SFK Construction Holdings Limited
新福港建設集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1447)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- Our overall revenue for the year ended 31 December 2017 increased to HK$4,611.97 million as compared to that of HK$3,002.02 million for the year ended 31 December 2016.

- Our overall gross profit increased to HK$247.16 million for the year ended 31 December 2017 as compared to that of HK$196.49 million for the year ended 31 December 2016.

- Profit attributable to the equity shareholders of the Company increased to HK$141.87 million for the year ended 31 December 2017 as compared to that of HK$105.97 million for the year ended 31 December 2016.

- In 2017, the Group was awarded 13 projects as a main contractor in Hong Kong (out of which 12 and 1 are from the public sector and private sector, respectively), with total original contract sum of approximately HK$4,070 million (2016: approximately HK$6,273 million).

- As at 31 December 2017, we had a total of 21 projects for general building works and 10 projects for civil engineering works on hand. The total original contract sum of these projects was approximately HK$17,647 million (2016: approximately HK$17,063 million). The outstanding value of our ongoing projects as at 31 December 2017 was approximately HK$10,281 million.

- The Directors propose to recommend, at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK18.5 cents per share, amounting to approximately HK$74 million. Together with the interim dividend of HK12.5 cents per share already paid in September 2017, total payment of dividend for the year ended 31 December 2017 amounted to be HK31.0 cents per share (2016: HK26.5 cents per share).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of SFK Construction Holdings Limited (the "Company") is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 (the "Year" or "2017"), together with the comparative figures for the year ended 31 December 2016 ("2016") as follow:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**2017** **\$'000**	2016 \$'000
Revenue	*3*	**4,611,972**	3,002,023
Direct costs		**(4,364,813)**	(2,805,536)
Gross profit		**247,159**	196,487
Other revenue		**351**	258
Other net gain		**528**	–
Administrative expenses		**(72,668)**	(67,001)
Profit from operations		**175,370**	129,744
Finance costs		**(5,486)**	(3,007)
Share of profit less loss of joint ventures		**1,022**	945
Profit before taxation		**170,906**	127,682
Income tax	*4*	**(28,215)**	(21,571)
Profit for the year		**142,691**	106,111
Attributable to:			
Equity shareholders of the Company		**141,874**	105,967
Non-controlling interests		**817**	144
Profit for the year		**142,691**	106,111
Earnings per share — Basic/Diluted	*5*	**35.5 cents**	26.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	2017	2016
	$'000	*$'000*
Profit for the year	**142,691**	106,111
Other comprehensive income for the year (after tax)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**368**	(166)
Total comprehensive income for the year	**143,059**	105,945
Attributable to:		
Equity shareholders of the Company	**142,242**	105,801
Non-controlling interests	**817**	144
Total comprehensive income for the year	**143,059**	105,945

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**2017** **$'000**	2016 $'000
Non-current assets			
Plant and equipment		**30,314**	27,149
Goodwill		**1,209**	–
Interest in a joint venture		**3,089**	2,067
Deferred tax assets		**33,557**	1,217
		68,169	30,433
Current assets			
Gross amount due from customers for contract work		**689,399**	570,330
Trade and other receivables	*6*	**871,904**	524,689
Current tax recoverable		**2,482**	2,742
Pledged deposits		**25,006**	19,941
Cash at banks and in hand		**256,759**	215,828
		1,845,550	1,333,530
Current liabilities			
Gross amount due to customers for contract work		**186,396**	124,458
Trade and other payables	*7*	**931,071**	674,780
Amount due to a joint venture		**1,904**	1,032
Bank loans and overdrafts	*8*	**307,742**	100,732
Current tax payable		**8,360**	8,060
		1,435,473	909,062
Net current assets		**410,077**	424,468
Total assets less current liabilities		**478,246**	454,901
Non-current liabilities			
Deferred tax liabilities		**3,451**	3,165
NET ASSETS		**474,795**	451,736
CAPITAL AND RESERVES			
Share capital	*10*	**40,000**	40,000
Reserves		**433,991**	411,749
Total equity attributable to equity shareholders of the Company		**473,991**	451,749
Non-controlling interests		**804**	(13)
TOTAL EQUITY		**474,795**	451,736

Notes:

1 GENERAL INFORMATION

SFK Construction Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") are principally engaged in construction and maintenance projects in Hong Kong, construction projects in Macau and housing management services in Hong Kong and the People's Republic of China (the "PRC"). The Company was incorporated in Bermuda on 17 October 2007 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The Company's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 December 2015.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 December 2017 but are extracted from those financial statements.

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in the Group's consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries and the Group's interest in a joint venture.

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

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	2017	2016
	$'000	*$'000*
General building	**3,275,662**	1,908,269
Civil engineering	**1,228,047**	993,529
Housing management services	**79,745**	90,230
Consultancy services	**20,136**	9,919
Others	**8,382**	76
	4,611,972	3,002,023

(b) Segment reporting

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

— General building : this segment provides engineering services of substructure or superstructure of building structures and maintenance, repairs, alterations services and additions to building structures

— Civil engineering : this segment provides engineering services of infrastructure facilities and maintenance, repairs, alterations services to infrastructure facilities

— Others : this segment mainly provides housing management services and consultancy services

(i) Segment results, assets and liabilities

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the year ended 31 December 2017 and 2016 is set out below.

For the year ended 31 December 2017

	General building *$'000*	Civil engineering *$'000*	Others *$'000*	Total *$'000*
Reportable segment revenue	**3,275,662**	**1,228,047**	**108,263**	**4,611,972**
Reportable segment profit	**183,648**	**49,350**	**15,166**	**248,164**
Other revenue and other net gain				**362**
Depreciation				**(1,129)**
Finance costs				**(5,486)**
Unallocated head office and corporate expenses				**(71,005)**
Consolidated profit before taxation				**170,906**
Share of profit of a joint venture	**1,022**	**–**	**–**	**1,022**
Depreciation for the year	**7,518**	**3,026**	**362**	**10,906**
Reportable segment assets (including interest in a joint venture)	**1,039,701**	**455,809**	**90,756**	**1,586,266**
Deferred tax assets				**33,557**
Current tax recoverable				**2,482**
Unallocated head office and corporate assets				**291,414**
Consolidated total assets				**1,913,719**
Additions to non-current segment assets during the year	**10,807**	**4,087**	**378**	**15,272**
Share of net assets in a joint venture	**3,089**	**–**	**–**	**3,089**
Reportable segment liabilities	**790,819**	**240,923**	**15,936**	**1,047,678**
Current tax payable				**8,360**
Deferred tax liabilities				**3,451**
Unallocated head office and corporate liabilities				**379,435**
Consolidated total liabilities				**1,438,924**

For the year ended 31 December 2016

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

(ii) Geographic information

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

4 INCOME TAX

Taxation in the consolidated income statement represents:

	2017	2016
	$'000	*$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**27,767**	21,865
(Over)/under-provision in respect of prior years	**(126)**	70
	27,641	21,935
Deferred tax		
Origination and reversal of temporary differences	**574**	(364)
	28,215	21,571

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year.

5 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $141,874,000 (2016: $105,967,000) and 400,000,000 shares (2016: 400,000,000 shares) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the years ended 31 December 2017 and 2016.

6 TRADE AND OTHER RECEIVABLES

	2017	2016
	$'000	*$'000*
Trade debtors	**570,525**	314,282
Deposits, prepayments and other receivables	**43,246**	39,502
Amounts due from related companies *(note (i))*	**1,815**	10,285
Amounts due from a joint operation partner *(note (ii))*	**36,810**	27,789
Retentions receivable	**219,508**	132,831
	871,904	524,689
		(note (iii))

Notes:

(i) The amounts represent trade balances due from subsidiaries of Great Eagle Holdings Limited and Sun Fook Kong Group Limited for the provision of housing management services and consultancy services. The balances carry similar trade terms to those with other customers.

(ii) The amounts due from joint operation partners are interest-free, unsecured and repayable on demand.

(iii) Except for the amounts of $174,022,000 (2016: $74,028,000) which are expected to be recovered after one year, all of the remaining balances of trade and other receivables are expected to be recovered within one year.

Ageing analysis

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

	2017	2016
	$'000	*$'000*
Within 1 month	**532,377**	263,006
Over 1 to 2 months	**24,502**	55,345
Over 2 to 3 months	**7,941**	4,377
Over 3 months	**7,520**	1,839
	572,340	324,567

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

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

7 TRADE AND OTHER PAYABLES

	2017	2016
	$'000	*$'000*
Trade creditors	**450,070**	315,188
Accruals and other payables	**250,640**	175,427
Amounts due to joint operation partners *(note (i))*	**6,562**	7,480
Retentions payable	**223,799**	176,685
	931,071	674,780
		(note (ii))

Notes:

(i) The amounts due to joint operation partners are interest-free, unsecured and repayable on demand.

(ii) Except for the amounts of $140,475,000 (2016: $85,356,000), all of the remaining balances of trade and other payables are expected to be settled within one year.

Ageing analysis

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

	2017	2016
	$'000	*$'000*
Within 1 month	**352,289**	256,496
Over 1 to 2 months	**70,655**	50,602
Over 2 to 3 months	**10,319**	3,001
Over 3 months	**16,807**	5,089
	450,070	315,188

8 BANK LOANS AND OVERDRAFTS

	2017	2016
	$'000	*$'000*
Bank overdrafts, repayable on demand		
— Secured	**4,858**	–
— Unsecured	**1,126**	–
	5,984	–
Bank loans, repayable within 1 year		
— Secured	**60,000**	45,000
— Unsecured	**241,758**	55,732
	301,758	100,732
	307,742	100,732

(a) As at 31 December 2017, the bank loans and overdrafts bear interest ranging from 1.80% to 2.69% (2016: 1.97% to 2.67%) per annum.

(b) As at 31 December 2017 and 2016, the banking facilities (including bank loans, overdrafts and performance bonds) granted to the Group, the Group's joint operations and the Group's joint venture jointly were secured by:

(i) Assignment of project proceeds from certain construction contracts of the Group, the Group's joint operations and the Group's joint venture;

(ii) Pledged deposits of the Group of $25,006,000 (2016: $19,941,000);

(iii) Corporate guarantees provided by a subsidiary and the joint venture partner, personal properties and pledged deposits owned by the joint venture partner; and

(iv) Corporate guarantees provided by the Company and cross corporate guarantees provided by the Company and certain subsidiaries.

9 DIVIDENDS

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

	2017	2016
	$'000	*$'000*
Interim dividend declared and paid of 12.5 cents (2016: 9 cents) per ordinary share	**50,000**	36,000
Final dividend proposed after the end of the reporting period of 18.5 cents (2016: 17.5 cents) per ordinary share	**74,000**	70,000
	124,000	106,000

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

10 SHARE CAPITAL

	2017		2016	
	No. of shares	***Amount***	*No. of shares*	*Amount*
		$		*$*
Authorised:				
At 1 January and 31 December	**10,000,000,000**	**1,000,000,000**	10,000,000,000	1,000,000,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**400,000,000**	**40,000,000**	400,000,000	40,000,000

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group achieved delighted financial results and recorded a historical high turnover for the Year. The Group's revenue increased by 53.63% from HK$3,002.02 million to HK$4,611.97 million. Our profit for the year attributable to equity shareholders of the Company increased by 33.88% from HK$105.97 million to HK$141.87 million. The favourable results were mainly the combined effect of the award of several sizeable projects during the Year and the increase in contributions from our ongoing projects between years in accordance with the work progress.

The Group is one of the few construction companies in Hong Kong that are included in the List of Approved Contractors maintained by the Works Branch with Group C status (unlimited value) in all five works categories. The Group is also one of the approved contractors to tender for the Housing Authority's new works contracts and maintenance contracts of unlimited value. These are the highest grades in the respective categories, which enable us to be capable and flexible in acquiring or tendering for all kinds of Government and Housing Authority's construction and maintenance contracts for general building and civil engineering works. We are optimistic that our Group can maintain a steady growth in our construction and maintenance business.

Major projects awarded and undertaken in 2017

During the Year, we were awarded 13 projects as a main contractor in Hong Kong (out of which 12 and 1 are from the public sector and private sector, respectively), with total original contract sum of approximately HK$4,070 million. The table below sets out the summary of our construction and maintenance projects for general building and civil engineering works that were awarded during the Year:

	Number of projects	**Total original contract sum** *(approximate HK$'million)*
Original contract sum at or above HK$500 million	4	2,692
Original contract sum below HK$500 million but at or above HK$200 million	3	1,027
Original contract sum below HK$200 million but at or above HK$50 million	3	344
Original contract sum less than HK$50 million	3	7
	13	4,070

As at 31 December 2017, we had a total of 21 projects for general building works and 10 projects for civil engineering works on hand. The total original contract sum of these projects was approximately HK$17,647 million. The outstanding value of our ongoing projects as at 31 December 2017 was approximately HK$10,281 million. The following table sets forth the particulars of some of the sizeable construction and maintenance projects for general building works and civil engineering works awarded and undertaken by us as a main contractor and remained ongoing as at 31 December 2017:

Project type	**Business segment**	**Scope of works**	**Original contract completion date**	**Original contract sum** *(approximate HK$'million)*	**Revenue recognised during the financial year 2017** *(approximate HK$'million)*
Management and maintenance of roads in Kowloon East for the Highways Department	Civil engineering works — maintenance projects	Management and maintenance of public roads, including associated slopes, highway structures, landscaping and minor improvement works, in Kowloon East but excluding high speed roads	March 2018	550.0	147.2
Maintenance of properties managed by the Housing Authority	General building works — maintenance projects	Maintenance, improvement and vacant flat refurbishment for properties managed by the Housing Authority at Wong Tai Sin, Tsing Yi, Tsuen Wan and Islands	March 2018	432.2	134.1
Home ownership scheme development of the Housing Authority	General building works	To build 3 blocks of around 30 storeys buildings, carpark and carport, and ancillary structures	September 2018	1,297.0	478.1
Home ownership scheme development of the Housing Authority	General building works	To build 3 blocks of around 27 storeys building and ancillary structures	October 2018	1,299.0	258.8
Enhancement works at Carpark of Airport Authority Hong Kong	Civil engineering works	Enhancement works at Car Park 1	November 2018	123.7	2.0
Main contract for the Park for West Kowloon Cultural District Authority	General building works	Construction of the Art Park in West Kowloon Cultural District	December 2018	1,140.2	327.0
Proposed subsidised housing development of Hong Kong Housing Society	General building works	To build a 31-storey residential block, a single storey commercial block, an open car park and slope improvement	June 2019	464.0	38.5
Contract with the Hospital Authority	General building works — maintenance project	To carry out minor works for New Territories East and New Territories West Clusters	June 2019	734.2	110.8
Kai Tak Development for Civil Engineering and Development Department	Civil engineering works	Infrastructure works for developments at the southern part of the former runway	September 2019	1,947.0*	167.2**
Public rental housing development of the Housing Authority	General building works	To build 5 domestic blocks with 4,846 flats and ancillary buildings	October 2019	3,047.0	804.0
Construction of Public Rental Housing Development of the Housing Authority	General building works	Construction of Public Rental Housing Development	December 2019	707.0	30.7

Project type	Business segment	Scope of works	Original contract completion date	Original contract sum *(approximate HK$'million)*	Revenue recognised during the financial year 2017 *(approximate HK$'million)*
Construction of Subsidised Sale Flats Development of Housing Authority	General building works	Construction of Subsidised Sale Flats Development	February 2020	513.0	3.1
Main Contract for Global Graduate Tower of HKUST	General building works	Construction of Global Graduate Tower in HKUST	February 2020	316.4	–
Works Contract for the M+ Waterfront Promenade of West Kowloon Cultural District Authority	General Construction works	Construction of M+ Waterfront Promenade	February 2020	69.7	–
Maintenance of hydraulic and pumping system and buildings managed by the Airport Authority	General building works — maintenance project	Maintenance, improvement and refurbishment for hydraulic and pumping system and various buildings managed by the Airport Authority	March 2020	221.8	64.5
Maintenance of properties managed by the Housing Authority	General building works — maintenance project	Maintenance, improvement and vacant flat refurbishment for properties managed by the Housing Authority in Tuen Mun and Yuen Long	March 2020	246.7	56.8
Maintenance of properties managed by the Architectural Services Department	General building works — maintenance project	Alterations, additions, maintenance and repair of buildings and lands and properties in (i) Hong Kong Island Eastern and Outlaying Islands (South); (ii) Hong Kong Island Western, Southern and Lantau Island for which Architectural Services Department (Property Services Branch) is responsible	March 2021	1,471.8	139.9
Piers maintenance for Civil Engineering and Development Department	Civil engineering — maintenance project	To carry out maintenance works for piers	March 2022	150.1	22.3

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

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

Major projects completed in 2017

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

Project type	Business segment	Scope of works	Contract period	Original contract sum *(approximate HK$'million)*	Revenue recognised during the financial year 2017 *(approximate HK$'million)*
Maintenance of properties managed by the Architectural Services Department	General building works — maintenance project	Alterations, additions, maintenance and repair of buildings and lands and properties in Tai Po, North District, Outlying Islands (North), Wong Tai Sin and Sha Tin for which Architectural Services Department (Property Services Branch) is responsible	April 2014 to March 2017	883.6	275.6

A majority of our revenue is generated from our general building and civil engineering works. During the Year, the revenue attributable to our general building and civil engineering business amounted to HK$3,275.66 million and HK$1,228.05 million (2016: HK$1,908.27 million and HK$993.53 million), respectively, representing approximately 71.03% and 26.63% (2016: 63.57% and 33.10%), respectively, of the total revenue of the Group for the Year.

During the Year, other than general building and civil engineering works, we also provided other services which comprised mainly housing and property management services (such as the provision of cleaning services and security management services) and building information modelling (BIM) services to real estates in Hong Kong and the PRC. Revenue attributable to these other services amounted to approximately 2.34% of the total revenue of the Group for the Year (2016: 3.33%).

Award of Contracts after the Reporting Period

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

Project type	Business segment	Scope of works	Contract period	Original contract sum *(approximate HK$'million)*
Management and maintenance of roads in Kowloon East for the Highways Department	Civil engineering works — maintenance projects	Management and maintenance of public roads, including associated slopes, highway structures, tunnels, landscaping and minor improvement works, in Kowloon East but excluding Expressways and High Speed Roads.	April 2018 to March 2024	482.6
Construction of Public Rental Housing Development and Subsidised Sale Flats Development of the Housing Authority	General building works	Construction of Public Rental Housing Development and Subsidised Sale Flats Development	March 2018 to October 2022	3,740.0

Recent Development

During the Year, the Group acquired the entire issued capital of an electrical and mechanical engineering company, namely, Biwater Man Lee Limited ("Biwater Man Lee"). Biwater Man Lee was incorporated in Hong Kong on 20 June 1980 and is an approved contractor on the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" of the Hong Kong Government for certain specific categories of works (subject to certain conditions), including, inter alia, "Supply and Installation of Water Treatment Plant (on probation)".

The acquisition of Biwater Man Lee is in line with the businesses of the Group. With the injection of the expertise, skills and solid experiences in wastewater and potable water treatment industry, the Group will be better equipped to further develop its businesses in the provision of construction services. In particular, given the public's rising awareness of environmental protection and favourable government policy in Hong Kong, the Group is optimistic on the wastewater and potable water treatment industry in Hong Kong. We expected that the acquisition of Biwater Man Lee will create synergy from combining the resources and expertise of both the Group and Biwater Man Lee in the provision of construction services, and enable the Group to enhance its overall competitiveness as a civil engineering main contractor in the construction industry.

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

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK$1,609.95 million, or approximately 53.63%, from HK$3,002.02 million for 2016 to HK$4,611.97 million for 2017. The increase in our revenue was mainly the combined effect of the increase in general building business of HK$1,367.39 million and the increase in civil engineering business of HK$234.52 million.

Revenue from general building business increased by approximately HK$1,367.39 million, or approximately 71.66%, from HK$1,908.27 million for 2016 to HK$3,275.66 million for 2017. The increase was primarily due to inclusion of certain new general building contracts, including construction of a proposed subsidised housing development for the Hong Kong Housing Society and the construction of a public rental housing development for the Hong Kong Housing Authority. In addition, there was an increase in revenue of certain general building contracts in accordance with the work progress, including the construction of a public rental housing development and a home ownership scheme development for the Hong Kong Housing Authority and the construction of a park development in Kowloon West. This was partly offset by the decrease in revenue between years due to the completion of certain general building contracts, including a building project carried out for a theme park (to build an attraction for the theme park).

Revenue from civil engineering business increased by approximately HK$234.52 million, or approximately 23.60%, from HK$993.53 million 2016 to HK$1,228.05 million for 2017. The increase was primarily due to increase in revenue of certain civil engineering contracts in accordance with the work progress, including Kai Tak Development at the southern part of the former runway, and the reconstruction and upgrading of Kai Tak nullah.

Revenue from other services (which mainly comprised housing and property management services and building information modelling (BIM) services) for 2017 amounted to HK$108.26 million (2016: HK$100.22 million), representing 2.34% (2016: 3.33%) of the total revenue of the Group.

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

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK$50.67 million, or approximately 25.79%, from HK$196.49 million for 2016 to HK$247.16 million for 2017. The increase in our gross profit was mainly due to the increase in contributions from our ongoing projects between years in accordance with the work progress.

Gross profit margin for 2017 amounted to 5.36%, which was slightly lower when compared to that of 6.55% for 2016. The profitability was partly affected by the surge in construction costs generally across the construction market.

Other revenue

Other revenue mainly consisted of interest income and sundry income. Our other revenue for 2017 amounted to HK$0.35 million, which was about in line compared to that of HK$0.26 million for 2016.

Other net gain

Our other net gain for 2017 mainly comprised gain on disposal of plant and equipment and net foreign exchange gain.

Administrative expenses

Administrative expenses mainly consisted of staff costs and rental charges. Our administrative expenses for 2017 amounted to HK$72.67 million, compared to that of HK$67.00 million for 2016. The increase was mainly due to the increase in staff costs between years.

Finance costs

Our finance costs for 2017 amounted to HK$5.49 million, compared to that of HK$3.01 million for 2016. The increase was primarily associated with the increase in bank interest expenses arising from the increase in average bank loan balances.

Income tax

Our income tax for 2017 amounted to HK$28.22 million, compared to that of HK$21.57 million for 2016. The effective tax rate for 2017 was 16.51%, compared to that of 16.89% for the 2016.

Our effective tax rates for both years were relatively in line with the standard tax rates of the respective jurisdictions.

Profit attributable to the equity shareholders of the Company

Based on the above factors, profit attributable to the equity shareholders of the Company increased by approximately HK$35.90 million, or approximately 33.88%, from HK$105.97 million for 2016 to HK$141.87 million for 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 31 December 2017, the capital structure of the Group consisted of equity of HK$474.80 million (2016: HK$451.74 million) and bank borrowings of HK$307.74 million as more particularly described in the paragraph headed "Borrowings" below (2016: HK$100.73 million).

Cash position and fund available

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and bank borrowings. As at 31 December 2017, our cash at banks and in hand were HK$256.76 million (2016: HK$215.83 million).

As at 31 December 2017, the current ratio of the Group was 1.29 (2016: 1.47).

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

Borrowings

As at 31 December 2017, the Group had total bank borrowings of approximately HK$307.74 million (2016: HK$100.73 million). The increase in total bank borrowings between years was mainly used to finance the working capital of the new projects that were awarded to us, especially at the commencement stage of these contracts which generally require more capital input. The higher balance of total bank borrowings as at 31 December 2017 was also explained by a mismatch in timing of revenue receipts from customers and payments to suppliers and subcontractors at year end. The Group's net borrowings position (i.e. total borrowings minus total cash at banks and in hand) actually improved during the past six months from HK$186 million as at 30 June 2017 to HK$51 million as at 31 December 2017.

As at 31 December 2017, the Group had approximately HK$1,267 million (2016: HK$1,120 million) of unutilised banking facilities in Hong Kong and Macau (including loans, letter of credit and letter of guaranteed facilities). All of the Group's banking facilities are subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group remains in compliance with its loan covenants.

GEARING RATIO

As at 31 December 2017, the Group's gearing ratio was 64.82% (2016: 22.30%), calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end.

NET CURRENT ASSETS

As at 31 December 2017, the Group had net current assets of HK$410.08 million (2016: HK$424.47 million).

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

CAPITAL EXPENDITURES

The Group's capital expenditures primarily comprise purchase of plant and equipment, such as motor vehicles and equipment, which were funded, and are expected to continue to be funded, by internal resources and cash flow generated from our operation. For the Year, the Group has incurred HK$15.64 million (2016: HK$10.67 million) on acquiring items of plant and equipment.

FOREIGN EXCHANGE EXPOSURE

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

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

Save as disclosed in the above section headed "Recent Development", there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year and no future plan for material investments or capital assets as at 31 December 2017.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited on 10 December 2015 amounted to approximately HK$102 million (the "IPO Proceeds"). As disclosed in the announcement of the Company dated 24 March 2017, the Board had resolved to change the use of the unutilised IPO proceeds. Up to the date of this announcement, the IPO Proceeds had been fully utilised.

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no other contingent liabilities as at 31 December 2017:

(a) As at 31 December 2017, approximately HK$345,803,000 (2016: HK$371,652,000) of performance bonds were given by banks to the Group in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and their customers. The Group has provided guarantees of the above performance bonds. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work.

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

(b) As at 31 December 2017, the Group has provided guarantees of HK$258,493,000 (2016: HK$236,728,000) representing a 50% proportionate guarantee in respect of certain banking facilities of HK$516,986,000 (2016: HK$473,455,000) granted to its joint ventures in Macau. The 50% proportionate facilities were utilised to the extent of HK$87,088,000 (2016: HK$137,722,000), of which amounts of HK$75,740,000 (2016: HK$117,118,000) represent performance bonds given by banks to the customers of the joint ventures.

(c) As at 31 December 2017, the Group has also given guarantees in respect of certain banking facilities of the Group's joint operations which amounted to HK$Nil (2016: HK$97,618,000). The banking facilities were utilised to the extent of HK$Nil (2016: HK$90,459,000), of which the amounts of HK$Nil (2016: HK$87,618,000) represent performance bonds given by the bank to the customer of the Group's joint operation.

(d) The Group has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and no transaction price was incurred.

(e) The subsidiaries of the Group are defendants in a number of claims, lawsuits and potential claims relating to employee's compensation cases and personal injuries claims. The directors of the Company considered that the possibility of any outflow in settling the legal claims is remote as these claims are all well covered by insurance. Accordingly, no provision for the contingent liabilities in respect of these litigations is necessary, after due consideration of each case.

PLEDGE OF ASSETS

At 31 December 2017, the Group had deposits, amounting to HK$25.01 million (2016: HK$19.94 million), and assignment of project proceeds from certain construction contracts of the Group, the Group's joint operations and the Group's joint venture, that are pledged with banks as security of banking facilities (including bank loans and performance bonds). Pledged deposits remained relatively stable between years.

CAPITAL COMMITMENTS

As at 31 December 2017, our Group did not have any capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group has 1,970 employees in Hong Kong, Macau and the PRC. The Group entered into separate labour contracts with its employees in accordance with the applicable labour laws of Hong Kong, Macau and the PRC. The remuneration offered to employees generally includes salaries, medical benefits and bonus. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority.

FUTURE PROSPECTS

Despite the ongoing turbulence in the global political and international trade environment, upon taking into account the Hong Kong Government's commitment to infrastructure investment and its housing policy of increasing land supply to accommodate growing demand, the Board is confident with the Group's future development and will continue to build on existing competitive strengths to achieve our long term business objectives. Meanwhile, the Board is now further exploring a new business of providing electrical and mechanical engineering installation service in sewage/water treatment plant to the Hong Kong Government.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD

Save for the continuing connected transactions as disclosed in the announcement dated 22 January 2018, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of this announcement.

AUDIT COMMITTEE REVIEW

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

SCOPE OF WORK OF KPMG

The financial figures in respect of Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Wednesday, 23 May 2018 (the "2018 AGM"). A notice convening the 2018 AGM will be published and despatched to the Shareholders in accordance with the bye-laws of the Company, the Listing Rules and other applicable laws and regulations.

FINAL DIVIDENDS

The directors recommended the payment of a final dividend of HK18.5 cents per share, amounting to approximately HK$74 million. Such payment of dividends will be subject to the approval of the shareholders of the Company at the 2018 AGM and if approved, will be payable to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 29 May 2018. It is expected that the proposed final dividend will be paid on or about Tuesday, 12 June 2018.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Thursday, 17 May 2018 to Wednesday, 23 May 2018, during which period no transfer of the Shares will be registered. Shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 16 May 2018.

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed on Tuesday, 29 May 2018, during which no transfer of the Shares of the Company will be registered. Shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 28 May 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual consolidated results announcement is published on the Company's website at http://www.sfkchl.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2017 Annual Report will be despatched to the Shareholders and available on the above websites.

APPRECIATION

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

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

Hong Kong, 26 March 2018

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