Tze-Loong Lee

Aged 53, has been the contracts manager (project) since joining our Group in January 2016. He is the Head of our project management department and responsible for the overall project planning and management of our foundation construction and ancillary services business.

Mr. Lee has over thirty-one years of experience in supervising and managing foundation and site formation projects. Prior to joining our Group, he worked as contracts manager at Vibro (HK) Ltd. for twelve years. He is currently a member of Hong Kong Institute of Construction Managers. He obtained a Bachelor's degree in Civil Engineering from The University of London, Imperial College, United Kingdom in 1986.

Man-Fu Tang

Aged 51, has been the senior construction manager of our Group since September 2013. He is the Deputy Head of DrilTech and primarily responsible for site management and implementation of foundation construction and ancillary services projects of our Group.

Mr. Tang has over twenty-four 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.

SENIOR MANAGEMENT *(continued)*

Hon-Man Wai

Aged 44, 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 seventeen 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.

Siu-Fung Chan

Aged 45, has been the senior project manager of our Group since February 2017. He is the Head of our bored pile production department and responsible for the production and operation of bored piling construction works and ancillary services of our Group.

Mr. Chan has over twenty years of experience in foundation engineering and construction site management. Prior to joining our Group, he worked as senior project manager at China State Construction Engineering (Hong Kong) Ltd. for seventeen years. He obtained a Bachelor's degree in Civil Engineering from West Coast University in 2011. He was admitted as a member of the Hong Kong Institution of Engineers in 2014. He is currently a registered professional engineer (civil) under the Engineer Registration Ordinance (Cap. 409 of the Laws of Hong Kong).

Jason Kin-Leung Ngai

Aged 59, has been the construction manager of our Group since February 2015. He is the Head of Everest and mainly responsible for the overall project planning of our foundation construction for pile cap and site formation.

Mr. Ngai has over thirty-five years of experience in pile cap and site formation construction. He obtained a Bachelor's degree in Civil Engineering from the National Cheng Kung University in Taiwan in 1982 and a Master's degree in Construction Management from The City University of Hong Kong in 2001.

Eric Wing-Hung Yuen

Aged 53, 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-nine 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 44, 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 re-designated as our Group's company secretary in August 2015. She has over twenty 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 Chartered Secretaries and The Institute of Chartered Secretaries and Administrators since September 2001.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

Throughout the year ended 31 December 2017, 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 11 to 17 of this Annual Report.

The Board currently comprises of six 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
Herman Man-Hei Fung *(Chairman)*
Yuen-Keung Chan *(Vice Chairman)*
James Sing-Wai Wong
Wing-Sang Yu *(Managing Director)*
Philip Bing-Lun Lam
Hin-Kwong So

Independent Non-Executive Directors
Siu-Chee Kong
Ivan Ti-Fan Pong
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 of the Company is independent in character and judgment. The Company has received from each independent non-executive Director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

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

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

Draft minutes of board meetings 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 is 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. According to the training records maintained by the Company, the training received by each of the Directors during the year ended 31 December 2017 is summarized as follows:

Name of Director	Type of trainings
Executive Directors	
Herman Man-Hei Fung	B
Yuen-Keung Chan	B
James Sing-Wai Wong	B
Wing-Sang Yu	A, B
Philip Bing-Lun Lam	A, B
Hin-Kwong So	A, B
Independent Non-Executive Directors	
Siu-Chee Kong	A, B
Ivan Ti-Fan Pong	A, B
Robert Che-Kwong Tsui	A, B

A: attending seminars/conferences/workshops/forums

B: reading newspapers, journals and updates relating to the economy, environmental protection business or director's duties and responsibilities etc.

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2017. 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 27 to 36 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.

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 74 and 75 in this Annual Report.

In 2017, two meetings of the Remuneration Committee were 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 2017 remuneration adjustment and 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.

In March 2017, 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 of the Board.

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 auditor 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 auditor 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.

The Audit Committee met two times during the year under review. In March 2017, one meeting of Audit Committee was held at which the Audit Committee reviewed final results of the Company and its subsidiaries for the year ended 31 December 2016 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. In August 2017, one meeting of Audit Committee was held at which the Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditor the financial reporting matters of the Group for the period ended 30 June 2017.

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

ATTENDANCE AT MEETINGS OF THE BOARD, REMUNERTAION, NOMINATION AND AUDIT COMMITTEES AND ANNUAL GENERAL MEETING

	Attended/Eligible to attend during the year ended 31 December 2017				
Name of Director	**Board Meetings**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Audit Committee Meeting**	**Annual General Meeting held on 2 June 2017**
Executive Directors					
Herman Man-Hei Fung	1/2	N/A	N/A	N/A	1/1
Yuen-Keung Chan	2/2	2/2	1/1	N/A	1/1
James Sing-Wai Wong	2/2	N/A	N/A	N/A	1/1
Wing-Sang Yu	2/2	N/A	N/A	N/A	1/1
Philip Bing-Lun Lam	2/2	N/A	N/A	N/A	1/1
Hin-Kwong So	2/2	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Siu-Chee Kong	2/2	N/A	N/A	2/2	1/1
Ivan Ti-Fan Pong	1/2	1/2	1/1	1/2	1/1
Robert Che-Kwong Tsui	2/2	2/2	1/1	2/2	1/1

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the Group has engaged its external auditor, Ernst & Young, to provide the following services and their respective fees charged are set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit services	1,256
Non-audit services (review and other services)	90

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the independent auditor of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 37 to 42.

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.

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.

SHAREHOLDERS' RIGHTS *(continued)*

3. The procedures for sending enquiries to the Board

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

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

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

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

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

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 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 overseas. 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 pages 9 and 10 of this Annual Report and the Management Discussion and Analysis set out on pages 28 to 30 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 of Hong Kong Limited (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 2017 and the Group's financial position at that date are set out in the financial statements on pages 43 to 92.

The board of Director ("the Board") recommends the payment of a final dividend of HK 3.0 cents per share in respect of the year to shareholders on the register of members on 11 June 2018. 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 28 June 2018.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

As stated in our 2016 Annual Report, the remaining balance of the unutilised portion of the net proceeds from our initial public offering amounted to HK$9.77 million. The amount was properly utilised in the reporting year in accordance with the proposed applications for acquisition of additional machinery in the amount of HK$9.00 million and also for enhancement of design capability and modifications of plant and machinery in the amount of HK$0.77 million. As at 31 December 2017, the Company had no remaining unutilised net proceeds from the initial public offering.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

During the year under review, the Group completed 17 and 53 projects with contract sum of approximately HK$1,487 million and HK$167 million in the foundation construction and ancillary services (the "Foundation Division") and drilling and site investigation (the "Drilling Division") respectively.

As at 31 December 2017, the Group had 14 and 25 projects in progress with contract sum of approximately HK$1,877 million and HK$274 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:

	2017	2016
	HK$'000	*HK$'000*
Foundation Division	**1,019,725**	1,261,748
Drilling Division	**170,716**	124,377
	1,190,441	1,386,125

The Group's revenue for the year under review was HK$1,190.44 million (2016: HK$1,386.13 million), representing a decrease of 14.12% from the previous year. The decrease of revenue in 2017 was primarily due to the continuing weakness of the foundation market and keen competition among the market players which in turn resulted in reducing the contract value of individual projects. The reduced number of foundation contacts from both the public and private sectors of the construction market had a further negative impact on our revenue in 2017.

Gross profit and gross profit margin

The Group's total gross profit was HK$289.65 million (2016: HK$362.47 million), representing a decrease of 20.09% from the previous year which was mainly due to the decrease of the Group's total revenue in 2017. Weak foundation market and fierce competition had also led to our gross profit margin decreased from 26.15% in previous year to 24.33% in the reporting year, representing a decrease of 6.96%.

Administrative expenses

The Group's administrative expenses decreased to HK$194.25 million during the year under review from HK$242.00 million for the year ended 31 December 2016, representing a decrease of 19.73%. It was mainly due to the Group's continuing implementation of stringent cost control on overhead costs.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS AND OPERATION REVIEW *(continued)*

Net profit

The Group's net profit for the year under review was HK$81.61 million (2016: HK$102.03 million), representing a decrease of 20.02% over the previous year. The decrease in net profit was directly due to the decrease of gross profit but the extent of the decrease was partly set-off by decreases in administrative expenses.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2017, the Group had unpledged cash and bank balances of HK$291.68 million as compared with HK$312.13 million as at 31 December 2016. The difference was mainly due to the net cash inflow from operating activities after the payment of 2016 final dividend of HK$60.00 million as well as a cash payment of HK$64.65 million for investments in plant and machinery.

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. To manage liquidity risk, the board of directors 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 2017, time deposits of HK$3.60 million (2016: HK$6.50 million) were pledged to banks to secure the performance bonds issued in favour of the Group's clients on contracting works. In addition, as at 31 December 2016, a time deposit of HK$1.00 million was pledged to a bank to secure general banking facilities extended to the Group and such deposit was released as at 31 December 2017.

Capital commitments

As at 31 December 2017, the Group had no capital commitments (2016: HK$30.74 million) contracted for the acquisition of plant and machinery.

Contingent liabilities

As at 31 December 2017, the Group provided corporate guarantees and indemnities to certain banks and an insurance company for an aggregate amount of HK$261.70 million (2016: HK$227.19 million) for the issue of performance bonds in its ordinary course of business. Certain of these performance bonds were also secured by time deposits amounting to HK$3.60 million (2016: HK$6.50 million).

Employees and remuneration policies

As at 31 December 2017, the Group employed 479 staffs in Hong Kong. We are proud of the professional foundation contracting team formed by these colleagues. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

OUTLOOK AND FUTURE PLANS

A weak foundation industry and keen competition among the market players persisted through 2017 and our financial results undoubtedly were affected on the negative side. Reduced number of foundation contracts available from both the public and private sector of the construction industry further intensified the price competition for the new tenders. As one of the major market players in the industry, the Group has had to adjust our tendering strategies by lowering the bidding prices for new contracts in order to maintain our competitiveness. The elimination process among the market players in the foundation industry is under processing and the Group believes that with the listing platform and a healthy financial position, the Group can withstand pressure from the current market environment and looks forward the rebound of the foundation industry.

Over the years, the Group had implemented the "3P Enhancement Program", namely Project management system, Production efficiency and Plant Modernisation. The Group is proud of the improved performance derived therefrom in terms of the project cost control and production effectiveness and the Group will continue to sharpen our competitive edges to cope with the existing challenging market. The overall result of the "3P Enhancement Program" is pleasing and had been reflected in our ability to maintain our gross profit margin even in a highly competitive market. Further, thanks to the continuing implementation of stringent cost controls, our administrative expenses were reduced to a certain extent and the Group's results benefited accordingly. In addition, the Group will place adequate resources to further strengthen the Design and Build team. The flexibility and capability of a foundation design which can in turn fulfill the site environment and the client's requirements is always a key success to winning new tenders.

Our Drilling Division, DrilTech, had performed well and recorded a historical high value in terms of revenue and profit from external customers in 2017 since its establishment. The site investigation contract in Singapore which commenced in early April 2017 had been satisfactorily completed in late August 2017, ahead of the original schedule. Adequate resources will be allocated to DrilTech to well equip its plant and machinery and recruitment of talented professionals for expanding the site investigation and down-the-hole business in Hong Kong and overseas when opportunities come. In addition to the current licenses of specialist contractors under the Works Bureau and Hong Kong Housing Authority, DrilTech will also consider applying for inclusion into the different category of specialist contractors in order to conduct a wider business scope in the public sector of the construction industry. The Group expects DrilTech will continue to perform well and improve further with increasing revenue and profit contribution to the Group in coming years.

The Group has also established a new division, Everest, specialising in site formation, pile cap and basement construction works which will be in line with the overall development of the Group in providing all round and professional foundation services to our customers. Everest has the relevant expertise of basement construction, especially construction sites at slopes, and can overcome the technical difficulties encountered by the foundation contractors.

Given the Group's established reputation in the foundation industry, together with our talented and highly motivated staff led by a committed Execution Panel, we are confident that the Group's business and our client base will continue to expand even under the existing challenging environment. In late 2017, our Group has been awarded the single largest foundation contracts since our establishment, and we are therefore conservatively optimistic as to the long term demands in the construction industry especially in view of the long term housing supply target of 460,000 housing units in Hong Kong from both the public and private sectors in the next decade.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Group for the last five 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				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,190,441**	1,386,125	1,518,926	1,381,489	1,178,324
PROFIT FOR THE YEAR	**81,606**	102,028	140,499	98,590	58,821

ASSETS AND LIABILITIES

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,014,202**	1,034,827	1,042,458	879,385	747,279
TOTAL LIABILITIES	**(589,882)**	(632,113)	(696,772)	(655,863)	(521,847)
	424,320	402,714	345,686	223,522	225,432

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

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed 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$68,374,000 as at 31 December 2017, of which HK$45,000,000 has been proposed as final 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 44.9% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 51.5% and purchases from the largest supplier included therein amounted to 21.2%.

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

Executive Directors:
Herman Man-Hei Fung *(Chairman)*
Yuen-Keung Chan *(Vice Chairman)*
James Sing-Wai Wong
Wing-Sang Yu *(Managing Director)*
Philip Bing-Lun Lam
Hin-Kwong So

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

In accordance with bye-law 84 of the Bye-laws of the Company, Mr. Wing-Sang Yu, Mr. Hin-Kwong So and Mr. Robert Che-Kwong Tsui 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 of the Company and the senior management of the Group are set out on pages 11 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 8 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in the section "Connected transactions" below and note 26 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 Company, 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 2017, 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 2017, 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 2017, 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

Kin Chuen Street

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

Details of the transaction was set out in the Company's announcement dated 20 September 2016 and circular dated 21 October 2016. During the year ended 31 December 2017, the total amount of contracting income from Gold Famous under the Framework Agreement was approximately HK$109,190,000. Further detail of the transaction is included in note 26(a)(iv) to the financial statements.

The Foundation Construction Works is a one-off transaction entered into by KWF. Such transaction does not constitute a continuing connected transaction of the Group under Chapter 14A of the Listing Rules, and is not subject to further requirements under the Listing Rules.

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 other related party transactions as set out in note 26 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 for the year ended 31 December 2017.

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 2017, there were no material breach of or non-compliance with applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board
Yuen-Keung Chan
Vice Chairman

Hong Kong, 27 March 2018

EY 安永

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

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

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

OPINION

We have audited the consolidated financial statements of Chinney Kin Wing Holdings Limited ("the Company") and its subsidiaries (the "Group") set out on pages 43 to 92, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for construction contracts	
For the year ended 31 December 2017, the Group recognised revenue from construction contracting businesses amounting to HK$1,190,441,000. The Group has accounted for its construction contracts by applying the percentage-of-completion method. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and forecasts in relation to costs to complete and profit margin. Relevant disclosures are included in notes 4 and 6 to the financial statements.	To address the key audit matter, we evaluated the significant judgements made by management, through an examination of project documentation, key contracts and variation orders, and discussion of the status of projects under construction with management, finance, and technical personnel of the Group. We tested the controls of the Group over its processes to record contract revenues and the calculation of the stage of completion. Our testing also included checking the payment certificates issued by the architects employed by contract customers on a sampling basis and a comparison of the costs incurred with total expected costs to assess the status of the projects.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of amounts due from contract customers for construction services	
Construction work performed which has not been certified is carried in the consolidated statement of financial position as amounts due from contract customers. Amounts due from contract customers are stated at cost less impairment. In assessing the recoverability of the amounts due from contract customers, the Group regularly reviews and, where appropriate, adjusts the financial budget of each construction work based on work progress and latest available information (including correspondence with contract customers), and estimates the amount of foreseeable losses or attributable profits of each construction contract. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expense immediately. The gross amount due from contract customers as at 31 December 2017 was approximately HK$58,157,000. The recoverability assessment of these amounts due from contract customers involves significant estimations and judgements made by management when management prepares financial budgets of each construction work. Relevant disclosures are included in notes 4 and 14 to the financial statements.	We selected material construction contracts, reviewed their financial budgets and interviewed the Group's project managers regarding the preparation and approval processes of financial budgets of construction contracts and the progress of work certification by contract customers. Our testing also included a review of correspondence between the Group and contract customers in respect of construction work performed and a comparison of the cost incurred with total expected cost to assess the status of the projects.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and retention monies receivable	
As at 31 December 2017, the Group recorded trade receivables and retention monies receivable of HK$112,123,000 and HK$168,686,000, respectively. Management performs an impairment assessment on a regular basis with the application of judgements and use of subjective assumptions. Relevant disclosures are included in notes 4, 14 and 15 to the financial statements.	We assessed and tested the Group's processes and controls relating to the monitoring of trade receivables, retention monies receivable and the granting of credit terms. We evaluated the inputs and assumptions used by management in their impairment assessment, and management's procedures over aged receivables or amounts in dispute by taking into account factors such as the payment history, ageing of the receivables, the subsequent settlement of the receivables and other relevant information.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong
27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
REVENUE	6	**1,190,441**	1,386,125
Cost of construction		**(900,793)**	(1,023,652)
Gross profit		**289,648**	362,473
Other income and gains	6	**1,833**	1,447
Administrative expenses		**(194,253)**	(241,999)
PROFIT BEFORE TAX	7	**97,228**	121,921
Income tax expense	10	**(15,622)**	(19,893)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**81,606**	102,028
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**81,606**	102,028
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		**HK 5.44 cents**	HK 6.80 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**320,777**	336,946
CURRENT ASSETS			
Gross amount due from contract customers	14	**58,157**	62,296
Trade receivables	15	**112,123**	83,852
Retention monies receivable	14	**168,686**	187,912
Prepayments, deposits and other receivables	16	**17,526**	23,829
Due from a fellow subsidiary	20	**1,790**	1,790
Due from a related company	21	**37,282**	–
Tax recoverable		**2,587**	18,567
Pledged time deposits	17	**3,598**	7,502
Cash and cash equivalents	17	**291,676**	312,133
Total current assets		**693,425**	697,881
CURRENT LIABILITIES			
Gross amount due to contract customers	14	**364,843**	407,723
Trade payables	18	**97,328**	88,463
Retention monies payable	14	**22,661**	28,489
Other payables and accruals	19	**47,407**	53,850
Tax payable		**8,956**	1,357
Total current liabilities		**541,195**	579,882
NET CURRENT ASSETS		**152,230**	117,999
TOTAL ASSETS LESS CURRENT LIABILITIES		**473,007**	454,945
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	**48,687**	52,231
Net assets		**424,320**	402,714

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*23*	**150,000**	150,000
Reserves		**274,320**	252,714
Total equity		**424,320**	402,714

On behalf of the Board
Yuen-Keung Chan
Director

On behalf of the Board
Wing-Sang Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	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 2016	150,000	63,628	(1)	20,002	112,057	345,686
Profit and total comprehensive income for the year	–	–	–	–	102,028	102,028
2015 special dividend declared	–	–	–	–	(45,000)	(45,000)
At 31 December 2016 and 1 January 2017	150,000	63,628	(1)	20,002	169,085	402,714
Profit and total comprehensive income for the year	–	–	–	–	81,606	81,606
2016 final dividend declared *(note 11)*	–	–	–	–	(60,000)	(60,000)
At 31 December 2017	150,000	63,628	(1)	20,002	190,691	424,320

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$274,320,000 (2016: HK$252,714,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**97,228**	121,921
Adjustments for:			
Bank interest income	6	**(912)**	(358)
Depreciation	7	**63,902**	71,578
Loss on disposal of items of property, plant and equipment	7	**764**	4,960
		160,982	198,101
Decrease in inventories		**–**	1,597
Decrease in gross amount due from contract customers		**18,625**	45,217
Increase in trade receivables		**(28,271)**	(51,453)
Decrease in retention monies receivable		**19,226**	11,590
Decrease/(increase) in prepayments, deposits and other receivables		**6,303**	(7,222)
Decrease in gross amount due to contract customers		**(42,880)**	(49,543)
Increase/(decrease) in trade payables		**8,865**	(24,802)
Decrease in retention monies payable		**(5,828)**	(585)
Increase/(decrease) in other payables and accruals		**(6,443)**	9,929
Increase in an amount due from a fellow subsidiary		**–**	(1,790)
Increase in an amount due from a related company		**(37,282)**	–
Cash generated from operations		**93,297**	131,039
Hong Kong profits tax refunded/(paid)		**4,413**	(37,106)
Overseas taxes paid		**–**	(659)
Net cash flows from operating activities		**97,710**	93,274
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**912**	358
Purchases of items of property, plant and equipment	13	**(64,653)**	(46,871)
Proceeds from disposal of items of property, plant and equipment		**1,670**	1,844
Decrease in pledged time deposits		**3,904**	6,426
Net cash flows used in investing activities		**(58,167)**	(38,243)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM A FINANCING ACTIVITY			
Dividend paid and net cash flows used in a financing activity		**(60,000)**	(45,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(20,457)**	10,031
Cash and cash equivalents at beginning of year		**312,133**	302,102
CASH AND CASH EQUIVALENTS AT END OF YEAR		**291,676**	312,133
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	**171,676**	182,133
Non-pledged time deposits with original maturity of less than three months when acquired	17	**120,000**	130,000
Cash and cash equivalents as stated in the consolidated statement of cash flows		**291,676**	312,133

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 constructions and drilling and site investigation works for both public and private sectors in Hong Kong and overseas.

In the opinion of the directors, as at 31 December 2017, 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.

Information about subsidiaries

Particulars of the Company's 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
DrilTech Ground Engineering (Singapore) Pte. Ltd.*	Singapore	S$25,000	–	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)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	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
LabTech Testing Limited	Hong Kong	HK$10,000	–	100	Construction material testing

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. 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.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments have had no impact on the disclosure of the changes in liabilities arising from financing activities of the Group.

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

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's 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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interest in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

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 will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed an assessment of the impact of the adoption of HKFRS 9. The expected impacts arising from the adoption of HKFRS 9 relate to the classification and measurement and the impairment requirements and 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.

(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 will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

HKFRS 15, issued in July 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. The Group has made an assessment on the impact of HKFRS 15 upon adoption and the Group expects that the adoption of HKFRS 15 will have no impact on the timing of the revenue recognition but additional disclosures on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers will be required.

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

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019.

The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 25 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$756,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

3. 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.

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

Fair value measurement *(continued)*

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

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

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

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

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

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

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% – $33^1/_3$%
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 including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in 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 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)*

Investments and other financial assets *(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.

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.

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, retention monies payable and other payables and accruals.

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.

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.

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

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.

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.

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, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Income tax *(continued)*

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

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

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

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

Revenue recognition

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.

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

Construction contracts

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

Revenue from fixed price construction contracts is recognised 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.

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. 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.

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

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 translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their 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 receivable.

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

Revenue recognition for construction contracts

For the year ended 31 December 2017, the Group recognised revenue from construction contracting businesses amounting to HK$1,190,441,000. The Group has accounted for its construction contracts by applying the percentage-of-completion method. This involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required, total contract costs incurred and forecasts in relation to costs to complete and profit margin.

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 2017 was approximately HK$320,777,000 (2016: HK$336,946,000).

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

Estimation uncertainty *(continued)*

Recoverability of amounts due from contract customers for construction services

Construction work performed which has not been certified is carried in the consolidated statement of financial position as amounts due from contract customers. Amounts due from contract customers are stated at cost less impairment. In assessing the recoverability of the amounts due from contract customers, the Group regularly reviews and, where appropriate, adjusts the financial budget of each construction work based on work progress and latest available information (including correspondence with contract customers), and estimates the amount of foreseeable losses or attributable profits of each construction contract. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expense immediately.

The gross amount due from contract customers as at 31 December 2017 was approximately HK$58,157,000 (2016: HK$62,296,000). The recoverability assessment of these amounts due from contract customers involves significant estimations and judgements made by management when management prepares the financial budget of each construction work.

Impairment of trade receivables and retention monies receivable

As at 31 December 2017, the Group recorded trade receivables and retention monies receivable of HK$112,123,000 (2016: HK$83,852,000) and HK$168,686,000 (2016: HK$187,912,000), respectively. Management performs an impairment assessment on a regular basis with the application of judgement and use of subjective assumptions.

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 2017 amounted to approximately HK$10,259,796,000 (2016: HK$9,030,613,000). Further details are contained in note 14 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted operating profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income 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 2017

	Foundation construction and ancillary services HK$'000	Drilling and site investigation HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,019,725	170,716	1,190,441
Intersegment sales	–	41,412	41,412
Other revenue			
Rental income from leasing of machinery	636	–	636
Others	1,045	–	1,045
	1,021,406	212,128	1,233,534
Reconciliation:			
Elimination of intersegment sales			(41,412)
Other revenue			(1,681)
Revenue			1,190,441
Segment results	77,762	23,695	101,457
Reconciliation:			
Corporate and other unallocated expenses			(5,141)
Interest income			912
Profit before tax			97,228
Segment assets	832,635	180,364	1,012,999
Reconciliation:			
Corporate and other unallocated assets			1,203
Total assets			1,014,202
Segment liabilities	446,612	139,053	585,665
Reconciliation:			
Corporate and other unallocated liabilities			4,217
Total liabilities			589,882
Other segment information:			
Depreciation	63,623	279	63,902
Capital expenditure*	57,009	7,644	64,653

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

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016

	Foundation construction and ancillary services HK$'000	Drilling and site investigation HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,261,748	124,377	1,386,125
Intersegment sales	–	130,282	130,282
Other revenue			
Rental income from leasing of machinery	334	–	334
Others	991	–	991
	1,263,073	254,659	1,517,732
Reconciliation:			
Elimination of intersegment sales			(130,282)
Other revenue			(1,325)
Revenue			1,386,125
Segment results	127,495	6,094	133,589
Reconciliation:			
Corporate and other unallocated expenses			(12,026)
Interest income			358
Profit before tax			121,921
Segment assets	884,130	120,136	1,004,266
Reconciliation:			
Corporate and other unallocated assets			30,561
Total assets			1,034,827
Segment liabilities	507,899	118,425	626,324
Reconciliation:			
Corporate and other unallocated liabilities			5,789
Total liabilities			632,113
Other segment information:			
Depreciation	71,288	290	71,578
Capital expenditure*	46,252	619	46,871

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

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**1,169,590**	1,386,125
Macau and Singapore	**20,851**	–
	1,190,441	1,386,125

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

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**320,777**	336,946

The non-current asset information above is based on the locations of the 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:

	2017	2016
	HK$'000	*HK$'000*
Customer A	*	369,895
Customer B	*	252,344

* 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:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Construction contract revenue	**1,190,441**	1,386,125
Other income and gains		
Bank interest income	**912**	358
Rental income from leasing of machinery	**636**	334
Exchange gains, net	**285**	633
Others	**–**	122
	1,833	1,447

7. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of construction	**900,793**	1,023,652
Depreciation	**66,527**	72,101
Less: Amount capitalised in cost of construction	**(2,625)**	(523)
	63,902	71,578
Staff costs (including directors' remuneration (note 8)):		
Salaries, wages and allowances	**263,650**	291,113
Pension scheme contributions	**10,242**	9,475
	273,892	300,588
Less: Amount capitalised in cost of construction	**(197,648)**	(202,905)
	76,244	97,683
Auditor's remuneration	**1,256**	1,200
Minimum lease payments under operating leases	**8,232**	3,456
Loss on disposal of items of property, plant and equipment, net	**764**	4,960
Foreign exchange differences, net	**(285)**	(633)

8. DIRECTORS' REMUNERATION

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

	2017	2016
	HK$'000	*HK$'000*
Fees	**1,350**	1,150
Other emoluments:		
Salaries, allowances and benefits in kind	**4,994**	5,000
Performance related bonuses*	**10,640**	14,560
Pension scheme contributions	**373**	305
	17,357	21,015

* 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:

	2017	2016
	HK$'000	*HK$'000*
Siu-Chee Kong	**150**	150
Ivan Ti-Fan Pong	**150**	150
Robert Che-Kwong Tsui	**150**	150
	450	450

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017					
Herman Man-Hei Fung	**150**	**–**	**1,300**	**–**	**1,450**
Yuen-Keung Chan	**150**	**–**	**1,300**	**–**	**1,450**
James Sing-Wai Wong	**150**	**–**	**–**	**–**	**150**
Wing-Sang Yu	**150**	**3,214**	**6,400**	**296**	**10,060**
Philip Bing-Lun Lam	**150**	**–**	**–**	**–**	**150**
Hin-Kwong So	**150**	**1,780**	**1,640**	**77**	**3,647**
	900	**4,994**	**10,640**	**373**	**16,907**
2016					
Herman Man-Hei Fung	150	–	3,000	–	3,150
Yuen-Keung Chan	150	–	3,000	–	3,150
James Sing-Wai Wong	50	–	–	–	50
Wing-Sang Yu	150	3,260	7,000	235	10,645
Philip Bing-Lun Lam	50	–	–	–	50
Hin-Kwong So	150	1,740	1,560	70	3,520
	700	5,000	14,560	305	20,565

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

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 (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2016: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2016: one) non-director highest paid employees for the year are as follows:

	2017	2016
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other benefits in kind	**3,816**	1,323
Bonuses paid and payable	**1,160**	500
Pension scheme contributions	**169**	56
	5,145	1,879

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

	Number of employees	
	2017	2016
HK$1,500,001 to HK$2,000,000	**3**	1

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 (2016: Nil).

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**18,322**	6,520
Overprovision in prior years	**(100)**	(80)
Current – Elsewhere		
Charge for the year	**944**	–
Overprovision in prior years	**–**	(14)
Deferred *(note 22)*	**(3,544)**	13,467
Total tax charge for the year	**15,622**	19,893

10. INCOME TAX *(continued)*

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

	2017	2016
	HK$'000	*HK$'000*
Profit before tax	**97,228**	121,921
Tax at the statutory tax rate	**16,043**	20,117
Effect of different rates for companies operating in other jurisdictions	**(133)**	23
Adjustment in respect of current tax of previous periods	**(100)**	(94)
Expenses not deductible for tax	**14**	–
Income not subject to tax	**(184)**	(164)
Tax losses utilised from previous periods	**(18)**	–
Tax losses not recognised	**–**	11
Tax charge for the year at effective rate of 16.1% (2016: 16.3%)	**15,622**	19,893

11. DIVIDEND

	2017	2016
	HK$'000	*HK$'000*
Proposed final dividend of HK 3.0 cents (2016: HK 4.0 cents) per ordinary share	**45,000**	60,000

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$81,606,000 (2016: HK$102,028,000) and the weighted average number of ordinary shares of 1,500,000,000 (2016: 1,500,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

13. 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 2017					
At 31 December 2016 and at 1 January 2017:					
Cost	2,941	722,028	8,878	9,301	743,148
Accumulated depreciation	(1,876)	(389,779)	(5,971)	(8,576)	(406,202)
Net carrying amount	1,065	332,249	2,907	725	336,946
At 1 January 2017, net of accumulated depreciation	1,065	332,249	2,907	725	336,946
Additions	–	64,002	651	–	64,653
Disposals	–	(2,324)	(110)	–	(2,434)
Transfer to costs of construction contracts	–	(11,861)	–	–	(11,861)
Depreciation provided during the year	(226)	(64,372)	(1,614)	(315)	(66,527)
At 31 December 2017, net of accumulated depreciation	839	317,694	1,834	410	320,777
At 31 December 2017:					
Cost	2,941	743,895	8,650	9,301	764,787
Accumulated depreciation	(2,102)	(426,201)	(6,816)	(8,891)	(444,010)
Net carrying amount	839	317,694	1,834	410	320,777

13. 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 2016					
At 1 January 2016:					
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
At 1 January 2016, net of accumulated depreciation	1,291	376,903	3,540	1,076	382,810
Additions	–	45,917	954	–	46,871
Disposals	–	(6,804)	–	–	(6,804)
Transfer to costs of construction contracts	–	(13,830)	–	–	(13,830)
Depreciation provided during the year	(226)	(69,937)	(1,587)	(351)	(72,101)
At 31 December 2016, net of accumulated depreciation	1,065	332,249	2,907	725	336,946
At 31 December 2016:					
Cost	2,941	722,028	8,878	9,301	743,148
Accumulated depreciation	(1,876)	(389,779)	(5,971)	(8,576)	(406,202)
Net carrying amount	1,065	332,249	2,907	725	336,946

14. CONSTRUCTION CONTRACTS

	2017	2016
	HK$'000	HK$'000
Gross amount due from contract customers	**58,157**	62,296
Gross amount due to contract customers	**(364,843)**	(407,723)
	(306,686)	(345,427)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**10,259,796**	9,030,613
Less: Progress billings	**(10,566,482)**	(9,376,040)
	(306,686)	(345,427)

As at 31 December 2017, the retentions held by customers for contract works included in the retention monies receivable included in the current assets of the Group amounted to approximately HK$168,686,000 (2016: HK$187,912,000).

As at 31 December 2017, the retentions held by the Group for contract works included in retention monies payable included in the current liabilities of the Group amounted to approximately HK$22,661,000 (2016: HK$28,489,000).

15. TRADE RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade receivables	**112,123**	83,852

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 2017, the Group had a certain concentration of risk that may arise from the exposure to the five largest customers, which accounted for 77% (2016: 82%) of the Group's total receivables. At 31 December 2017, the Group had a certain concentration of risk that may arise from the exposure to the largest customer which accounted for 21% (2016: 41%) of the Group's total receivables.

15. TRADE RECEIVABLES *(continued)*

An ageing 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:

	2017	2016
	HK$'000	*HK$'000*
Current to 30 days	**81,489**	50,429
31 to 60 days	**13,640**	32,135
61 to 90 days	**3,232**	1,065
Over 90 days	**13,762**	223
	112,123	83,852

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**84,366**	50,429
Less than 31 days past due	**13,422**	32,135
31 to 90 days past due	**641**	1,065
Past due over 90 days	**13,694**	223
	112,123	83,852

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.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Prepayments	**–**	288
Deposits and other receivables	**17,526**	23,541
	17,526	23,829

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.

17. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	2017	2016
	HK$'000	*HK$'000*
Cash and bank balances	**171,676**	182,133
Time deposits	**120,000**	130,000
Pledged time deposits	**3,598**	7,502
	295,274	319,635
Less: Pledged time deposits for letters of guarantee, performance bonds and banking facilities	**(3,598)**	(7,502)
Cash and cash equivalents	**291,676**	312,133

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.

18. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Current to 30 days	**89,790**	82,823
31 to 60 days	**4,920**	3,419
61 to 90 days	**253**	56
Over 90 days	**2,365**	2,165
	97,328	88,463

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

19. OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Other payables	**711**	2,777
Accruals	**46,696**	51,073
	47,407	53,850

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

20. DUE FROM A FELLOW SUBSIDIARY

The amount due from a fellow subsidiary was unsecured, interest-free and repayable on demand.

21. DUE FROM A RELATED COMPANY

The amount due from a related company represented construction contracting income certified from Gold Famous Development Limited ("Gold Famous"). Gold Famous is an indirect wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") of which Dr. James Sai-Wing Wong, a controlling shareholder of the Company, is also a director of and has a beneficial interest in. Mr. Herman Man-Hei Fung, Mr. Yuen-Keung Chan and Mr. James Sing-Wai Wong are common directors of the Company and Hon Kwok.

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

22. 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 2016	50,500
Deferred tax charged to profit or loss during the year *(note 10)*	4,234
At 31 December 2016 and 1 January 2017	54,734
Deferred tax credited to profit or loss during the year *(note 10)*	(4,780)
Gross deferred tax liabilities as at 31 December 2017	49,954

Deferred tax assets

	Related depreciation over depreciation allowance *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2016	352	11,384	11,736
Deferred tax charged to profit or loss during the year *(note 10)*	(352)	(8,881)	(9,233)
At 31 December 2016 and 1 January 2017	–	2,503	2,503
Deferred tax charged to profit or loss during the year *(note 10)*	–	(1,236)	(1,236)
Gross deferred tax assets as at 31 December 2017	–	1,267	1,267

22. 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:

	2017	2016
	HK$'000	*HK$'000*
Net deferred tax liabilities recognised in the consolidated statement of financial position	**48,687**	52,231

The Group has estimated tax losses arising in Hong Kong of approximately HK$7,679,000 (2016: HK$15,175,000), 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$96,000 (2016: HK$245,000) that can be used to offset against future taxable profits of the companies in which the losses arose for a maximum of three years. As at 31 December 2016, deferred tax assets of approximately HK$11,000 have not been recognised in respect of these losses as in the opinion of the directors, it is uncertain whether taxable profits will be available against which the tax losses can be utilised.

23. SHARE CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.1 each	**300,000**	300,000
Issued and fully paid:		
1,500,000,000 ordinary shares of HK$0.1 each	**150,000**	150,000

24. CONTINGENT LIABILITIES

The Group provided corporate guarantees and indemnities to certain banks and an insurance company for an aggregate amount of approximately HK$261,701,000 (2016: HK$227,192,000) 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$3,598,000 (2016: HK$6,502,000).

25. 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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**756**	504
In the second to fifth years, inclusive	**–**	126
	756	630

26. 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.

		2017	2016
	Notes	***HK$'000***	*HK$'000*
Rental expenses to fellow subsidiaries	*(i)*	**1,545**	1,545
Rental expense to a related company	*(i)*	**193**	193
Purchase from fellow subsidiaries	*(ii)*	**323**	237
Contracting income from a fellow subsidiary	*(iii)*	**–**	(30,433)
Contracting income from a related company	*(iv)*	**(109,190)**	–

Notes:

(i) The rental expenses charged by fellow subsidiaries and a related company are based on the market price.

(ii)&(iii) 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.

(iv) The contracting income received from a related company was negotiated between the concerned parties by reference to prevailing market rates. The transaction constitutes a connected transaction of the Group and was approved by the independent shareholders of the Company at a special general meeting held on 7 November 2016.

26. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

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

(b) Outstanding balances with related parties:

Details of the Group's balance with a fellow subsidiary and a related company as at the end of the reporting period are included in notes 20 and 21 to the financial statements.

(c) 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 8 to the financial statements.

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 25 above, the Group had the following capital commitment at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Plant and machinery	–	30,735

28. 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	
	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**112,123**	83,852
Retention monies receivable	**168,686**	187,912
Financial assets included in prepayments, deposits and other receivables	**17,526**	23,541
Due from a fellow subsidiary	**1,790**	1,790
Due from a related company	**37,282**	–
Pledged time deposits	**3,598**	7,502
Cash and cash equivalents	**291,676**	312,133
	632,681	616,730

Financial liabilities

	Financial liabilities at amortised cost	
	2017	2016
	HK$'000	*HK$'000*
Trade payables	**97,328**	88,463
Retention monies payable	**22,661**	28,489
Financial liabilities included in other payables and accruals	**42,707**	49,150
	162,696	166,102

29. 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 receivable, trade and retention monies payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, an amount due from a fellow subsidiary and an amount due from a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

As at 31 December 2017, the Group did not have any financial assets and liabilities measured at fair value (2016: 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 (2016: Nil).

30. 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 receivables and retention monies receivable, deposits and other receivables, trade payables and retention monies payable, other payables and accruals, an amount due from a fellow subsidiary and an amount due from a related company, 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 receivables and retention monies receivable, deposits and other receivables, an amount due from a fellow subsidiary and an amount due from a related company, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

30. 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	Total
	HK$'000	*HK$'000*	*HK$'000*
2017			
Trade payables	–	97,328	97,328
Retention monies payable	–	22,661	22,661
Financial liabilities included in other payables and accruals	42,707	–	42,707
	42,707	119,989	162,696

	On demand	Less than 12 months	Total
	HK$'000	HK$'000	HK$'000
2016			
Trade payables	–	88,463	88,463
Retention monies payable	–	28,489	28,489
Financial liabilities included in other payables and accruals	49,150	–	49,150
	49,150	116,952	166,102

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 2017 and 31 December 2016.

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

Capital management *(continued)*

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued 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 the raising of new bank loans.

31. 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:

	2017	2016
	HK$'000	*HK$'000*
NON-CURRENT ASSET		
Investment in a subsidiary	**2**	2
CURRENT ASSETS		
Amounts due from subsidiaries	**384,786**	326,620
Tax recoverable	**658**	–
Cash and cash equivalents	**546**	30,561
Total current assets	**385,990**	357,181
CURRENT LIABILITIES		
Other payables and accruals	**4,154**	4,845
Amounts due to subsidiaries	**99,835**	70,365
Tax payable	**–**	822
Total current liabilities	**103,989**	76,032
NET CURRENT ASSETS	**282,001**	281,149
Net assets	**282,003**	281,151
EQUITY		
Issued capital	**150,000**	150,000
Reserves *(note)*	**132,003**	131,151
Total equity	**282,003**	281,151

31. 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*
At 1 January 2016	63,628	1	48,363	111,992
Total comprehensive income for the year	–	–	64,159	64,159
2015 special dividend declared	–	–	(45,000)	(45,000)
At 31 December 2016 and 1 January 2017	63,628	1	67,522	131,151
Total comprehensive income for the year	–	–	60,852	60,852
2016 final dividend declared *(note 11)*	–	–	(60,000)	(60,000)
At 31 December 2017	63,628	1	68,374	132,003

* Capital reserve represented 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 entire issued share capital of Kin Wing Chinney (BVI) Limited amounting to HK$1,622 from Chinney Construction Group Limited on 15 October 2015.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2018.