建 聯 集 團 有 限 公 司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 385)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of Chinney Alliance Group Limited (the "Company") is pleased to announce the consolidated statement of profit or loss and the consolidated statement of 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

		Year ended 31 December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**4,570,724**	4,551,870
Cost of sales/services provided		**(3,866,320)**	(3,913,295)
Gross profit		**704,404**	638,575
Other income	*3*	**10,015**	10,675
Selling and distribution costs		**(14,584)**	(12,381)
Administrative expenses		**(421,098)**	(405,775)
Other operating expenses, net		**(547)**	(13,570)
Changes in fair value of investment properties		**(1,186)**	167
Finance costs	*4*	**(3,239)**	(5,150)
Share of profits and losses of an associate		**5,022**	(352)
PROFIT BEFORE TAX	*5*	**278,787**	212,189
Income tax expense	*6*	**(43,353)**	(38,228)
PROFIT FOR THE YEAR		**235,434**	173,961
Attributable to:			
Owners of the Company		**209,928**	169,087
Non-controlling interests		**25,506**	4,874
		235,434	173,961
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted		**HK 35.3 cents**	HK 28.4 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**235,434**	173,961
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,672)**	(1,382)
Reclassified exchange fluctuation reserve to profit or loss upon realisation of investment in an associate	**-**	(2,126)
Net other comprehensive expense to be reclassified to profit or loss in subsequent periods	**(3,672)**	(3,508)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of land and buildings	**8,539**	12,753
Income tax effect	**(1,012)**	(5,081)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**7,527**	7,672
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**3,855**	4,164
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**239,289**	178,125
Attributable to:		
Owners of the Company	**213,783**	173,251
Non-controlling interests	**25,506**	4,874
	239,289	178,125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2016** *HK$'000*	31 December 2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**769,753**	810,598
Investment properties		**15,678**	16,864
Investment in an associate		**50,997**	47,043
Investment in a joint venture		**-**	-
Goodwill		**12,528**	12,528
Deferred tax assets		**236**	612
Other assets		**2,345**	2,345
Total non-current assets		**851,537**	889,990
CURRENT ASSETS			
Inventories		**82,845**	87,317
Gross amount due from contract customers		**261,303**	274,368
Trade receivables	*9*	**612,057**	420,532
Retention monies receivable		**412,932**	395,830
Amount due from a joint venture		**967**	967
Prepayments, deposits and other receivables		**108,875**	57,378
Tax recoverable		**19,678**	853
Pledged time deposits		**14,894**	19,465
Cash and cash equivalents		**858,797**	792,555
Total current assets		**2,372,348**	2,049,265
CURRENT LIABILITIES			
Gross amount due to contract customers		**773,072**	785,272
Trade and bills payables	*10*	**372,224**	295,372
Trust receipt loans		**138,602**	171,545
Retention monies payable		**178,537**	148,537
Other payables and accruals		**126,519**	113,673
Tax payable		**21,782**	19,519
Interest-bearing bank borrowings		**890**	3,891
Total current liabilities		**1,611,626**	1,537,809
NET CURRENT ASSETS		**760,722**	511,456
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,612,259**	1,401,446

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**31 December 2016** ***HK$'000***	31 December 2015 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,864**	2,754
Deferred tax liabilities		**92,968**	79,334
Total non-current liabilities		**94,832**	82,088
Net assets		**1,517,427**	1,319,358
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**59,490**	59,490
Reserves		**1,353,893**	1,169,855
		1,413,383	1,229,345
Non-controlling interests		**104,044**	90,013
Total equity		**1,517,427**	1,319,358

NOTES:

1. 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, except for land and buildings classified as property, plant and equipment and investment properties which have been measured at fair value. These financial statements 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

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 non-current assets.

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

(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.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the trading of plastic and chemical products, provision of building related contracting services and the distribution of aviation system and other hi-tech products, provision of foundation piling works and sub-structure works, building construction works for both public and private sectors and others, which include property holding. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. During the year, the Group reviewed the structure and internal organisation and changed the composition of its reportable segments. Accordingly, certain subsidiaries which were previously included in "Others" segment have been reclassified to the "Building related Contracting Services" segment. A subsidiary which was previously included in the "Building related Contracting Services" segment has also been reclassified to the "Building Construction" segment. The relevant comparative figures have been restated to conform with the current year's presentation. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

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/(loss), which is a measure of adjusted operating profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, changes in fair values of investment properties, share of profits and losses of an associate as well as unallocated corporate gains and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, investment in an associate and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and 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.

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Building construction *HK$'000*	Foundation piling and ground investigation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:						
Sales to external customers	**552,121**	**1,583,604**	**1,079,307**	**1,355,692**	**-**	**4,570,724**
Intersegment sales	**185**	**42,781**	**-**	**30,433**	**-**	**73,399**
Other revenue	**2,212**	**427**	**491**	**691**	**1,209**	**5,030**
	554,518	**1,626,812**	**1,079,798**	**1,386,816**	**1,209**	**4,649,153**
Reconciliation:						
Elimination of intersegment sales						**(73,399)**
Revenue						**4,575,754**
Segment results	**5,201**	**102,530**	**65,677**	**119,395**	**(1,764)**	**291,039**
Reconciliation:						
Gain on dissolution of a former associate						**6,243**
Interest income and unallocated gains						**4,985**
Unallocated expenses						**(27,316)**
Changes in fair value of investment properties						**(1,186)**
Share of profits and losses of an associate						**5,022**
Profit before tax						**278,787**

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000*	Building construction *HK$'000*	Foundation piling and ground investigation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	**339,392**	**748,484**	**655,039**	**1,022,521**	**163,672**	**2,929,108**
Reconciliation:						
Elimination of intersegment receivables						**(23,024)**
Investment in an associate						**50,997**
Corporate and other unallocated assets						**266,804**
Total assets						**3,223,885**
Segment liabilities	**135,792**	**521,854**	**362,886**	**578,432**	**9,360**	**1,608,324**
Reconciliation:						
Elimination of intersegment payables						**(23,024)**
Corporate and other unallocated liabilities						**121,158**
Total liabilities						**1,706,458**
Other segment information:						
Impairment of trade receivables	**15**	**-**	**-**	**-**	**-**	**15**
Write-off of other receivables	**-**	**29**	**-**	**-**	**-**	**29**
Provision for inventories included in cost of inventories sold	**499**	**147**	**-**	**-**	**-**	**646**
Depreciation	**3,952**	**2,209**	**5,508**	**73,027**	**6,101**	**90,797**
Capital expenditure*	**659**	**4,711**	**1,003**	**46,871**	**10,614**	**63,858**

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

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2015

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000* *(Restated)*	Building construction *HK$'000* *(Restated)*	Foundation piling and ground investigation *HK$'000*	Others *HK$'000* *(Restated)*	Total *HK$'000*
Segment revenue:						
Sales to external customers	566,682	1,349,367	1,120,041	1,515,393	387	4,551,870
Intersegment sales	139	91,466	-	3,533	-	95,138
Other revenue	5,827	489	4	389	1,243	7,952
	572,648	1,441,322	1,120,045	1,519,315	1,630	4,654,960
Reconciliation:						
Elimination of intersegment sales						(95,138)
Revenue						4,559,822
Segment results	7,278	25,353	34,971	168,961	(1,903)	234,660
Reconciliation:						
Interest income and unallocated gains						2,723
Unallocated expenses						(25,009)
Changes in fair value of investment properties						167
Share of profits and losses of an associate						(352)
Profit before tax						212,189

2. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2015

	Plastic and chemical products *HK$'000*	Building related contracting services *HK$'000* *(Restated)*	Building construction *HK$'000* *(Restated)*	Foundation piling and ground investigation *HK$'000*	Others *HK$'000* *(Restated)*	Total *HK$'000* *(Restated)*
Segment assets	322,982	615,575	510,339	1,050,415	161,466	2,660,777
Reconciliation:						
Elimination of intersegment receivables						(23,723)
Investment in an associate						47,043
Corporate and other unallocated assets						255,158
Total assets						2,939,255
Segment liabilities	128,798	477,115	276,343	643,432	8,977	1,534,665
Reconciliation:						
Elimination of intersegment payables						(23,723)
Corporate and other unallocated liabilities						108,955
Total liabilities						1,619,897
Other segment information:						
Impairment of trade receivables	214	10,893	-	-	-	11,107
Write-off of other receivables	-	39	-	-	-	39
Write-back of provision for inventories included in cost of inventories sold	(1,619)	(59)	-	-	-	(1,678)
Depreciation	3,585	1,715	5,726	49,971	4,740	65,737
Capital expenditure*	158	2,212	1,000	163,992	133	167,495

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

2. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**3,927,949**	4,101,375
Mainland China and Macau	**642,775**	450,495
	4,570,724	4,551,870

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

(b) Non-current assets

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**723,889**	758,451
Mainland China and Macau	**61,542**	69,011
	785,431	827,462

The non-current asset information above is based on the locations of assets and excludes investment in an associate, investment in a joint venture, goodwill, deferred tax assets and other assets.

Information about a major customer

During the years ended 31 December 2016 and 31 December 2015, none of the Group's revenue was derived from transactions with an individual external customer that amounted to 10 percent or more of the Group's revenue.

3. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest income	**3,769**	3,890
Commission income	**1,932**	4,704
Gross rental income	**1,542**	1,243
Others	**2,772**	838
	10,015	10,675

4. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**3,239**	5,150

5. PROFIT BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Auditors' remuneration	**3,807**	4,888
Employee benefit expense (including directors' remuneration)	**221,686**	206,312
Depreciation	**90,797**	65,737
Cost of inventories sold	**619,545**	568,971
Cost of services provided	**3,246,775**	3,344,324
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**224**	229
Minimum lease payments under operating leases in respect of land and buildings	**9,352**	8,340
Impairment of trade receivables*	**15**	11,107
Write-off of other receivables*	**29**	39
Provision/(write-back of provision) for inventories included in cost of inventories sold	**646**	(1,678)
Loss on disposal of items of property, plant and equipment, net*	**5,793**	2,763
Gain on dissolution of a former associate*	**(6,243)**	-
Reclassification of exchange fluctuation reserve upon realisation of investment in an associate*	-	(2,126)
Foreign exchange differences, net*	**954**	1,787

* *These expenses/(income) items are included in "Other operating expenses, net" in the consolidated statement of profit or loss.*

6. INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**27,427**	30,563
Over provision in prior years	**(244)**	(212)
Current – Elsewhere		
Charge for the year	**3,797**	2,173
Over provision in prior years	**(625)**	(29)
Deferred	**12,998**	5,733
Total tax charge for the year	**43,353**	38,228

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. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$209,928,000 (2015: HK$169,087,000), and the number of 594,899,245 (2015: 594,899,245) ordinary shares in issue during the year.

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

8. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Proposed final – HK6.0 cents (2015: HK5.0 cents) per ordinary share	**35,694**	29,745

9. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**612,057**	420,532

The Group's trading terms with its customers are mainly on credit. The credit periods range from cash on delivery to 60 days. A longer credit period may be allowed for customers with good business relationships with the Group. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

9. TRADE RECEIVABLES *(continued)*

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

	2016	2015
	HK$'000	*HK$'000*
Current to 30 days	**416,630**	278,724
31 to 60 days	**129,727**	92,784
61 to 90 days	**43,029**	23,561
Over 90 days	**22,671**	25,463
	612,057	420,532

10. TRADE AND BILLS PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**357,877**	278,797
Bills payable	**14,347**	16,575
	372,224	295,372

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	**286,752**	221,670
31 to 60 days	**44,235**	27,851
61 to 90 days	**11,134**	14,865
Over 90 days	**15,756**	14,411
	357,877	278,797

RESULTS

The Group recorded a revenue of HK$4,571 million for the year ended 31 December 2016 (2015: HK$4,552 million). The net profit for the year of HK$235.4 million (2015: HK$174.0 million) included a gain on dissolution of a former associate of HK$6.2 million, where in 2015, a gain on reclassification of exchange fluctuation reserve upon realisation of the Group's investment in same associate of HK$2.1 million was included. Should these non-recurring gains be excluded, the net profit for the year would be HK$229.2 million (2015: HK$171.9 million). After deducting the profit attributable to non-controlling interests of HK$25.5 million (2015: HK$4.9 million), representing principally the interests attributable to the public shareholders in the Company's listed subsidiary Chinney Kin Wing Holdings Limited ("Chinney Kin Wing", collectively with its subsidiaries, the "Chinney Kin Wing Group"), the profit attributable to the owners of the Company was HK$209.9 million (2015: HK$ 169.1 million). The Group's land and buildings held for own use recorded a surplus arising from revaluation of HK$7.5 million (net of deferred tax) which was credited to reserve as other comprehensive income (2015: HK$7.7 million).

PROPOSED FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK6.0 cents per share for the year ended 31 December 2016 (2015: HK5.0 cents) 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 Tengis 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 of the Company at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 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 Tengis 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.

BUSINESS REVIEW AND PROSPECTS

Trading of plastic and chemical products

Jacobson van den Berg (Hong Kong) Limited and its fellow subsidiaries contributed a revenue of HK$552 million (2015: HK$567 million) and an operating profit of HK$5.2 million (2015: HK$7.3 million). The year under review was particularly tough for international trade as all major currencies dropped against US Dollars, the unexpected Brexit, the Renminbi devaluation and the general negative sentiment on economies leading to more restrained buying behaviour by customers. The decrease in commission and rebate from suppliers further reduced the profit of the division. The Mainland China is gradually turning from pursuing the goal of world factory to focusing on value added products and services to improve the living standard and aspiration of the citizens. While the division continues to develop its plastic and chemical products distribution business with diversified products, it is also developing its own disinfectant products in "JcoNAT" brand and sales to consumers directly commenced in 2016.

Building related contracting services

During the year, the Group reviewed the structure and internal organisation and decided to combine the building related contracting services business engaged by Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") and the distribution of aviation system and other hi-tech products engaged by Chinney Alliance Engineering Limited ("CAE") for better management support and resources. The combined division contributed a revenue of HK$1,584 million (2015: HK$1,349 million) and an operating profit of HK$102.5 million for 2016 (2015: HK$25.4 million). With the increase in both number of contracts and contract sum of projects undertaken in the year, the revenue increased. The improved profit margin of the year, which was mainly attributable to better price of new contracts awarded and the management's cautious cost control and project management, contributed to the increase in profitability of the division. CAE recorded a marginal operating profit for the current year comparing to loss of last year. With the commencement of the construction of the Three-Runway System, CAE would have more business opportunity in relevant fields. The division has diversified portfolio in both public and private sectors for residential development, commercial buildings, hotels and resorts, and maintenance contracts in Hong Kong and Macau, and is expanding its business in the People's Republic of China ("PRC"). As at year end, the division had outstanding contract sum of approximately HK$4,054 million and additional HK$699 million worth contracts were awarded after year end.

Building construction

Chinney Construction Company, Limited and Chinney Builders Company Limited which operate in Hong Kong and Chinney Timwill Construction (Macau) Company Limited which operates in Macau, contributed a revenue of HK$1,079 million (2015: HK$1,120 million) and an operating profit of HK$65.7 million (2015: HK$35.0 million). While revenue decreased slightly, the improved profit margin of new projects as well as contribution from projects commenced in second half of 2015 which were progressed to the stage to recognise profit in accordance with the accounting policies adopted in current year attributed to the increase in profit of the year. The division's current projects included schools, hospitality facilities and commercial buildings. The outstanding contract sum as at year end was approximately HK$3,196 million.

Foundation piling and ground investigation

The Company's separate listed subsidiary Chinney Kin Wing contributed revenue of HK$1,356 million (2015: HK$1,515 million) and operating profit of HK$119.4 million (2015: HK$168.9 million) to the Group. The decrease in revenue was mainly due to the substantial completion of certain sizeable projects in previous year and the projects awarded in the year under review were comparatively smaller in terms of contract sum. The profit margin also reduced due to keen competitive in a weak market condition. Despite the saving in listing expenses of HK$19.1 million recorded in 2015, the increase in depreciation charges of HK$23.1 million, which was due to the purchases of plant and machinery during the year and reduction of the estimated remaining useful lives of certain machinery, offset such saving. As both the revenue and the profit margin of new contracts undertaken in the year under review decreased, the profit for the year was thus reduced. 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. Nevertheless, Chinney Kin Wing Group has sound financial position and remained debt free over the year under review.

Out of the net proceeds from the listing of Chinney Kin Wing of HK$192.7 million in November 2015, HK$182.9 million were utilised in accordance with the proposed usage as stipulated in the listing documents, leaving HK$9.8 million unused as at 30 March 2017. Chinney Kin Wing reviewed the capacity and efficiency of its plant fleet from time to time and noted the price of construction machinery manufactured in Europe was cheaper than originally budgeted for due to the drop in Euro exchange rate in recent months. The board of directors of Chinney Kin Wing resolved to change the proposed use of HK$9.0 million originally intended for enhancement of design capability and modification of plant and machinery to acquisition of additional machinery to enhance its existing plant fleet which can in turn devote better quality services to its customers and partners. More detailed information of the use of proceeds from Chinney Kin Wing's initial public offering is set out in the preliminary results announcement of Chinney Kin Wing for the year ended 31 December 2016 published on 30 March 2017.

In view of the diminishing market demand for foundation works, Chinney Kin Wing adjusted its tendering strategies by lowering the profit margin in bidding for new contracts. On the other hand, the implementation of "3P Enhancement Program", namely Project management system, Production efficiency and Plant modernisation throughout the past year, Chinney Kin Wing Group has made observable improvements in operation which in turn has sharpened its competitive edges. The division will further develop its drilling division to take up "Down the Hole" drilling operations in addition to the site investigation business. A new division is established for the running of site formation, pile cap and basement construction works.

Other businesses

Other businesses recorded a loss of HK$1.8 million (2015: HK$1.9 million) which was mainly due to depreciation charges of the properties for the Group's own use.

The Group's share of the profits and losses of an associate reported a profit of HK$5.0 million (2015: loss of HK$0.4 million), represented the share of the results of the Group's investment in Fineshade Investments Limited ("Fineshade"), which holds interests in a real estate property in Hangzhou, the PRC as investment properties. With the improving occupancy and surplus recognised in revaluation of the investment properties in the year under review, Fineshade returned to profit in 2016.

The Group de-recognised its investment in Jiangxi Kaitong New Materials Company Limited ("Jiangxi Kaitong") in 2015 with attributable exchange fluctuation reserve of HK$2.1 million reclassified as profit. With the cash distribution finally received from the dissolution of Jiangxi Kaitong in 2016, the Group recognised HK$6.2 million gain in the year under review.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK$141.4 million as at 31 December 2016 (2015: HK$178.2 million), of which HK$139.5 million or 99% (2015: HK$175.4 million or 98%) were classified as current liabilities. Included in the current portion of bank and other borrowings were trust receipt loans of HK$138.6 million (2015: HK$171.5 million) for financing the purchases of goods by the Group's Plastic Trading division and the purchases of materials and equipment for installation in the projects of the Group's Building Services division. Current ratio of the Group as at 31 December 2016, measured by total current assets over total current liabilities, was 1.5 (2015: 1.3). Total unpledged cash and bank balances as at 31 December 2016 was HK$858.8 million (2015: HK$792.6 million). The increase in unpledged bank balances was mainly due to cash received from operations, less capital expenditure in purchases of plant and machinery as well as other equipment of HK$63.9 million and net repayment of bank borrowings (including trust receipt loans) of HK$33.8 million during the year.

The Group had a total of HK$1,571 million undrawn banking facilities at year-end available for its working capital, trade finance and issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK$141.4 million over the equity attributable to the owners of the Company of HK$1,413.4 million, was 10.0% as at 31 December 2016 (2015: 14.5%).

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. Forward contracts of non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group when desirable.

Pledge of assets

As at 31 December 2016, certain properties and a time deposit having aggregate book value of HK$146.7 million and HK$1.0 million respectively were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK$13.9 million were pledged to banks to secure the performance/surety bonds issued in favour of the Group's clients on contracting works.

Contingent liability

As at 31 December 2016, the Group provided corporate guarantees and indemnities to certain banks and financial institutions of an aggregate amount of HK$558.3 million to secure the surety/performance bonds issued in favour of the Group's clients on contracting works. Such amount included surety/performance bonds issued in favour of the clients of the Chinney Kin Wing Group of which corporate guarantees and indemnities of HK$227.2 were provided by Chinney Kin Wing Group.

Save as disclosed above, the Group has no other material contingent liabilities as at 31 December 2016.

Employees and remuneration policies

The Group employed approximately 1,630 staff in Hong Kong and other parts of the PRC as at 31 December 2016. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

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 wholly-owned subsidiary of Chinney Kin Wing and an indirect non wholly-owned subsidiary of the Company, as a contractor for the construction of piling foundation, pipe piling, bored pile wall works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong (the "Land") at a contract sum of HK$210 million (the "Foundation Construction Works"). The contract sum was arrived at after arm's length negotiations between Gold Famous and KWF by reference to prevailing market rate. KWF offered a quotation to Gold Famous after considering the geological condition of the Land, the complexity and difficulty of the Foundation Construction Works and estimated project costs. The entering into the Framework Agreement constituted a connected transaction of each of Hon Kwok, Chinney Investments, Chinney Kin Wing 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 a 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 Kin Wing and the Company, the transaction was approved by the independent shareholders of each of Hon Kwok, Chinney Investments, Chinney Kin Wing and the Company.

Details of the transaction was set out in the joint announcement of Hon Kwok, Chinney Investments, Chinney Kin Wing 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.

EVENTS AFTER THE REPORTING PERIOD

On 9 February 2017, Chinney Shun Cheong Holdings Limited ("Chinney Shun Cheong"), a company incorporated in Bermuda with limited liability on 17 January 2017 and a direct wholly-owned subsidiary of the Company, and FRO Management Holdings Limited (the "Subscriber"), an independent third party, entered into a subscription agreement (the "Subscription Agreement") pursuant to which Chinney Shun Cheong has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for the convertible bond in the principal amount of HK$40 million (the "Convertible Bond"), which may be converted into 50,000 new ordinary shares of HK$0.1 each in the share capital of Chinney Shun Cheong (the "Conversion Shares") based on the initial conversion price of HK$800 per Conversion Share, subject to adjustment (the "Conversion Price"). The Convertible Bond will bear interest at 5% per annum and mature on 30 June 2018 (the "Maturity Date"), unless extended to such later date as may be agreed in writing by Chinney Shun Cheong and holder of the Convertible Bond (the "Bondholder"). Chinney Shun Cheong shall have the right, without the necessity of obtaining the consent of the Bondholder, to redeem the outstanding principal amount of the Convertible bond in full at any time before the Maturity Date when it considers, at its sole discretion, that it is not feasible or practicable to continue or proceed with the proposed Spin-off (as defined below). The Bondholder shall not be entitled to any interest in the event that any part of the Convertible Bond is converted into the Conversion Shares. The estimated net proceeds (after deducting professional fees and all related expenses) to be raised from the issue of the Convertible Bond are approximately HK$39.7 million and shall be fully used for the development of the electrical and mechanical engineering business of the Group (the "E&M Engineering Business").

Subject to, among other things, all applicable laws, regulations, the Listing Rules and any requirements of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other applicable authorities, all (but not part) of the principal amount of the Convertible Bond then outstanding shall be converted into the Conversion Shares at the Conversion Price (a) mandatorily and automatically on the date when and upon the Spin-off becoming unconditional; or (b) upon the exercise of the conversion rights at the option of the Bondholder and on the date on which Chinney Shun Cheong receives a conversion notice from the Bondholder provided that such date shall be a business day falling between 1 April 2018 and the Maturity Date (both inclusive), whichever is earlier.

In the event that the Convertible Bond is fully converted at the initial Conversion Price, the equity interest held by the Company in Chinney Shun Cheong would decrease to approximately 75%.

Completion of the Subscription Agreement is subject to all of the conditions precedent having been fulfilled or waived as set out in the Subscription Agreement on or before 30 April 2017 or such other date to be agreed in writing between Chinney Shun Cheong and the Subscriber. As at the date of this announcement, the Subscription Agreement is not yet completed.

It is intended that Chinney Shun Cheong and its affiliates will undergo a reorganisation such that Chinney Shun Cheong will, subject to the terms of the Subscription Agreement, be the holding company of all of the proposed subsidiaries engaging in the E&M Engineering Business immediately after the completion of the reorganisation.

The Company is currently considering the feasibility and possibility of the spin-off by way of a separate listing of the E&M Engineering Business on the Stock Exchange (the "Spin-off"). However, the proposed Spin-off is still in a preliminary stage and the Company has not yet submitted any proposal or application to the Stock Exchange in this regard. In addition, whether the Spin-off would be materialised depends on a number of factors including but not limited to the pace of the business development of the E&M Engineering Business, the fulfillment of the relevant requirements under the Listing Rules, the approval of the Stock Exchange and other relevant authorities, financial market conditions prevailing from time to time, and the final decision of the Board.

The Company will comply with the relevant disclosure requirements under the Listing Rules on the progress of the Spin-off as and when appropriate.

Details of the above transaction were set out in the Company's announcement dated 9 February 2017.

COMPARATIVE AMOUNTS

The comparative operating segment information has been represented as if the change of the composition of the Group's reportable segments has been effected at the beginning of the comparative period.

OUTLOOK

The US economy gains further momentum as indicated in its solid consumption growth and improving labour market conditions. The US Federal Reserve raised the interest rates in December 2016 and March 2017 and the interest rate upcycle will continue in 2017. Nevertheless, there are still uncertainties as to the trade and political policies of the new US administration which pose threat to global trade and economic growth. The economic growth in the Euro zone is still weak. The negotiation between the UK and the Euro on Brexit will continue in the coming years and the market will be inevitably volatile during the course of negotiation. The political risks on elections in several major European economies would not only hinder the recovery of their economies, but also the global economy. On the other hand, the Mainland China recorded a solid 6.7% economic growth in 2016 with continuing structural transformation and enhancement and progressed steadily towards a development model based on its domestic consumption and services, driven by innovation and technological upgrading. The supply-side structural reform will continue in 2017 to further enhance the Mainland China's economic structure. The resilient and robust domestic demand will provide strong support to the China's economy although external uncertainties will continue.

The Hong Kong economy recorded a growth of 3.1% in the fourth quarter of 2016 and the year as a whole recorded 1.9% growth which was slower than the 2.4% growth in 2015. Such growth was supported by resilience in domestic demand and modest growth in external trading. The labour market was in a state of full employment all through 2016. While the export trading and related sectors would benefit from the improvement in the US economy, the uncertainties on the US trade policy, the upside of the US dollar, the political development of European countries and Brexit would have negative impact on the recovery of the global economy and affect the export related sectors of Hong Kong. The Group's Plastic and Chemical division would face such uncertainties as a large part of its customers is export oriented. On the other hand, the domestic demand continues to hold up well in 2017 with stable labour market and steady household income growth. Despite the upside risk of interest rates, the property price continues to advance and recent land sales recorded historical highs. The building construction works are likely to provide a more stable growth in the coming year. While competition in the construction sector, especially the foundation construction field, is still keen, the Group has secured satisfactory level of contracts. The Board is cautiously optimistic on the Group's business development in the coming year.

APPRECIATION

I would like to thank my fellow directors for their advice and continued support and staff of all levels for their hard working and contribution for the success during the past year.

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 A.1.1, A.4.1, A.4.2, A.5.1 to A.5.4 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.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   The existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

   According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save that the Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

   Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments, Enhancement Investments Limited and Chinney Capital Limited, which collectively holds approximately 73.43% interest in the Company, is the Chairman of the Board to safeguard their investments in the Company. In addition, the Board considers that the continuity of the office of the Chairman and Managing Director provide the Group with a strong and consistent leadership for the smooth operation of the businesses of the Group. As a result, the Board concurred that the Chairman and the Managing Director need not be subject to retirement by rotation.

3. Code provisions A.5.1 to A.5.4 of the CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates on the basis of their gender, age, professional qualifications and experience as well as educational background.

4. 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. Herman Man-Hei Fung and Mr. Chi-Chiu Wu, being non-executive directors of the Company and an executive director Mr. James Sing-Wai Wong, did not attend the annual general meeting of the Company held on 1 June 2016 due to their engagement in their own business.

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

Audit Committee

Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. 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, 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 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
James Sai-Wing Wong
Chairman

Hong Kong, 30 March 2017

At the date of this announcement, the Board comprises of nine directors, of which four are executive directors, namely Dr. James Sai-Wing Wong, Mr. Yuen-Keung Chan, Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam; and two are non-executive directors, namely Mr. Herman Man-Hei Fung and Ms. Wendy Kim-See Gan; and three are independent non-executive directors, namely Mr. Yuen-Tin Ng, Mr. Chi-Chiu Wu and Mr. Ronald James Blake.

* *For identification purpose only*