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**SFK Construction Holdings Limited**

**新福港建設集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1447)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**HIGHLIGHTS**

- Our overall revenue for the year ended 31 December 2016 increased to HK\$3,002.02 million as compared to that of HK\$2,733.57 million for the year ended 31 December 2015.
- Our overall gross profit increased to HK\$196.49 million for the year ended 31 December 2016 as compared to that of HK\$167.30 million for the year ended 31 December 2015.
- Profit attributable to the equity shareholders of the Company increased to HK\$105.97 million for the year ended 31 December 2016 as compared to that of HK\$71.96 million for the year ended 31 December 2015.
- In 2016, the Group was awarded 14 projects as a main contractor in Hong Kong (out of which 10 and 4 are from the public sector and private sector, respectively), with total original contract sum of approximately HK\$6,273 million (2015: approximately HK\$4,927 million).
- As at 31 December 2016, we had a total of 17 projects for general building works and 6 projects for civil engineering works on hand. The total original contract sum of these projects was approximately HK\$17,063 million (2015: approximately HK\$12,508 million). The outstanding value of our ongoing projects as at 31 December 2016 was approximately HK\$10,525 million.
- The directors propose to recommend, at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK17.5 cents per share, amounting to approximately HK\$70 million. Together with the interim dividend of HK9 cents per share already paid in September 2016, total payment of dividend for the year ended 31 December 2016 amounted to be HK26.5 cents per share (2015: HK25 cents per share).

## ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of SFK Construction Holdings Limited (the “Company”) is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016 (the “Year” or “2016”), together with the comparative figures for the year ended 31 December 2015 (“2015”) as follow:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2016*

*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2016</b> <b>\$'000</b>	2015 \$'000
<b>Revenue</b>	3	<b>3,002,023</b>	2,733,571
Direct costs		<u>(2,805,536)</u>	<u>(2,566,270)</u>
<b>Gross profit</b>		<b>196,487</b>	167,301
Other revenue		258	469
Other net loss		–	(945)
Administrative expenses		<u>(67,001)</u>	<u>(72,102)</u>
<b>Profit from operations</b>		<b>129,744</b>	94,723
Finance costs		(3,007)	(2,269)
Share of profits less losses of joint ventures		<u>945</u>	<u>(3,384)</u>
<b>Profit before taxation</b>		<b>127,682</b>	89,070
Income tax	4	<u>(21,571)</u>	<u>(16,714)</u>
<b>Profit for the year</b>		<b><u>106,111</u></b>	<b><u>72,356</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>105,967</b>	71,962
Non-controlling interests		<u>144</u>	<u>394</u>
<b>Profit for the year</b>		<b><u>106,111</u></b>	<b><u>72,356</u></b>
Earnings per share — Basic/Diluted	5	<b><u>26.5 cents</u></b>	<u>23.5 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

(Expressed in Hong Kong dollars)

	2016 \$'000	2015 \$'000
<b>Profit for the year</b>	<b>106,111</b>	72,356
<b>Other comprehensive income for the year (after tax)</b>		
<i>Items that may be reclassified subsequently to profit or loss or have been reclassified:</i>		
Exchange differences on translation of financial statements of overseas subsidiary	(166)	–
Reclassification of exchange reserve upon de-registration of subsidiaries	–	(412)
<b>Total comprehensive income for the year</b>	<b>105,945</b>	71,944
<b>Attributable to:</b>		
Equity shareholders of the Company	105,801	71,550
Non-controlling interests	144	394
<b>Total comprehensive income for the year</b>	<b>105,945</b>	71,944

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

(Expressed in Hong Kong dollars)

	Note	2016 \$'000	2015 \$'000
<b>Non-current assets</b>			
Plant and equipment		27,149	27,083
Interest in joint ventures		2,067	364
Deferred tax assets		1,217	932
		<u>30,433</u>	<u>28,379</u>
<b>Current assets</b>			
Gross amount due from customers for contract work		570,330	655,492
Trade and other receivables	6	524,689	513,376
Current tax recoverable		2,742	4,947
Pledged deposits		19,941	19,862
Cash and cash equivalents		215,828	297,269
		<u>1,333,530</u>	<u>1,490,946</u>
<b>Current liabilities</b>			
Gross amount due to customers for contract work		124,458	161,708
Trade and other payables	7	674,780	712,541
Amount due to a joint venture		1,032	591
Bank loans	8	100,732	155,000
Current tax payable		8,060	4,450
		<u>909,062</u>	<u>1,034,290</u>
<b>Net current assets</b>		<u>424,468</u>	<u>456,656</u>
<b>Total assets less current liabilities</b>		454,901	485,035
<b>Non-current liabilities</b>			
Deferred tax liabilities		3,165	3,244
<b>NET ASSETS</b>		<u>451,736</u>	<u>481,791</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	40,000	40,000
Reserves		411,749	441,948
<b>Total equity attributable to equity shareholders of the Company</b>		451,749	481,948
<b>Non-controlling interests</b>		(13)	(157)
<b>TOTAL EQUITY</b>		<u>451,736</u>	<u>481,791</u>

Notes:

## **1 GENERAL INFORMATION**

SFK Construction Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) are principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau. The Company was incorporated in Bermuda on 17 October 2007 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The Company’s shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 December 2015 (the “Listing Date”).

## **2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial information set out in this announcement does not constitute the Group’s consolidated financial statements for the year ended 31 December 2016 but are extracted from those financial statements.

The Group’s consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards 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. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current account period.

### **(b) Basis of preparation**

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries and the Group’s interest in joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

The principal activities of the Group are general building, civil engineering and the provision of other services.

The amount of each significant category of revenue is as follows:

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
General building	<b>1,908,269</b>	1,808,603
Civil engineering	<b>993,529</b>	846,323
Housing management services	<b>90,230</b>	71,584
Consultancy services	<b>9,919</b>	6,752
Others	<b>76</b>	309
	<b><u>3,002,023</u></b>	<u>2,733,571</u>

#### (b) Segment reporting

The Group manages its businesses by segments, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

- General building : this segment provides engineering services of substructure or superstructure of building structures and maintenance, repairs, alterations services and additions to building structures
- Civil engineering : this segment provides engineering services of infrastructure facilities and maintenance, repairs, alterations services to infrastructure facilities
- Others : this segment mainly provides housing management services and consultancy services

#### (i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of deferred tax assets, current tax recoverable and other corporate assets. Segment liabilities include trade creditors, accruals and other current and non-current liabilities attributable to the business activities of the individual segments.

Segment result includes revenue and expenses that are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

In addition, management is provided with segment information concerning revenue, share of profits less losses of joint ventures, depreciation, additions to non-current segment assets used by the segments in their operations and share of net assets in joint ventures. Inter-segment sales are priced with reference to prices charged to external price for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the year ended 31 December 2016 and 2015 is set out below.

*For the year ended 31 December 2016*

	<b>General building \$'000</b>	<b>Civil engineering \$'000</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
Reportable segment revenue	<u>1,908,269</u>	<u>993,529</u>	<u>100,225</u>	<u>3,002,023</u>
Reportable segment profit	<u>144,549</u>	<u>49,318</u>	<u>3,138</u>	197,005
Other revenue and other net loss				156
Depreciation				(1,298)
Finance costs				(3,007)
Unallocated head office and corporate expenses				<u>(65,174)</u>
Consolidated profit before taxation				<u>127,682</u>
Share of profit of joint venture	<u>945</u>	<u>–</u>	<u>–</u>	<u>945</u>
Depreciation for the year	<u>5,452</u>	<u>3,046</u>	<u>633</u>	<u>9,131</u>
Reportable segment assets (including interest in joint venture)	<u>675,756</u>	<u>358,908</u>	<u>81,207</u>	1,115,871
Deferred tax assets				1,217
Current tax recoverable				2,742
Unallocated head office and corporate assets				<u>244,133</u>
Consolidated total assets				<u>1,363,963</u>
Additions to non-current segment assets during the year	<u>6,450</u>	<u>3,358</u>	<u>339</u>	<u>10,147</u>
Share of net assets in joint venture	<u>2,067</u>	<u>–</u>	<u>–</u>	<u>2,067</u>
Reportable segment liabilities	<u>483,634</u>	<u>244,658</u>	<u>19,150</u>	747,442
Current tax payable				8,060
Deferred tax liabilities				3,165
Unallocated head office and corporate liabilities				<u>153,560</u>
Consolidated total liabilities				<u>912,227</u>

For the year ended 31 December 2015

	General building \$'000	Civil engineering \$'000	Others \$'000	Total \$'000
Reportable segment revenue	<u>1,808,603</u>	<u>846,323</u>	<u>78,645</u>	<u>2,733,571</u>
Reportable segment profit	<u>109,100</u>	<u>56,030</u>	<u>(1,215)</u>	163,915
Other revenue and other net loss				(996)
Depreciation				(1,618)
Finance costs				(2,269)
Unallocated head office and corporate expenses				<u>(69,962)</u>
Consolidated profit before taxation				<u>89,070</u>
Share of profit less loss of joint venture	<u>(3,384)</u>	<u>–</u>	<u>–</u>	<u>(3,384)</u>
Depreciation for the year	<u>5,079</u>	<u>2,736</u>	<u>515</u>	<u>8,330</u>
Reportable segment assets (including interest in joint venture)	<u>741,612</u>	<u>365,919</u>	<u>80,732</u>	1,188,263
Deferred tax assets				932
Current tax recoverable				4,947
Unallocated head office and corporate assets				<u>325,183</u>
Consolidated total assets				<u>1,519,325</u>
Additions to non-current segment assets during the year	<u>3,937</u>	<u>1,842</u>	<u>171</u>	<u>5,950</u>
Share of net assets in joint venture	<u>364</u>	<u>–</u>	<u>–</u>	<u>364</u>
Reportable segment liabilities	<u>560,313</u>	<u>228,175</u>	<u>29,647</u>	818,135
Current tax payable				4,450
Deferred tax liabilities				3,244
Unallocated head office and corporate liabilities				<u>211,705</u>
Consolidated total liabilities				<u>1,037,534</u>



(ii) *Geographic information*

No geographic information has been presented as most of the Group's operating activities are carried out in Hong Kong.

**4 INCOME TAX**

**Taxation in the consolidated income statement represents:**

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	<b>21,865</b>	15,525
Under/(over)-provision in respect of prior years	<b>70</b>	(217)
	<b>21,935</b>	15,308
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(364)</b>	1,406
	<b>21,571</b>	16,714

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

**5 EARNINGS PER SHARE**

**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$105,967,000 (2015: \$71,962,000) and the weighted average of 400,000,000 shares (2015: 306,027,397 shares) in issue during the year, calculated as follows:

The weighted average number of shares in issue during the year ended 31 December 2015 is based on the assumption that 300,000,000 shares of the Company were in issue, comprising 100 shares in issue and 299,999,000 shares issued pursuant to the capitalisation issue, as if these shares were outstanding throughout the period from 1 January 2015 to the Listing Date, and 100,000,000 shares issued under the initial public offer (the "IPO").

	<b>2016</b>	2015
Weighted average number of shares		
Issued ordinary shares at 1 January	<b>400,000,000</b>	100
Effect of issuance of new shares under the IPO ( <i>note 10(iii)</i> )	—	6,027,397
Effect of capitalisation issue ( <i>note 10(ii)</i> )	—	299,999,900
Weighted average number of shares at 31 December	<b>400,000,000</b>	306,027,397

**(b) Diluted earnings per share**

There were no dilutive potential shares in existence during the years ended 31 December 2016 and 2015.

## 6 TRADE AND OTHER RECEIVABLES

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Trade debtors	<b>314,282</b>	317,319
Deposits, prepayments and other receivables	<b>39,502</b>	30,365
Amounts due from related companies ( <i>note (i)</i> )	<b>10,285</b>	8,028
Amounts due from joint operation partners ( <i>note (ii)</i> )	<b>27,789</b>	2,258
Retentions receivable	<b>132,831</b>	155,406
	<u><b>524,689</b></u>	<u>513,376</u>
	<i>(note (iii))</i>	

### Notes:

- (i) The amounts represent trade balances due from subsidiaries of Great Eagle Holdings Limited for the provision of housing management services. The balances are under similar terms it provides to other customers.
- (ii) The amounts due from joint operation partners are interest-free, unsecured and repayable on demand.
- (iii) Except for the amounts of \$74,028,000 (2015: \$71,188,000) which are expected to be recovered after one year, all of the remaining balances of trade and other receivables are expected to be recovered within one year.

### Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and trade balances due from related companies (which is included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) is as follows:

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Within 1 month	<b>263,006</b>	262,963
Over 1 to 2 months	<b>55,345</b>	57,691
Over 2 to 3 months	<b>4,377</b>	3,992
Over 3 months	<b>1,839</b>	701
	<u><b>324,567</b></u>	<u>325,347</u>

In respect of trade and other receivables, before entering into construction contracts, assessment of the potential customers is carried out as part of the acceptance procedures for the new contracts. These assessments focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

Regular review and follow-up actions are carried out on overdue amounts of trade receivables from customers which enable management to assess their recoverability and to minimise the exposure to credit risk. Trade receivables are due within 14 to 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

## 7 TRADE AND OTHER PAYABLES

	<b>2016</b> <b>\$'000</b>	2015 <b>\$'000</b>
Trade creditors	<b>315,188</b>	187,210
Accruals and other payables	<b>175,427</b>	340,279
Amounts due to joint operation partners ( <i>note (i)</i> )	<b>7,480</b>	17,829
Retentions payable	<b>176,685</b>	167,223
	<hr/> <b>674,780</b> <hr/>	<hr/> 712,541 <hr/>
	<i>(note (ii))</i>	

### Notes:

- (i) The amounts due to joint operation partners are interest-free, unsecured and repayable on demand.
- (ii) Except for the amounts of \$85,356,000 (2015: \$68,497,000), all of the remaining balances of trade and other payables are expected to be settled within one year.

### Ageing analysis

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

	<b>2016</b> <b>\$'000</b>	2015 <b>\$'000</b>
Within 1 month	<b>256,496</b>	168,019
Over 1 to 2 months	<b>50,602</b>	13,911
Over 2 to 3 months	<b>3,001</b>	2,677
Over 3 months	<b>5,089</b>	2,603
	<hr/> <b>315,188</b> <hr/>	<hr/> 187,210 <hr/>

## 8 BANK LOANS

	<b>2016</b> <b>\$'000</b>	2015 <i>\$'000</i>
Bank loans, repayable within 1 year		
— Secured	<b>45,000</b>	100,000
— Unsecured	<b>55,732</b>	55,000
	<b>100,732</b>	155,000

- (a) As at 31 December 2016, the bank loans bear interest ranging from 1.97% to 2.67% (2015: 2.12% to 3%) per annum.
- (b) As at 31 December 2016 and 2015, the banking facilities (including bank loans and performance bonds) granted to the Group, the Group's joint operations and the Group's joint venture jointly were secured by:
- (i) Assignment of project proceeds from certain construction contracts of the Group, the Group's joint operations and the Group's joint venture;
  - (ii) Pledged deposits of the Group of \$19,941,000 (2015: \$19,862,000);
  - (iii) Corporate guarantees provided by a subsidiary and the joint venture partner, personal properties and pledged deposits owned by the joint venture partner; and
  - (iv) Corporate guarantees provided by the Company and cross corporate guarantees provided by the Company and certain subsidiaries.

## 9 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year

	<b>2016</b> <b>\$'000</b>	2015 <i>\$'000</i>
Interim dividend declared and paid of 9 cents (2015: \$Nil) per ordinary share	<b>36,000</b>	–
Final dividend proposed after the end of the reporting period of 17.5 cents (2015: 25 cents) per ordinary share	<b>70,000</b>	100,000
	<b>106,000</b>	100,000

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## 10 SHARE CAPITAL

	2016		2015	
	<i>No. of shares</i>	<i>Amount</i> \$	<i>No. of shares</i>	<i>Amount</i> \$
<b>Authorised:</b>				
At 1 January	10,000,000,000	1,000,000,000	936,000	93,600
Increase in authorised share capital (note (i))	–	–	9,999,064,000	999,906,400
At 31 December	<u>10,000,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000,000</u>	<u>1,000,000,000</u>
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	400,000,000	40,000,000	100	10
Capitalisation issue (note (ii))	–	–	299,999,900	29,999,990
Issuance of new shares under the IPO (note (iii))	–	–	100,000,000	10,000,000
At 31 December	<u>400,000,000</u>	<u>40,000,000</u>	<u>400,000,000</u>	<u>40,000,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

### Notes:

- (i) On 12 November 2015, the Company increased its authorised share capital from \$93,600 divided into 936,000 ordinary shares of \$0.1 each to \$1,000,000,000 divided into 10,000,000,000 ordinary shares of \$0.1 each of an additional 9,999,064,000 ordinary shares of \$0.1 each.
- (ii) On 19 November 2015, pursuant to a written resolution of the sole shareholder of the Company, the Company allotted and issued 299,999,900 shares of \$0.1 each to the existing shareholder of the Company. This resolution was conditional on the share premium account being credited as a result of the Company's IPO and pursuant to this resolution, a sum of \$29,999,990 standing to the credit of the share premium account was subsequently applied in paying up this capitalisation in full upon the Listing Date.
- (iii) On 10 December 2015, the Company's shares were successfully listed on the Stock Exchange following the completion of its IPO of 100,000,000 shares of \$0.1 each issued at a price of \$1.35 per share. Proceeds of \$10,000,000, representing the par value of shares issued, were credited to the Company's share capital. The remaining proceeds of \$125,000,000, after deducting issuing expenses of \$12,133,000, were credited to the share premium account.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the year 2016, our Group's revenue increased by 9.82% from HK\$2,733.57 million to HK\$3,002.02 million; and our profit for the year attributable to equity shareholders of the Company increased by 47.26% from HK\$71.96 million to HK\$105.97 million. The favourable results were mainly the combined effect of the award of several sizeable projects during the Year and the increase in contributions from our ongoing projects between years in accordance with the work progress.

The construction industry in Hong Kong keeps facing the challenges of shortage of manpower and ageing workforce. Besides, it has become more frequent that approvals of funding for public works contracts were impeded and in extremely slow progress in the Legislative Council. Despite such tough environment, we managed to win 14 new projects during the Year with a total original contract sum of approximately HK\$6,273 million. As at 31 December 2016, the outstanding value of our ongoing projects was approximately HK\$10,525 million.

Our Group is one of the few construction companies in Hong Kong that are included in the List of Approved Contractors maintained by the Works Branch with Group C status (unlimited value) in all five works categories. Our Group is also one of the approved contractors to tender for Housing Authority's new works contracts and maintenance contracts of unlimited value. These are the highest grades in the respective categories, which enable us to be capable and flexible in acquiring or tendering for all kinds of Government and Housing Authority's construction and maintenance contracts for general building and civil engineering works. Subsequent to the end of the reporting period, we have been awarded various maintenance contracts with a total contract sum of approximately HK\$1,872 million. We are optimistic that our Group can maintain a steady growth in our construction and maintenance business.

#### Major projects awarded and undertaken in 2016

During the Year, we were awarded 14 projects as a main contractor in Hong Kong (out of which 10 and 4 are from the public sector and private sector, respectively), with total original contract sum of approximately HK\$6,273 million. The table below sets out the summary of our construction and maintenance projects for general building and civil engineering works that were awarded during the Year:

	<b>Number of projects</b>	<b>Total original contract sum (approximate HK\$'million)</b>
Original contract sum at or above HK\$500 million	4	6,218
Original contract sum below HK\$500 million but at or above HK\$200 million	Nil	Nil
Original contract sum below HK\$200 million but at or above HK\$50 million	Nil	Nil
Original contract sum less than HK\$50 million	10	55
	<hr/>	<hr/>
	14	6,273
	<hr/>	<hr/>

As at 31 December 2016, we had a total of 17 projects for general building works and 6 projects for civil engineering works on hand. The total original contract sum of these projects was approximately HK\$17,063 million. The outstanding value of our ongoing projects as at 31 December 2016 was approximately HK\$10,525 million. The following table sets forth the particulars of some of the sizeable construction and maintenance projects for general building works and civil engineering works awarded and undertaken by us as a main contractor and remain ongoing as at 31 December 2016:

Project type	Business segment	Scope of works	Contract completion date	Original contract sum (approximate HK\$'million)	Revenue recognised during the financial year 2016 (approximate HK\$'million)
Maintenance of properties managed by the Architectural Services Department	General building works — maintenance project	Alterations, additions, maintenance and repair of buildings and lands and properties in Tai Po, North District, Outlying Islands (North), Wong Tai Sin and Sha Tin for which Architectural Services Department (Property Services Branch) is responsible	March 2017	883.6	260.6
Kai Tak Development for Civil Engineering and Development Department	Civil engineering works	Reconstruction of the Kai Tak Airport	July 2017	1,947.0	369.4
Management and maintenance of roads in Kowloon East for the Highways Department	Civil engineering works — maintenance projects	Management and maintenance of public roads, including associated slopes, highway structures, landscaping and minor improvement works, in Kowloon East but excluding high speed roads	March 2018	550.0	132.9
Maintenance of properties managed by the Housing Authority	General building works — maintenance project	Maintenance, improvement and vacant flat refurbishment for properties managed by the Housing Authority at Wong Tai Sin, Tsing Yi, Tsuen Wan and Islands	March 2018	432.2	120.7
Home ownership scheme development of the Housing Authority	General building works	To build 3 blocks of around 30 storeys buildings, carpark and carport, and ancillary structures	September 2018	1,297.0	116.4
Home ownership scheme development of the Housing Authority	General building works	To build 2 blocks of 27 storeys building and ancillary structures	October 2018	1,299.0	269.1
Contract with the Hospital Authority	General building works	To carry out minor works for New Territories East and New Territories West Clusters	June 2019	734.2	8.7
Kai Tak Development for Civil Engineering and Development Department	Civil engineering works	Infrastructure works for developments at the southern part of the former runway	September 2019	1,947.0*	100.9**
Public rental housing development of the Housing Authority	General building works	To build 5 domestic blocks with 4,846 flats and ancillary buildings	October 2019	3,047.0	78.5
Maintenance of hydraulic and pumping system and buildings managed by the Airport Authority	General building works — maintenance project	Maintenance, improvement and refurbishment for hydraulic and pumping system and various buildings managed by the Airport Authority	March 2020	221.8	46.0

\* In a form of joint operation in which the Company participates in 40% of the contract.

\*\* The revenue recognised represented our shares of the contract.

## Major projects completed in 2016

Completed projects refer to projects for which we have received the completion certificates from the respective customers or terms of year of the contracts expired. Details of the major projects completed by the Group as a main contractor during the Year are as follow:

Project type	Business segment	Scope of works	Contract period	Original contract sum (approximate HK\$ million)	Revenue recognised during the financial year 2016 (approximate HK\$ million)
Ma On Shan line modification works for a local railway operator	General building works	To modify the existing facilities of the Ma On Shan line	August 2012 to June 2016	620.0	55.6
Stonecutters Island sewage treatment works for Drainage Services Department	Civil engineering works	Construction of a main pumping station, the extension of chemically enhanced primary treatment tanks and the construction of other ancillary facilities at Stonecutters Island sewage treatment works	February 2011 to July 2016	2,385.7*	260.6 **
Provision of barrier-free access facilities for highways structures managed by Highways Department	General building works — maintenance project	Construction of barrier-free access facilities for highway structures in Wanchai District, Eastern District, Southern District, Yau Tsim Mong District and Sham Shui Po District	March 2013 to September 2016	372.4	34.6
Expansion works for a theme park	General building works	(a) To build an attraction of the theme park	February 2015 to September 2016	437.0	288.1
		(b) To build a chiller plant 2	June 2015 to May 2016	148.1	84.5
		(c) To build a costuming building	June 2015 to July 2016	109.0	49.1

\* In a form of joint operation in which the Company participates in 66.16% of the contract.

\*\* The revenue recognised represented our shares of the contract.

A majority of our revenue is generated from our general building and civil engineering works. During the Year, the revenue attributable to our general building and civil engineering business amounted to HK\$1,908.27 million and HK\$993.53 million (2015: HK\$1,808.60 million and HK\$846.32 million), respectively, representing approximately 63.57% and 33.10% (2015: 66.16% and 30.96%), respectively, of the total revenue of the Group for the Year.

During the Year, other than general building and civil engineering works, we also provided other services which comprised mainly housing and property management services (such as the provision of cleaning services and security management services) and building information modelling (BIM) services to Hong Kong customers in both the public and private sectors. Revenue attributable to these other services amounted to approximately 3.33% of the total revenue of the Group for the Year (2015: 2.88%).



## Award of Contracts after the Reporting Period

The Group has been awarded and undertaken by us the following contracts for maintenance projects after the reporting period and the table below sets forth the particulars of these projects:

Project type	Business segment	Scope of works	Contract period	Original contract sum (approximate HK\$'million)
Maintenance of properties managed by the Housing Authority	General building works — maintenance project	Maintenance, improvement and vacant flat refurbishment for properties managed by the Housing Authority in Tuen Mun and Yuen Long	April 2017 to March 2020	209.8
Maintenance of properties managed by the Architectural Services Department	General building works — maintenance project	Alterations, additions, maintenance and repair of buildings and lands and properties in (i) Hong Kong Island Eastern and Outlying Islands (South); (ii) Hong Kong Island Western, Southern and Lantau Island for which Architectural Services Department (Property Services Branch) is responsible	April 2017 to March 2021	1,471.8
Contract with Civil Engineering and Development Department	General building works — maintenance project	To carry out maintenance works for piers	March 2017 to March 2022	190.0

## Recent Development

During the Year, the Group acquired Fujitac Construction & Engineering Consultants Limited (“Fujitac”) and 佛山寶得物業管理有限公司 (Foshan Baode Building Management Limited\*) from wholly-owned subsidiaries of Sun Fook Kong Group Limited, our controlling shareholder, with a view to expand its business of providing construction-related consultancy services in Hong Kong and its housing management business into the People’s Republic of China (the “PRC”).

Subsequent to the end of the reporting period, Fujitac have been awarded three consultancy term contracts with the Buildings Department for the investigation of reports on building defects.

The Group will continue to seek and consider suitable merger and acquisition opportunities to enhance its capabilities in undertaking different types of construction works and housing management works. Should suitable opportunities arise, we intend to invest in, or form joint ventures with, high-quality companies which possess the relevant licences and expertise especially in the area of specialist works such as electrical and mechanical works. In selecting and assessing potential merger and acquisition opportunities, we will consider a variety of factors relating to the target companies, such as their compatibility with our business and future development plans, track record, capability of management and technical staff, market share, goodwill and cost management.

\* For identification purposes only

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue increased by approximately HK\$268.45 million, or approximately 9.82%, from HK\$2,733.57 million for 2015 to HK\$3,002.02 million for 2016. The increase in our revenue was mainly the combined effect of the increase in general building business of HK\$99.67 million and the increase in civil engineering business of HK\$147.21 million.

Revenue from general building business increased by approximately HK\$99.67 million, or approximately 5.51%, from HK\$1,808.60 million for 2015 to HK\$1,908.27 million for 2016. The increase was primarily due to inclusion of certain new general building contracts, including construction of a park development in Kowloon West and the construction of a home ownership scheme development and a public rental housing development for the Hong Kong Housing Authority. In addition, there was an increase in revenue of certain general building contracts in accordance with the work progress, including the construction of another home ownership scheme development for the Hong Kong Housing Authority. This was partly offset by the decrease in revenue between years due to the completion of certain general building contracts, including Ma On Shan line modification works for a local railway operator.

Revenue from civil engineering business increased by approximately HK\$147.21 million, or approximately 17.39%, from HK\$846.32 million 2015 to HK\$993.53 million for 2016. The increase was primarily due to increase in revenue of certain civil engineering contracts in accordance with the work progress, including Kai Tak Development at the southern part of the former runway.

Revenue from other services (which mainly comprised housing management services and building information modelling (BIM) services) for 2016 amounted to HK\$100.22 million (2015: HK\$78.65 million), representing 3.33% (2015: 2.88%) of the total revenue of the Group.

Our business remained to be primarily focusing in the Hong Kong market during the Year.

### **Gross profit and gross profit margin**

Our overall gross profit increased by approximately HK\$29.19 million, or approximately 17.45%, from HK\$167.30 million for 2015 to HK\$196.49 million for 2016. The increase in our gross profit was mainly due to the increase in contributions from our ongoing projects between years in accordance with the work progress.

Gross profit margin for 2016 amounted to 6.55%, which was about in line compared to that of 6.12% for 2015.

### **Other revenue**

Our other revenue for 2016 amounted to HK\$0.26 million, which was about in line compared to that of HK\$0.47 million for 2015. Other revenue mainly consisted of interest income.

## **Other net loss**

Our other net loss for 2015 was mainly attributed to the net effect of (i) gain on disposal of plant and equipment; (ii) foreign exchange loss; and (iii) gain on de-registration of a subsidiary.

## **Administrative expenses**

Our administrative expenses for 2016 amounted to HK\$67.00 million, compared to that of HK\$72.10 million for 2015. Included in our administrative expenses for 2015 were listing expenses of HK\$11.46 million being charged to profit or loss. Administrative expenses mainly consisted of staff costs and rental charges.

## **Finance costs**

Our finance costs for 2016 amounted to HK\$3.01 million, compared to that of HK\$2.27 million for 2015. The increase was primarily associated with the increase in bank interest expenses arising from the increase in average bank loan balances.

## **Income tax**

Our income tax for 2016 amounted to HK\$21.57 million, compared to that of HK\$16.71 million for 2015. The effective tax rate for 2016 was 16.89%, compared to that of 18.76% for the 2015.

The relatively higher effective tax rate for 2015 was mainly due to the inclusion of a HK\$11.46 million non-deductible listing expenses. Excluding this one-off item from the profit before income tax, our effective tax rate for 2015 would be 16.62%, which was about in line with that for 2016.

## **Profit attributable to the equity shareholders of the Company**

Based on the above factors, profit attributable to the equity shareholders of the Company increased by approximately HK\$34.01 million, or approximately 47.26%, from HK\$71.96 million for 2015 to HK\$105.97 million for 2016.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Capital Structure**

As at 31 December 2016, the capital structure of the Group consisted of equity of HK\$451.74 million (2015: HK\$481.79 million) and bank borrowings of HK\$100.73 million as more particularly described in the paragraph headed “Borrowings” below (2015: HK\$155.00 million).

### **Cash position and fund available**

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and bank borrowings. As at 31 December 2016, our cash and cash equivalents were HK\$215.83 million (2015: HK\$297.27 million).

As at 31 December 2016, the current ratio of the Group was 1.47 (2015: 1.44).

Our principal uses of cash have been, and are expected to continue to be, operational costs.

### **Borrowings**

As at 31 December 2016, the Group had total bank borrowings of approximately HK\$100.73 million (2015: HK\$155.00 million). The Group also had approximately HK\$1,120 million of undrawn banking facilities in Hong Kong and Macau (including loans, letter of credit and letter of guaranteed facilities). All of the Group's banking facilities are subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group remains in compliance with its loan covenants.

### **GEARING RATIO**

As at 31 December 2016, the Group's gearing ratio was 22.30% (2015: 32.17%), calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end.

### **NET CURRENT ASSETS**

As at 31 December 2016, the Group had net current assets of HK\$424.47 million (2015: HK\$456.66 million).

The Board regularly reviewed the maturity analysis of the Group's contractual liabilities and concluded that the Group had no liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

### **CAPITAL EXPENDITURES**

The Group's capital expenditures primarily comprise purchase of plant and equipment, such as motor vehicles and equipment, which were funded, and are expected to continue to be funded, by internal resources and cash flow generated from our operation. For the Year, the Group has incurred HK\$10.67 million (2015: HK\$7.26 million) on acquiring items of plant and equipment.

### **FOREIGN EXCHANGE EXPOSURE**

The functional currency to which the Group's operations and assets and liabilities are denominated is the Hong Kong dollars. The Group has cash balances that is denominated in the United States dollars and Renminbi. Given that the Hong Kong dollars are pegged with the United States dollars, there is no currency risk exposure to the United States dollars. The Board considers that the Group was not exposed to significant foreign exchange risk, and had not employed any financial instrument for hedging. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the above section headed “Recent Development”, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year and no future plan for material investments or capital assets as at 31 December 2016.

## **CONTINGENT LIABILITIES**

Save as disclosed below, the Group had no other contingent liabilities as at 31 December 2016:

- (a) As at 31 December 2016, approximately HK\$371,652,000 (2015: HK\$165,006,000) of performance bonds were given by banks to the Group in favour of the Group’s customers as security for the due performance and observance of the Group’s obligation under the contracts entered into between the Group and their customers. The Group has provided guarantees of the above performance bonds. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work.

At the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Group.

- (b) As at 31 December 2016, the Group has provided guarantees of HK\$236,728,000 (2015: HK\$236,728,000) representing a 50% proportionate guarantee in respect of certain banking facilities of HK\$473,455,000 (2015: HK\$473,455,000) granted to its joint ventures in Macau. The 50% proportionate facilities were utilised to the extent of HK\$137,722,000 (2015: HK\$127,130,000), of which amounts of HK\$117,118,000 (2015: HK\$111,037,000) represent performance bonds given by banks to the customers of the joint ventures.
- (c) As at 31 December 2016, the Group has also given guarantees in respect of certain banking facilities of the Group’s joint operations which amounted to HK\$97,618,000 (2015: HK\$187,618,000). The banking facilities were utilised to the extent of HK\$90,459,000 (2015: HK\$96,591,000), of which the amounts of HK\$87,618,000 (2015: HK\$87,618,000) represent performance bonds given by the bank to the customer of the Group’s joint operation.
- (d) The Group has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and no transaction price was incurred.
- (e) The subsidiaries of the Group are defendants in a number of claims, lawsuits and potential claims relating to employee’s compensation cases and personal injuries claims. The directors of the Company considered that the possibility of any outflow in settling the legal claims is remote as these claims are all well covered by insurance. Accordingly, no provision for the contingent liabilities in respect of these litigations is necessary, after due consideration of each case.

## **PLEDGE OF ASSETS**

At 31 December 2016, the Group had deposits, amounting to HK\$19.94 million (2015: HK\$19.86 million), and assignment of project proceeds from certain construction contracts of the Group, the Group's joint operations and the Group's joint venture, that are pledged with banks as security of banking facilities (including bank loans and performance bonds). Pledged deposits remained relatively stable between years.

## **CAPITAL COMMITMENTS**

As at 31 December 2016, our Group did not have any capital commitments.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2016, the Group has 1,942 employees in Hong Kong, Macau and the PRC. The Group entered into separate labour contracts with its employees in accordance with the applicable labour laws of Hong Kong, Macau and the PRC. The remuneration offered to employees generally includes salaries, medical benefits and bonus. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority.

## **FUTURE PROSPECTS**

Despite the ongoing turbulence in the global economic environment, upon taking into account the Hong Kong Government's commitment to infrastructure investment and its housing policy of increasing land supply to accommodate growing demand, the Board is confident with the Group's future development and will continue to build on existing competitive strengths to achieve our long term business objectives. Meanwhile, the Board is now exploring a new business of providing housing management services and construction management services to properties developers in the PRC.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Corporate Governance Practices**

The Board recognises that corporate governance practices are crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Company is committed to achieving and maintaining a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board is of the opinion that the Company has complied with all the code provisions, except for the deviation from provision A.2.1 of the CG Code during the Year.



According to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a chief executive officer and such role has been assumed by the managing director of the Company. Mr. Chan Ki Chun is the chairman and the managing director of the Company. In the view that Mr. Chan has been assuming day-to-day responsibilities in operating and managing the Group since 1999, the Board believes that it is in the best interest of the Group to have Mr. Chan taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from provision A.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place. The Board will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with regulatory requirements and to meet the growing expectations of the shareholders of the Company and investors.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all the Directors, each of the Directors confirmed that he has complied with the required standards set out in the Model Code during the Year.

Pursuant to Rule B.13 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealing by the Model Code as if he were a Director.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

## **EVENTS AFTER THE REPORTING PERIOD**

Save for the continuing connected transactions as disclosed in the announcement dated 11 January 2017, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2016 and up to the date of this announcement.

## **AUDIT COMMITTEE REVIEW**

The Company has established the audit committee (the "Audit Committee") on 19 November 2015 with written terms of reference in compliance with the Listing Rules as amended from time to time. The Audit Committee consists of three independent non-executive Directors. The Audit Committee has, inter alia, reviewed the consolidated financial statements of the Group for the Year, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

## **SCOPE OF WORK OF KPMG**

The financial figures in respect of Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company will be held on Monday, 22 May 2017 (the "2017 AGM"). A notice convening the 2017 AGM will be published and despatched to the Shareholders in accordance with the bye-laws of the Company, the Listing Rules and other applicable laws and regulations.

## **FINAL DIVIDENDS**

The directors recommended the payment of a final dividend of HK17.5 cents per share, amounting to approximately HK\$70 million. Such payment of dividends will be subject to the approval of the shareholders of the Company at the 2017 AGM and if approved, will be payable to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 25 May 2017. It is expected that the proposed final dividend will be paid on or about Tuesday, 6 June 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to establish entitlements to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Wednesday, 17 May 2017 to Monday, 22 May 2017, during which period no transfer of the Shares will be registered. Shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 16 May 2017.

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed on Friday, 26 May 2017, during which no transfer of the Shares of the Company will be registered. Shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 25 May 2017.



## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual consolidated results announcement is published on the Company's website at <http://www.sfkchl.com.hk> and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2016 Annual Report will be despatched to the Shareholders and available on the above websites.

## **APPRECIATION**

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as the shareholders of the Company, business associates and other professional parties for their continuous support to the Group throughout the year.

By order of the Board  
**SFK Construction Holdings Limited**  
**Chan Ki Chun**  
*Chairman*

Hong Kong, 24 March 2017

*As at the date of this announcement, the Board comprises Mr. Chan Ki Chun, Mr. Chan Chor Tung, Mr. Yung Kim Man and Mr. Yeung Cho Yin, William as the executive Directors; and Mr. Lam Leung Tsun, Mr. Jim Fun Kwong, Frederick and Mr. Chan Kim Hung, Simon as the independent non-executive Directors.*