# BUILD KING HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00240)**

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

**FINANCIAL PERFORMANCE HIGHLIGHTS**

| | |
|---|---|
| Percentage of increase in equity** per share | 30% |
| Equity | HK$547 million |
| Equity per share | HK44 cents |
| Group revenue | HK$4,871 million |
| Profit attributable to owners of the Company | HK$151 million |
| Final dividend per share | HK2.5 cents |

** *equity refers to equity attributable to owners of the Company*

**RESULTS**

The board of directors (the "Board") of Build King Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 and the consolidated statement of financial position of the Group as at 31 December 2016 together with the comparative figures for 2015 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*FOR THE YEAR ENDED 31 DECEMBER 2016*

| | Notes | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|---|
| Revenue | 3 | **4,871,491** | 4,571,629 |
| Cost of sales | | **(4,499,403)** | (4,295,306) |
| Gross profit | | **372,088** | 276,323 |
| Investments and other income | 5 | **9,971** | 8,867 |
| (Decrease) increase in fair value of held-for-trading investments | | **(1,829)** | 807 |
| Administrative expenses | | **(196,377)** | (180,656) |
| Finance costs | 6 | **(13,857)** | (8,635) |
| Share of results of joint ventures | | **7,512** | - |
| Share of results of associates | | **569** | 360 |
| Profit before tax | 7 | **178,077** | 97,066 |
| Income tax expense | 8 | **(28,531)** | (2,884) |
| Profit for the year | | **149,546** | 94,182 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **150,506** | 94,307 |
| Non-controlling interests | | **(960)** | (125) |
| | | **149,546** | 94,182 |
| | | **HK cents** | HK cents |
| Earnings per share | 10 | | |
| - Basic | | **12.1** | 7.6 |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*FOR THE YEAR ENDED 31 DECEMBER 2016*

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit for the year | **149,546** | 94,182 |
| **Other comprehensive expense** | | |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translation of foreign operations | **(6,632)** | (6,319) |
| **Total comprehensive income for the year** | **142,914** | 87,863 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | **144,089** | 88,207 |
| Non-controlling interests | **(1,175)** | (344) |
| | **142,914** | 87,863 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **365,251** | 174,252 |
| Intangible assets | | **62,012** | 65,143 |
| Goodwill | | **30,554** | 30,554 |
| Interests in joint ventures | | **58,518** | - |
| Available-for-sale investment | | **-** | - |
| Other financial asset | | **41,128** | 44,624 |
| Other receivable | 11 | **-** | 23,522 |
| | | **557,463** | 338,095 |
| **Current assets** | | | |
| Amounts due from customers for contract work | | **324,351** | 485,303 |
| Debtors, deposits and prepayments | 11 | **1,287,743** | 928,667 |
| Amounts due from associates | | **7,528** | 7,606 |
| Amount due from a joint venture | | **321** | 321 |
| Amounts due from other partners of joint operations | | **39,643** | 24,366 |
| Held-for-trading investments | | **24,782** | 26,611 |
| Tax recoverable | | **13,395** | 2,682 |
| Pledged bank deposits | | **101** | 80 |
| Bank balances and cash | | **826,230** | 800,834 |
| | | **2,524,094** | 2,276,470 |
| **Current liabilities** | | | |
| Amounts due to customers for contract work | | **637,795** | 664,790 |
| Creditors and accrued charges | 12 | **1,371,250** | 1,239,549 |
| Amount due to an intermediate holding company | | **13,434** | 11,400 |
| Amounts due to fellow subsidiaries | | **4,315** | 5,506 |
| Amount due to a joint venture | | **1,142** | 1,142 |
| Amounts due to other partners of joint operations | | **70,795** | 12,119 |
| Amounts due to non-controlling interests | | **3,094** | 3,094 |
| Amount due to an associate | | **15,475** | 14,369 |
| Tax payable | | **20,894** | 3,008 |
| Bank loans - due within one year | | **242,761** | 96,540 |
| | | **2,380,955** | 2,051,517 |
| **Net current assets** | | **143,139** | 224,953 |
| **Total assets less current liabilities** | | **700,602** | 563,048 |

| | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| **Capital and reserves** | | |
| Ordinary share capital | **124,188** | 124,188 |
| Reserves | **422,893** | 297,432 |
| Equity attributable to owners of the Company | **547,081** | 421,620 |
| Non-controlling interests | **(251)** | 724 |
| **Total equity** | **546,830** | 422,344 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | **5,750** | 5,750 |
| Obligations in excess of interests in associates | **15,604** | 16,173 |
| Amount due to an associate | **4,238** | 4,807 |
| Bonds | **128,180** | 113,974 |
| | **153,772** | 140,704 |
| | **700,602** | 563,048 |

*Notes:*

**1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values at the end of each reporting period.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

**2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs**

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

| | |
|---|---|
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012 - 2014 Cycle |

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

The application of the above amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments[2] |
| HKFRS 16 | Leases[3] |
| Amendments to HKAS 7 | Disclosure Initiative[1] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[1] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[2] |
| Amendments to HKFRS 4 | Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |

1 Effective for accounting periods beginning on or after 1 January 2017.
2 Effective for accounting periods beginning on or after 1 January 2018.
3 Effective for accounting periods beginning on or after 1 January 2019.
4 Effective for accounting periods beginning on or after a date to be determined.

**HKFRS 15 "Revenue from Contracts with Customers"**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management of the Group anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, the management of the Group do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

### HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating/financing cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related financial lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

2. **APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)**

**HKFRS 16 "Leases" (Continued)**

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$59,615,000. The management of the Group anticipates that the application of HKFRS 16 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group performs a detailed review.

Except as described above, the management anticipates that the application of the above new and amendments to HKFRSs will have no material effect on the Group's consolidated financial statements.

3. **REVENUE**

Revenue represents mainly the revenue on construction contracts recognised during the year.

4. **SEGMENTAL INFORMATION**

The Group is mainly engaged in civil engineering work. Information reported to the Group's chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and assessment of performance is focused on geographical location of its customers including Hong Kong, the People's Republic of China (the "PRC") and the Middle East. The Group's operating and reportable segments are as follows:

***Year ended 31 December 2016***

| | Hong Kong HK$'000 | The PRC HK$'000 | Middle East HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| <u>Results</u> | | | | |
| Segment revenue | **4,851,588** | **19,903** | **-** | **4,871,491** |
| Segment profit (loss) | **179,391** | **9,956** | **(1,260)** | **188,087** |
| Unallocated expenses | | | | **(4,039)** |
| Investments income | | | | **1,634** |
| Decrease in fair value of held-for-trading investments | | | | **(1,829)** |
| Share of results of joint ventures | | | | **7,512** |
| Share of results of associates | | | | **569** |
| Finance costs | | | | **(13,857)** |
| Profit before tax | | | | **178,077** |

## 4. SEGMENTAL INFORMATION (Continued)

*Year ended 31 December 2015*

| | Hong Kong HK$'000 | The PRC HK$'000 | Middle East HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Results | | | | |
| Segment revenue | 4,549,358 | 22,271 | - | 4,571,629 |
| Segment profit (loss) | 97,797 | 9,585 | (2,193) | 105,189 |
| Unallocated expenses | | | | (2,902) |
| Investments income | | | | 2,247 |
| Increase in fair value of held-for-trading investments | | | | 807 |
| Share of results of associates | | | | 360 |
| Finance costs | | | | (8,635) |
| Profit before tax | | | | 97,066 |

There are no inter-segment sales for both years.

All of the segment revenue reported above is from external customers.

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of dividends from held-for-trading investments, change in fair value of held-for-trading investments, share of results of joint ventures and associates, finance costs and unallocated expenses.

## 5. INVESTMENTS AND OTHER INCOME

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Investments and other income include: | | |
| Dividends from held-for-trading investments | **1,634** | 2,247 |
| Gain on disposal of property, plant and equipment | **360** | 321 |
| Interest on bank deposits | **226** | 426 |
| Interest on other receivable | **1,128** | - |
| Interest on other financial asset | **1,111** | 1,223 |
| PRC Value-Added Tax refund | **1,873** | - |
| Government subsidy | **188** | 3,045 |
| Gains on acquisitions of subsidiaries | **-** | 233 |

## 6. FINANCE COSTS

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest on: | | |
| Bank borrowings | **4,327** | 2,689 |
| Bonds | **8,993** | 5,440 |
| Imputed interest expense on non-current interest-free amount due to an associate | **537** | 506 |
| | **13,857** | 8,635 |

## 7. PROFIT BEFORE TAX

| | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|
| Profit before tax has been arrived at after charging (crediting): | | |
| Auditor's remuneration | | |
| Current year | **1,813** | 1,813 |
| Underprovision in prior years | **412** | 308 |
| | **2,225** | 2,121 |
| Depreciation of property, plant and equipment | **39,920** | 39,617 |
| Less: amount attributable to construction contracts | **(13,795)** | (17,342) |
| | **26,125** | 22,275 |
| Hire charges for plant and machinery | **164,409** | 153,361 |
| Less: amount attributable to construction contracts | **(164,409)** | (153,361) |
| | **-** | - |
| Amortisation of intangible assets | **1,352** | 1,431 |
| Net foreign exchange losses | **660** | 756 |
| Operating lease rentals in respect of land and buildings | **24,746** | 20,576 |
| Less: amount attributable to construction contracts | **(13,741)** | (11,679) |
| | **11,005** | 8,897 |
| Staff costs: | | |
| Directors' remuneration | **8,597** | 8,193 |
| Other staff costs | **772,272** | 672,239 |
| Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$892,000 (2015: HK$203,000) | **25,404** | 22,694 |
| | **806,273** | 703,126 |
| Less: amount attributable to construction contracts | **(675,694)** | (579,390) |
| | **130,579** | 123,736 |

## 8. INCOME TAX EXPENSE

| | 2016 | 2015 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Current tax: | | |
| Hong Kong | 23,508 | - |
| Other jurisdictions | 1,644 | 1,958 |
| | 25,152 | 1,958 |
| Underprovision in prior years: | | |
| Hong Kong | 1,965 | 883 |
| Other jurisdictions | 1,414 | 43 |
| | 3,379 | 926 |
| | 28,531 | 2,884 |

Hong Kong Profits Tax is provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits.

No provision for Hong Kong Profits Tax for the year ended 31 December 2015 had been made in the consolidated financial statements as the estimated assessable profit had been wholly absorbed by tax losses brought forward.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

## 9. DIVIDEND

A final dividend for the year ended 31 December 2016 of HK2.5 cents (2015: HK1.5 cents) per ordinary share, totaling approximately HK$31,047,000 based on 1,241,877,992 ordinary shares (2015: approximately HK$18,628,000 based on 1,241,877,992 ordinary shares) has been proposed by the board of directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

## 10. EARNINGS PER SHARE

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

| | 2016 | 2015 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share | 150,506 | 94,307 |

| | Number of Shares | |
|---|---|---|
| | 2016 | 2015 |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share | 1,241,878 | 1,241,878 |

The Company has no potential ordinary shares outstanding during both years. Accordingly, no diluted earnings per share information is presented.

## 11. OTHER RECEIVABLE/DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade receivables net of allowances for doubtful debts presented based on the invoice date and bills receivables presented based on the maturity date at the end of the reporting period:

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables analysed by age: | | |
| 0 to 60 days | **819,370** | 515,246 |
| 61 to 90 days | **884** | 1,336 |
| Over 90 days | **9,603** | 10,016 |
| | **829,857** | 526,598 |
| Bills receivables analysed by age: | | |
| 0 to 60 days | **7,579** | 5,175 |
| 61 to 90 days | **2,978** | 878 |
| Over 90 days | **456** | 5,518 |
| | **11,013** | 11,571 |
| Retention receivables | **331,752** | 290,415 |
| Other debtors, deposits and prepayments | **115,121** | 100,083 |
| | **1,287,743** | 928,667 |
| Retention receivables: | | |
| Due within one year | **61,618** | 55,504 |
| Due more than one year | **270,134** | 234,911 |
| | **331,752** | 290,415 |

Included in other debtors is a loan advanced to an independent third party amounting to HK$22,226,000 (2015: HK$23,522,000) by 惠記環保工程(上海)有限公司, a wholly owned subsidiary of the Company in 2015. The loan is secured by 51% equity interest in a PRC company, interest bearing at 4.5% fixed rate per annum and will be fully repaid before 30 November 2017. The amount was classified as non-current other receivable at 31 December 2015.

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

Included in the Group's trade receivables are debtors with a carrying amount of HK$10,487,000 (2015: HK$11,352,000) which are past due but not impaired as at the end of the reporting period. As there is no significant change in credit quality, the amounts are still considered recoverable.

## 11. OTHER RECEIVABLE/DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Ageing of trade receivables which are past due but not impaired

| | 2016 | 2015 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Overdue: | | |
| 1 to 30 days | **884** | 1,336 |
| Over 30 days | **9,603** | 10,016 |
| | **10,487** | 11,352 |

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

## 12. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

| | 2016 | 2015 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Trade creditors analysed by age: | | |
| 0 to 60 days | **168,822** | 162,961 |
| 61 to 90 days | **10,069** | 9,928 |
| Over 90 days | **14,677** | 39,400 |
| | **193,568** | 212,289 |
| Retention payables | **306,376** | 244,688 |
| Accrued project costs | **835,951** | 760,105 |
| Other creditors and accrued charges | **35,355** | 22,467 |
| | **1,371,250** | 1,239,549 |
| Retention payables: | | |
| Repayable within one year | **89,769** | 79,683 |
| Repayable more than one year | **216,607** | 165,005 |
| | **306,376** | 244,688 |

For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

## DIVIDEND

The Board recommends the payment of a final dividend of HK2.5 cents (2015: HK1.5 cents) per ordinary share payable to shareholders whose names appear in the register of members of the Company on Friday, 26 May 2017.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, it is expected that the payment of final dividend will be made on or before Friday, 23 June 2017.

## CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Thursday, 18 May 2017, the register of members of the Company will be closed from Monday, 15 May 2017 to Thursday, 18 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 12 May 2017.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is on Friday, 26 May 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 25 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 24 May 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Overall Results**

For the year 2016, the Group's turnover increased by 7% from HK$4,572 million to HK$4,871 million; the profit for the year also increased by 59%, from HK$94 million to HK$150 million. The significant increase of the profit for the year was mainly because the gross margin from construction projects was improved from 6% to 7.6% and major projects awarded in the past two years have reached 25% completion stage during the year and started to recognize profit in line with budget.

As reported last year, we anticipated a very competitive construction market; amount of infrastructure works were dwindling due to combined adverse effects of completion of major railways and delayed funding approval by Legislative Council. Amidst of such tough environment, we managed to win 14 new projects (5 building and 9 civil projects) with a total contract sum of HK$6 billion, and together with the ongoing projects, our order book recorded the outstanding value of contracts on hand approximately HK$12 billion as at the date of this announcement. These newly secured projects include a Deep Cement Mixing project for the third runway at Hong Kong International Airport, construction of a dual two-lane road for Tseung Kwan O-Lam Tin Tunnel, one major improvement works at the new MTR Admiralty station, and design and build project for Kowloon Eastern Regional Police Headquarter. Leveraged on outstanding contracts on hand which are sufficient for our workload in two years, we are confident to endure the difficult period of the construction industry.

On current civil engineering projects, the overall progress was satisfactory. The three projects for Shatin Central Link, namely Kai Tak Station, Diamond Hill Station and Hung Hom North Approach Tunnel are progressing to physical completion within 2017. The Northern Connection Plaza for Tuen Mun-Chek Lap Kok Link completed over 60% and is slightly ahead of the programmes. The infrastructural works of Liangtang/Heung Yuen Wai boundary control point has completed 30% on time and within budget. On Deep Cement Mixing project at Hong Kong International Airport, the barges have been built in Korea and will start the mixing operation in Hong Kong in March 2017. The two joint venture projects for Central - Wan Chai Bypass ("CWB") packages for the Government also progressed in accordance with the respective programmes. On CWB C3 at Wanchai West, the structural works were completed and road works are in full swing with expected completion in early 2018. The CWB C1 at Hong Kong Exhibition and Convention Centre were physically completed in the mid of 2016 and the final account is being finalized.

For building division, both of the construction of Harbour Road Sports Centre and the commercial complex at Tsing Yi were in final stage and are expected to complete in mid 2017. The two building projects awarded in mid 2016, namely headquarter of Scout Association and Kowloon Eastern Regional Headquarter for Hong Kong Police, have started off smoothly.

At Wuxi City, PRC, the sewage treatment plant recorded a profit of HK$10 million and maintained average daily treated volume of 40,000 ton, both of which were comparable to last year.

In 2016, we acquired 49% equity interest at a price of HK$41 million in Dezhou Heng Yuan Heating Company Limited which holds exclusive right granted in 2007 to supply heat for 30 years to the west of the Jianhe in Dezhou Economic Development Zone of approximately 3.5 million square meters. In the first year operation since acquisition, this new joint venture started to contribute HK$8 million profit as planned.

**Employees and Remuneration Policies**
As at 31 December 2016, the Group had a total of 1,911 employees and total remuneration for the year ended 31 December 2016 was approximately HK$806 million. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as performance of the individual.

## FINANCIAL REVIEW

**Liquidity and Financial Resources**

As at 31 December 2016, the Group had liquid assets of HK$851 million (as at 31 December 2015: HK$828 million) comprising held-for-trading investments of HK$25 million (as at 31 December 2015: HK$27 million) and bank balances and cash of HK$826 million (as at 31 December 2015: HK$801 million).

As at 31 December 2016, the Group had a total of interest bearing borrowings of HK$371 million (as at 31 December 2015: HK$211 million) comprising bank loans of HK$243 million (as at 31 December 2015: HK$97 million) and the bonds of HK$128 million (as at 31 December 2015: HK$114 million) with following maturity profile:

| | **At 31 December 2016 HK$ million** | At 31 December 2015 HK$ million |
|---|---|---|
| On demand or within one year | **192** | 56 |
| In the second year | **27** | 26 |
| In the third to fifth year inclusive | **152** | 129 |
| | **371** | 211 |

The Group's borrowings, bank balances and cash and held-for-trading investments were principally denominated in Hong Kong dollars. Hence, there is no exposure to foreign exchange rate fluctuations. During the year, the Group had no financial instrument for hedging purpose. As at 31 December 2016, total borrowings of HK$128 million (as at 31 December 2015: HK$114 million) carried interest at fixed rate.

**Capital Structure and Gearing**

As at 31 December 2016, total equity was HK$547 million (as at 31 December 2015: HK$422 million) comprising ordinary share capital of HK$124 million (as at 31 December 2015: HK$124 million), reserves of HK$423 million (as at 31 December 2015: HK$297 million) and non-controlling interests of (HK$251,000) (as at 31 December 2015: HK$724,000).

As at 31 December 2016, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 68% (as at 31 December 2015: 50%).

**Pledge of Assets**

As at 31 December 2016, bank deposits of the Group amounting to HK$101,000 (31 December 2015: HK$80,000) were pledged to banks for securing the banking facilities granted to the Group.

**Contingent Liabilities**

| | **As at 31 December 2016 HK$ million** | As at 31 December 2015 HK$ million |
|---|---|---|
| Outstanding tender/performance/retention bonds in respect of construction contracts | **602** | 297 |

## CORPORATE GOVERNANCE CODE

The Company is committed to attaining good standard of corporate governance practices and has complied with the code provisions of Corporate Governance Code for the year ended 31 December 2016 set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for code provision of A.2.1 in respect of the separate roles of the chairman and chief executive officer.

Mr. Zen Wei Peu, Derek has been both the Chairman and Chief Executive Officer of the Company. In addition to his responsibilities as Chairman overseeing the function of the Board and formulating overall strategies and polices of the Company, Mr. Zen has taken up the management of the Group's business and overall operation. However, the day-to-day running of the Company has been delegated to the divisional heads responsible for the different aspects of the business.

The Board considers that this structure will not impair the balance of power and authority between the board and the management of the business of the Group given that there are a strong and independent non-executive directorship element on the Board and a clear division of responsibility in running the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

Details of corporate governance code are set out in Annual Report 2016.

## AUDIT COMMITTEE

The Audit Committee has conducted a meeting with the management and external auditor to review the accounting policies adopted by the Group, the consolidated financial statements for the year ended 31 December 2016, the general scope of audit work conducted by the external auditor and assessment of the Group's internal controls.

## DIRECTORS' 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. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at The Garden Room (Orchid-Jasmine Rooms), 2nd Floor, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 18 May 2017 at 2:00 p.m. and the Notice of the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules.

## PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website (www.buildking.hk) and the Stock Exchange's website (www.hkexnews.hk). The Annual Report 2016 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

## BOARD OF DIRECTORS

As at the date hereof, the Board comprises two executive Directors, namely Mr. Zen Wei Peu, Derek and Mr. Chang Kam Chuen, Desmond, two non-executive Directors, namely Mr. David Howard Gem and Mr. Chan Chi Hung, Anthony, and three independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Ho Tai Wai, David and Mrs. Ling Lee Ching Man, Eleanor.

By order of the Board
**Zen Wei Peu, Derek**
*Chairman*

Hong Kong, 13 March 2017