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

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of Chinney Kin Wing Holdings Limited (the "Company") is pleased to announce the consolidated statement of profit or loss and other comprehensive income 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 comparative figures in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**1,386,125**	1,518,926
Cost of construction		**(1,023,652)**	(1,105,725)
Gross profit		**362,473**	413,201
Other income and gains	*4*	**1,447**	933
Administrative expenses		**(241,999)**	(242,362)
PROFIT BEFORE TAX	*5*	**121,921**	171,772
Income tax expense	*6*	**(19,893)**	(31,273)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**102,028**	140,499
Profit and total comprehensive income attributable to:			
Equity holders of the Company		**102,028**	140,499
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted		**HK 6.80 cents**	HK 12.00 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2016** ***HK$'000***	31 December 2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**336,946**	382,810
Deferred tax assets		**-**	352
Total non-current assets		**336,946**	383,162
CURRENT ASSETS			
Inventories		**-**	1,597
Gross amount due from contract customers		**62,296**	93,161
Trade receivables	*9*	**83,852**	32,399
Retention monies receivable		**187,912**	199,502
Prepayments, deposits and other receivables		**23,829**	16,607
Due from a fellow subsidiary		**1,790**	-
Tax recoverable		**18,567**	-
Pledged time deposits		**7,502**	13,928
Cash and cash equivalents		**312,133**	302,102
Total current assets		**697,881**	659,296
CURRENT LIABILITIES			
Gross amount due to contract customers		**407,723**	457,266
Trade payables	*10*	**88,463**	113,265
Retention monies payable		**28,489**	29,074
Other payables and accruals		**53,850**	43,921
Tax payable		**1,357**	14,130
Total current liabilities		**579,882**	657,656
NET CURRENT ASSETS		**117,999**	1,640
TOTAL ASSETS LESS CURRENT LIABILITIES		**454,945**	384,802
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**52,231**	39,116
Net assets		**402,714**	345,686
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**150,000**	150,000
Reserves		**252,714**	195,686
Total equity		**402,714**	345,686

NOTES:

1. CORPORATE INFORMATION

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 "Listing Date").

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

As at 31 December 2016, Chinney Alliance Group Limited ("CAGL"), a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange, is the ultimate holding company of the Company.

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

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 15 October 2015.

Prior to the incorporation of the Company, the Foundation Business was carried out by certain subsidiaries of CAGL. In order to rationalise the current structure of the Group, the Company underwent the Reorganisation to acquire the shares of Kin Wing Chinney (BVI) Limited ("Kin Wing") which is the then holding company of the companies now comprising the Group on 15 October 2015.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 and all values are rounded to the nearest thousand except when otherwise indicated.

<u>Changes in accounting policies and disclosures</u>
The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
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 HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Other than as explained below regarding the impact of amendments to HKAS 1, amendments to HKAS 16 and HKAS 38 and certain amendments included in the *Annual Improvements to HKFRSs 2012-2014 Cycle*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
  (i) the materiality requirements in HKAS 1;
  (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
  (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
  (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its noncurrent assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

  HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any plan of sale during the year.

3. OPERATING SEGMENT INFORMATION

The Group is organised into business units based on their services and has two reportable operating segments as follows:

- Foundation construction and ancillary services (the "Foundation Division"); and
- Drilling and site investigation (the "Drilling Division")

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

3. 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**	**813**	**72,101**
Capital expenditure*	**46,252**	**619**	**46,871**

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2015

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**1,386,125**	1,512,567
Macau	**-**	6,359
	1,386,125	1,518,926

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

(b) Non-current assets

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**336,946**	382,810

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

Information about major customers

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

	2016	2015
	HK$'000	*HK$'000*
Customer A	**369,895**	165,975
Customer B	**252,344**	*
Customer C	*	279,956
Customer D	*	192,702

* Less than 10%

4. OTHER INCOME AND GAINS

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**358**	388
Rental income from leasing of machinery	**334**	-
Exchange gains, net	**633**	367
Others	**122**	178
	1,447	933

5. PROFIT BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Contract costs	**1,023,652**	1,105,725
Depreciation	**72,101**	48,038
Less: Amount capitalised in contract costs	**(523)**	(519)
	71,578	47,519
Staff costs (including directors' remuneration)		
Salaries, wages and allowances	**291,113**	271,496
Pension scheme contributions	**9,475**	9,244
	300,588	280,740
Less: Amounts capitalised in contract costs	**(202,905)**	(184,004)
	97,683	96,736
Auditor's remuneration	**1,200**	1,420
Minimum lease payments under operating leases	**3,456**	3,381
Loss on disposal of items of property, plant and equipment	**4,960**	2,652
Foreign exchange differences, net	**(633)**	(367)

6. INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**6,520**	23,730
Over provision in prior years	**(80)**	(80)
Current – Macau		
Charge for the year	**-**	660
Over provision in prior years	**(14)**	-
Deferred	**13,467**	6,963
Total tax charge for the year	**19,893**	31,273

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Macau complementary income tax has been provided at the rate of 12% (2015: 12%) on the estimated assessable profits arising in Macau during the year.

7. 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$102,028,000 (2015: HK$140,499,000) and the weighted average number of ordinary shares of 1,500,000,000 (2015: 1,170,945,205) in issue during the year.

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

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

8. DIVIDENDS

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Interim dividend	(a)	**-**	21,962
Special dividend	(b)	**-**	210,000
Proposed final dividend of HK4.0 cents (2015: special dividend of HK 3.0 cents) per ordinary share	(c)	**60,000**	45,000
		60,000	276,962

Notes:

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

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

(c) The proposed final dividend (2015: special dividend) for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**83,852**	32,399

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 2016, the Group has certain concentration risk that may arise from the exposure to the five largest customers which accounted for 82% (2015: 79%) of the Group's total receivables. At 31 December 2016, the Group has certain concentration risk that may arise from the exposure to the largest customer which accounted for 41% (2015: 33%) of the Group's total receivables.

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

	2016	2015
	HK$'000	*HK$'000*
Current to 30 days	**50,429**	20,101
31 to 60 days	**32,135**	876
61 to 90 days	**1,065**	572
Over 90 days	**223**	10,850
	83,852	32,399

10. TRADE PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**88,463**	113,265

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

	2016	2015
	HK$'000	*HK$'000*
Current to 30 days	**82,823**	107,087
31 to 60 days	**3,419**	3,237
61 to 90 days	**56**	459
Over 90 days	**2,165**	2,482
	88,463	113,265

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

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

	2016	2015
	HK$'000	*HK'000*
Foundation Division	**1,261,748**	1,375,772
Drilling Division	**124,377**	143,154
	1,386,125	1,518,926

The Group's revenue for the year under review was approximately HK$1,386.13 million (2015: HK$ 1,518.93 million), representing a decrease of 8.74% from the previous year. The decrease of revenue in 2016 was due to the substantial completion of certain sizable projects awarded in the previous year and the projects awarded in the year under review were comparatively smaller scale in terms of contract sum. In general, 2016 was a tough year for the foundation sector of the construction industry because there were fewer tender invitations from the public sector in Hong Kong and also from the developers in Macau.

Gross profit and gross profit margin

The Group's total gross profit was approximately HK$362.47 million (2015: HK$413.20 million), representing a decrease of 12.28% from the previous year due to keen competition in a weak market condition. The decrease in the gross profit for the year was due to the decrease in total revenue while the relatively deteriorated gross profit margin of those new contracts undertaken during the year lowered the gross profit margin for the year to 26.15% (2015: 27.20%).

Administrative expenses

The Group's general and administrative expenses slightly decreased to approximately HK$242.00 million during the year under review from HK$242.36 million for the year ended 31 December 2015, representing a decrease of approximately 0.15%. Such decrease was in fact due to the incurring of listing expenses of approximately HK$19.11 million in 2015 which were in turn set-off by the increase of depreciation charges of about HK$24.06 million in the year under review. The increase of depreciation charges was due to the acquisition of plant and machinery during the year and the reducing of the estimated remaining useful life of certain machinery according to the Group's latest estimates.

Net profit

The Group's net profit for the year under review was approximately HK$102.03 million (2015: HK$140.50 million), representing a decrease of approximately 27.38% over the previous year. The decrease in net profit was mainly attributable to the decrease of gross profit, as explained above.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2016, the Group had unpledged cash and bank balances of approximately HK$312.13 million as compared with HK$302.10 million as at 31 December 2015. The increase was mainly due to the net cash inflow from operating activities.

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 2016, time deposits of approximately HK$6.50 million (2015: HK$12.93 million) were pledged to banks to secure the performance bonds issued in favour of the Group's clients on contracting works. In addition, a time deposit of HK$1 million (2015: HK$1 million) was pledged to a bank to secure general banking facilities extended to the Group.

Capital commitments

As at 31 December 2016, the Group had capital commitments of approximately HK$30.74 million (2015: HK$11.59 million) contracted for the acquisition of plant and machinery.

Contingent liabilities

As at 31 December 2016, the Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of approximately HK$227.19 million (2015: HK$285.81 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 approximately HK$6.50 million (2015: HK$12.93 million).

Employees and remuneration policies

As at 31 December 2016, the Group employed 542 staff in Hong Kong. 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.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the listing have been utilised subsequent to the listing in accordance with the proposed application set out in the section "Future Plans and Use of Proceeds" of the Prospectus. The table below lists out the proposed applications of the net proceeds and usage up to 31 December 2016:

	Actual net proceeds	**Amount utilised up to 31 December 2016**	**Unutilised balance as at 31 December 2016**
	HK$million	*HK$million*	*HK$million*
Acquisition of additional machinery	115.63	99.62	16.01
Investment in human resources	38.54	30.82	7.72
Enhancement of design capability and modifications of plant and machinery	19.27	8.52	10.75
General working capital	19.27	19.27	-
Total	192.71	158.23	34.48

The unused amount of the net proceeds of approximately HK$34.48 million was deposited into licensed banks in Hong Kong.

As at the date of this announcement, the Company has utilised approximately HK$182.94 million of net proceeds from the listing. On 30 March 2017, the Board resolved to change the proposed use of the net proceeds of approximately HK$9 million originally intended for enhancement of design capability and modifications of plant and machinery to acquisition of additional machinery. Details of the original allocation of the net proceeds, the revised allocation of the net proceeds, the utilisation of the net proceeds as at the date of this announcement and the unutilised balance after revised allocation are summarised below:

	Original allocation	**Revised allocation**	**Utilisation as at the date of this announcement**	**Unutilised balance after revised allocation**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Acquisition of additional machinery	115.63	124.63	115.63	9.00
Investment in human resources	38.54	38.54	38.54	-
Enhancement of design capability and modifications of plant and machinery	19.27	10.27	9.50	0.77
General working capital	19.27	19.27	19.27	-
Total	192.71	192.71	182.94	9.77

The reason for the proposed change is that the Group reviewed the capacity and efficiency of its plant fleet from time to time and noted that the price of construction machinery manufactured in Europe was cheaper than originally budgeted for due to the drop of EURO exchange rate in recent months. Such additional acquisition of plant and machinery can modernise and enhance our existing plant fleets which can in turn devote better quality services to our valued customers and partners. The Directors confirm that such reallocation does not have any material impact on the Group's enhancement of design capability and modifications of plant and machinery.

The Board considers that the above change of the use of net proceeds from the listing is beneficial to the continuous development of the Group's principal business, and is in the interest of the Company and its subsidiaries as a whole. Save for the aforesaid proposed changes, there is no other change in the use of the net proceeds from the listing.

CONNECTED TRANSACTION

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 Chinney Alliance Group Limited ("Chinney Alliance Group") 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 Investsmnets, Chinney Alliance Group and the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 requirements under Chapter 14A of the Listing Rules. On 7 November 2016, at the respective extraordinary general meetings held by each of Hon Kwok and Chinney Investments and at the respective special general meetings held by each of Chinney Alliance Group and the Company, the transaction was approved by the independent shareholders of each of Hon Kwok, Chinney Investments, Chinney Alliance Group and the Company.

Details of the transaction was set out in the joint announcement of Hon Kwok, Chinney Investments, Chinney Alliance Group and the Company dated 20 September 2016 and the Company's circular dated 21 October 2016. During the year ended 31 December 2016, there was no contracting income recognised from Gold Famous under the Foundation Construction Works.

OUTLOOK AND FUTURE PLANS

In view of the diminishing market demand for foundation works, our Group adjusted our tendering strategies by lowering the profit margin in bidding for new contracts. The revenue and profit would consequently be affected. However, with the implementation of our "3P Enhancement Program", namely Project management system, Production efficiency, and Plant modernisation throughout the past year, the Group has made observable improvements and in turn has sharpened our competitive edges. We shall keep advancing "3P" momentum which will be our focus this year.

In utilising the listing proceeds effectively, we have recruited some talented and well experienced professionals for integration into our management team. In addition, the fleet of machinery has been expanded and, most importantly, modernised. Undoubtedly, the strengthening of both human and plant resources is the key to success for a foundation contracting business group. In fact, it is encouraging that our tendering opportunities remain strong and the client base has continued to expand due to the award of contracts by new clients.

In line with our exploration for more project opportunities overseas, our Drilling Division (DrilTech) has made a geographical breakthrough by winning a contract of site investigation in Singapore and the contract works will commence in early April of 2017. It is our strategy to further develop DrilTech to take up DTH (Down the Hole) drilling operations in addition to the site investigation business. The turnover of the Drilling Division is expected to be increased in the coming year. Our Group has established a new division for running site formation, pile cap and basement construction works. This division will execute contracts within the Group at the beginning and will further develop should opportunities arise.

With the Group's good reputation and relationship with the customers and business partners in the foundation industry, together with our established competitive strengths and talented staff with high morale led by the committed Execution Panel, we are confident that the Group can develop and enhance even under the current market downturn and is well positioned when the demands for foundation works rebound, hopefully, in 2018.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK4.0 cents per share for the year ended 31 December 2016 to the shareholders of the Company whose names appear on the Company's register of members on 12 June 2017. It is expected that the final dividend cheques will be despatched to the shareholders on or before 28 June 2017.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 2 June 2017. 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 2017 to 2 June 2017 (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 26 May 2017.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 December 2016 is subject to the approval by the shareholders 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 9 June 2017 to 12 June 2017 (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 6 June 2017. 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 8 June 2017.

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 staff for their hard work, loyalty and contribution which are very essential to the Group's success during the year under review.

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with all relevant code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the year, except code provisions A.1.1 and A.6.7, which are explained below.

1. 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.

2. Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Siu-Chee Kong, an independent non-executive director of the Company, did not attend the annual general meeting of the Company held on 1 June 2016 due to engagement in his own official business.

Details of the Company's corporate governance policies and practices (including the above deviation from the code provisions) will be discussed in the Company's 2016 annual report.

Audit Committee

The Audit Committee comprises all the three independent non-executive directors namely Mr. Siu-Chee Kong (Chairman of the Audit Committee), Mr. Ivan Ti-Fan Pong and Mr. Robert Che-Kwong Tsui.

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 year ended 31 December 2016.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an 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 HKICPA and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

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

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

By Order of the Board
Herman Man-Hei Fung
Chairman

Hong Kong, 30 March 2017

At the date of this announcement, the Board comprises of nine directors, of which six are executive directors, namely Mr. Herman Man-Hei Fung, 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.

* *For identification purpose only*