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

ANNOUNCEMENT OF INTERIM CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

- Our overall revenue for the six months ended 30 June 2016 increased to approximately HK$1,427.18 million as compared with that of approximately HK$1,140.17 million for the corresponding period last year.

- Our overall gross profit increased by approximately HK$12.25 million, or approximately 17.33%, from approximately HK$70.68 million for the six months ended 30 June 2015 to approximately HK$82.93 million for the six months ended 30 June 2016.

- Profit attributable to the equity shareholders of the Company increased by approximately HK$10.27 million, or approximately 35.49%, from approximately HK$28.94 million for the six months ended 30 June 2015 to approximately HK$39.21 million for the six months ended 30 June 2016.

- During the six months ended 30 June 2016, 7 new projects were awarded to the Group as a main contractor in Hong Kong (out of which 6 projects were from the public sector and 1 project was from the private sector), with a total original contract sum of approximately HK$2,048 million.

- As at 30 June 2016, we had a total of 15 projects for general building works and 9 projects for civil engineering works on hand and the total original contract sum amounted to approximately HK$13,665.21 million.

- The directors recommended the payment of an interim dividend of HK9 cents per share, amounting to approximately HK$36 million.

INTERIM CONSOLIDATED RESULTS

The board (the "Board") of directors (the "Directors") of SFK Construction Holdings Limited (the "Company") is pleased to present the interim consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 (the "Period"), together with the comparative figures for the corresponding period in 2015 as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2016	2015
	Notes	***$'000***	*$'000*
Revenue	*3*	**1,427,177**	1,140,172
Direct costs		**(1,344,248)**	(1,069,494)
Gross profit		**82,929**	70,678
Other revenue		**207**	284
Other net income/(loss)		**296**	(650)
Administrative expenses		**(34,170)**	(33,493)
Profit from operations		**49,262**	36,819
Finance costs		**(1,209)**	(328)
Share of profits less losses of joint ventures		**(216)**	(850)
Profit before taxation	*4*	**47,837**	35,641
Income tax	*5*	**(8,216)**	(6,813)
Profit for the period		**39,621**	28,828
Attributable to:			
Equity shareholders of the Company		**39,207**	28,936
Non-controlling interests		**414**	(108)
Profit for the period		**39,621**	28,828
Earnings per share — Basic/Diluted	*6*	**9.80 cents**	9.65 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016 — Unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Profit for the period	**39,621**	28,828
Other comprehensive income for the period (after tax)		
Items that may be reclassified subsequently to profit or loss or have been reclassified:		
Reclassification of exchange reserve upon de-registration of subsidiaries	**–**	(412)
Total comprehensive income for the period	**39,621**	28,416
Attributable to:		
Equity shareholders of the Company	**39,207**	28,524
Non-controlling interests	**414**	(108)
Total comprehensive income for the period	**39,621**	28,416

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016 — unaudited
(Expressed in Hong Kong dollars)

	Notes	30 June 2016 $'000	31 December 2015 $'000
Non-current assets			
Property, plant and equipment	7	**29,983**	27,083
Interest in joint ventures		**148**	364
Deferred tax assets		**691**	932
		30,822	28,379
Current assets			
Gross amount due from customers for contract work	8	**610,916**	655,492
Trade and other receivables	9	**461,744**	513,376
Amount due from a joint venture		**129**	–
Current tax recoverable		**314**	4,947
Pledged deposits		**19,862**	19,862
Cash and cash equivalents		**201,008**	297,269
		1,293,973	1,490,946
Current liabilities			
Gross amount due to customers for contract work	8	**176,165**	161,708
Trade and other payables	10	**548,952**	712,541
Amount due to a joint venture		**–**	591
Bank loans		**165,000**	155,000
Current tax payable		**9,904**	4,450
		900,021	1,034,290
Net current assets		**393,952**	456,656
Total assets less current liabilities		**424,774**	485,035
Non-current liability			
Deferred tax liabilities		**3,362**	3,244
NET ASSETS		**421,412**	481,791

	Notes	**30 June 2016** **$'000**	31 December 2015 $'000
CAPITAL AND RESERVES			
Share capital		**40,000**	40,000
Reserves		**381,155**	441,948
Total equity attributable to equity shareholders of the Company		**421,155**	481,948
Non-controlling interests		**257**	(157)
TOTAL EQUITY		**421,412**	481,791

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION AND BASIS OF PREPARATION

SFK Construction Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") are principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau. The Company was incorporated in Bermuda on 17 October 2007 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 December 2015.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2015, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 29 August 2016.

2 ADOPTION OF NEW/REVISED HKAS

The accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2015.

Certain new standards, amendments and improvements to standards are mandatory for the accounting period beginning 1 January 2016. However, the adoption of these new standards, amendments and improvements to standards does not result in any substantial change to the Group's accounting policies.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Revenue mainly represents the revenue derived from general building and civil engineering.

Further details regarding the Group's principal activities are disclosed below:

(b) Segment reporting

The Group manages its businesses by segments, and 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 provides housing management services and consultancy services

For the six months ended 30 June 2016

	General building $'000	Civil engineering $'000	Others $'000	Total $'000
Reportable segment revenue	**982,475**	**399,687**	**45,015**	**1,427,177**
Reportable segment profit	**47,561**	**31,738**	**4,634**	**83,933**
Other revenue and other net loss				**(1,064)**
Depreciation				**(659)**
Finance costs				**(1,209)**
Unallocated head office and corporate expenses				**(33,164)**
Consolidated profit before taxation				**47,837**
Share of profits less losses of joint ventures	**(216)**	**–**	**–**	**(216)**
Depreciation for the period	**2,824**	**1,252**	**298**	**4,374**
Reportable segment assets (including interest in joint ventures)	**667,250**	**330,353**	**98,196**	**1,095,799**
Deferred tax assets				**691**
Current tax recoverable				**314**
Unallocated head office and corporate assets				**227,991**
Consolidated total assets				**1,324,795**
Additions to non-current segment assets during the period	**5,297**	**2,155**	**242**	**7,694**
Share of net assets in joint ventures	**148**	**–**	**–**	**148**
Reportable segment liabilities	**457,932**	**204,009**	**30,513**	**692,454**
Current tax payable				**9,904**
Deferred tax liabilities				**3,362**
Unallocated head office and corporate liabilities				**197,663**
Consolidated total liabilities				**903,383**

For the six months ended 30 June 2015

	General building *$'000*	Civil engineering *$'000*	Others *$'000*	Total *$'000*
Reportable segment revenue	738,248	369,115	32,809	1,140,172
Reportable segment profit	46,577	27,281	(3,952)	69,906
Other revenue and other net loss				(787)
Depreciation				(784)
Finance costs				(328)
Unallocated head office and corporate expenses				(32,366)
Consolidated profit before taxation				35,641
Share of profits less losses of joint ventures	(850)	–	–	(850)
Depreciation for the period	2,477	1,425	257	4,159
Reportable segment assets (including interest in joint ventures)	603,223	333,662	87,373	1,024,258
Deferred tax assets				1,481
Current tax recoverable				3,512
Unallocated head office and corporate assets				110,865
Consolidated total assets				1,140,116
Additions to non-current segment assets during the period	1,591	795	71	2,457
Share of net assets in joint ventures	2,898	–	–	2,898
Reportable segment liabilities	347,364	245,436	39,155	631,955
Current tax payable				15,488
Deferred tax liabilities				2,979
Unallocated head office and corporate liabilities				174,298
Consolidated total liabilities				824,720

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
(a) Finance costs		
Interest on bank advances and other borrowings	**1,209**	328
(b) Staff costs	**18,645**	15,307
(c) Other items		
Depreciation	**5,033**	4,943
Less: Amount capitalised in respect of construction contracts in progress	**(4,102)**	(3,826)
	931	1,117
Auditors' remuneration	**1,409**	2,604

5 INCOME TAX

Taxation in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Current tax — Hong Kong Profits Tax		
Provision for the period	**7,856**	6,221
Deferred tax		
Origination and reversal of temporary differences	**360**	592
	8,216	6,813

6 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 $39,207,000 (30 June 2015: $28,936,000) and the weighted average of 400,000,000 shares (30 June 2015: 300,000,000 shares after adjusting the capitalisation issue in 2015) in issue during the period.

The weighted average number of shares in issue during the six months ended 30 June 2015 is based on the assumption that 300,000,000 shares of the Company were in issue, comprising 100 shares in issue and 299,999,900 shares issued pursuant to the capitalisation issue, and as if these shares were outstanding throughout that period.

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2016 and 2015.

7 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of $8,001,000 (30 June 2015: $2,571,000). Also, the Group disposed items of property, plant and equipment with a carrying amount of $69,000 (30 June 2015: $371,000).

8 GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	30 June 2016	31 December 2015
	$'000	*$'000*
Gross amount due from customers for contract work	**610,916**	655,492
Gross amount due to customers for contract work	**(176,165)**	(161,708)
	434,751	493,784

All gross amount due from/to customers for contract work are expected to be recovered/settled within one year.

9 TRADE AND OTHER RECEIVABLES

	30 June 2016	31 December 2015
	$'000	*$'000*
Trade debtors	**248,467**	317,319
Deposits, prepayments and other receivables	**34,196**	30,365
Amounts due from related companies	**21,708**	8,028
Amounts due from joint operation partners	**382**	2,258
Retentions receivable	**156,991**	155,406
	461,744	513,376

The ageing analysis of trade debtors and trade balance due from related companies based on invoice date is as follows:

	30 June 2016	31 December 2015
	$'000	*$'000*
Within 1 month	**257,170**	262,963
Over 1 to 2 months	**2,060**	57,691
Over 2 to 3 months	**6,360**	3,992
Over 3 months	**4,585**	701
	270,175	325,347

10 TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
	$'000	*$'000*
Trade creditors	**118,898**	187,210
Accruals and other payables	**249,102**	340,279
Amounts due to joint operation partners	**7,460**	17,829
Retentions payable	**173,492**	167,223
	548,952	712,541

The ageing analysis of trade creditors based on invoice date is as follows:

	30 June 2016	31 December 2015
	$'000	*$'000*
Within 1 month	**95,985**	168,019
Over 1 to 2 months	**18,967**	13,911
Over 2 to 3 months	**2,063**	2,677
Over 3 months	**1,883**	2,603
	118,898	187,210

11 DIVIDENDS

Dividend payable to equity shareholders of the Company attributable to the interim period:

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Interim dividend proposed after the end of reporting period of 9 cents per share (2015: $nil per share)	**36,000**	–

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

Final dividend of 25 cents per share, amounting to $100,000,000, was declared for the year ended 31 December 2015 and paid in May 2016.

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group had the following transactions with the related parties during the periods which the Directors consider to be significant:

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Housing and related service income *(Note (i))*	**21,265**	11,148
Rental expenses, licence fees, air-conditioning and service charges *(Note (ii))*	**4,443**	4,066
Consultancy service fee *(Note (iii))*	**6,504**	7,476

The substantial shareholder of Great Eagle Holdings Limited is an ultimate controlling party of the Group.

Notes:

(i) During the six months ended 30 June 2016 and 2015, the Group earned housing service income from and engaged in trading of cleaning materials with subsidiaries of Great Eagle Holdings Limited and a subsidiary of Sun Fook Kong Group Limited.

(ii) During the six months ended 30 June 2016 and 2015, the Group paid rental expenses to a subsidiary of Great Eagle Holdings Limited.

(iii) During the six months ended 30 June 2016 and 2015, the Group paid consultancy service fee to a subsidiary of Sun Fook Kong Group Limited.

13 CONTINGENT LIABILITIES

(a) As at 30 June 2016, approximately $241,291,000 (31 December 2015: $165,006,000) of performance bonds were given by banks to the Group in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and their customers. The Group has provided guarantees of the above performance bonds. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work.

(b) As at 30 June 2016, the Group had provided guarantees of $236,728,000 (31 December 2015: $236,728,000) representing a 50% proportionate guarantee in respect of certain banking facilities of $473,455,000 (31 December 2015: $473,455,000) granted to its joint ventures in Macau. The 50% proportionate facilities were utilised to the extent of $138,331,000 (31 December 2015: $127,130,000) of which amounts of $112,228,000 (31 December 2015: $111,037,000) represent performance bonds given by banks to customers of joint ventures.

(c) As at 30 June 2016, the Group had also given guarantees in respect of certain banking facilities of the Group's joint operations which amounted to $187,618,000 (31 December 2015: $187,618,000). The banking facilities were utilised to the extent of $92,224,000 (31 December 2015: $96,591,000), of which the amounts of $87,618,000 (31 December 2015: $87,618,000) represent performance bonds given by the bank to the customer of the Group's joint operations.

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau under our brand "SFK (新福港)". Besides the construction and maintenance projects, the Group also provides other services, which comprise mainly housing management services, such as the provision of cleaning services and security management services to Hong Kong customers in both the public and private sectors.

BUSINESS REVIEW

Our overall revenue for the Period increased to HK$1,427.18 million as compared with that of HK$1,140.17 million for the corresponding period last year. The result was mainly attributable to a mix of projects from our general building works and civil engineering works undertaken during the Period, with the major projects being outlined in the following sections.

During the Period, 7 new projects were awarded to us during the Period as a main contractor in Hong Kong (out of which 6 projects were from the public sector and 1 project was from the private sector), with a total original contract sum of approximately HK$2,048 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 Period.

	Number of projects	**Total original contract sum** *(approximate HK$' million)*
Original contract sum at or above HK$500 million	2	2,031
Original contract sum below HK$500 million but at or above HK$200 million	0	0
Original contract sum below HK$200 million but at or above HK$50 million	0	0
Original contract sum less than HK$50 million	5	17
	7	2,048

As at 30 June 2016, we had a total of 15 projects for general building works and 9 projects for civil engineering works on hand and the total original contract sum amounted to approximately HK$13,665.21 million. The following table sets forth the particulars of some of the sizeable construction and maintenance projects for general building works and civil engineering works awarded and undertaken by us as a main contractor and remain ongoing as at 30 June 2016:

Project type	**Business segment**	**Scope of works**	**Original contract sum** *(approximate HK$' million)*	**Expected completion date**	**Revenue recognised for the six months ended 30 June 2016** *(approximate HK$' million)*
Expansion works for a theme park	General building works	To build an attraction of the theme park	437.0	September 2016	191.8
Home ownership scheme development of the Housing Authority	General building works	To build 2 blocks of 27 storeys building and ancillary structures	1,299.0	October 2018	130.4
Provision of barrier free access facilities in premises managed by the Hospital Authority	General building works — maintenance project	Design and construction of minor works for provision of barrier free access facilities in premises managed by Hospital Authority	247.6	February 2017	83.5
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 at Wong Tai Sin, Tsing Yi,Tsuen Wan and Islands	432.2	March 2018	58.4
Stonecutters Island sewage treatment works for Drainage Services Department	Civil engineering works	Construction of a main pumping station, the extension of chemically enhanced primary treatment tanks and the construction of other ancillary facilities at Stonecutters Island sewage treatment works	2,385.7**	July 2016	90.5***
Kai Tak Development for Civil Engineering and Development Department	Civil engineering works	Reconstruction of the Kai Tak Airport	1,947.0	July 2017	139.1
Kai Tak Development for Civil Engineering and Development Department	Civil engineering works	Infrastructure works for developments at the southern part of the former runway	1,947.0*	September 2019	50.3***
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	550.0	March 2018	61.3

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

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

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

A majority of our revenue is generated from our general building and civil engineering works. During the Period, the revenue attributable to our general building and civil engineering business amounted to HK$982.48 million and HK$399.69 million (30 June 2015: HK$738.25 million and HK$369.11 million), respectively, representing approximately 68.84% and 28.01% (30 June 2015: 64.75% and 32.37%), respectively, of the total revenue of the Group for the Period.

During the Period, other than general building and civil engineering works, we also provided other services which comprised mainly housing management services, such as the provision of cleaning services and security management services to Hong Kong customers in both the public and private sectors. Revenue attributable to these other services amounted to approximately 3.15% of the total revenue of the Group for the Period (30 June 2015: 2.88%).

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK$287.01 million, or approximately 25.17%, from HK$1,140.17 million for the six months ended 30 June 2015 to HK$1,427.18 million for the six months ended 30 June 2016. The increase in our revenue was mainly the combined effect of the increase in general building business of HK$244.23 million and the increase in civil engineering business of HK$30.58 million.

Revenue from general building business increased by approximately HK$244.23 million, or approximately 33.08%, from HK$738.25 million for the six months ended 30 June 2015 to HK$982.48 million for the six months ended 30 June 2016. The increase was primarily due to the inclusion of full six-month period effect in 2016 of certain new general building contracts, namely a building project carried out for a theme park (to build an attraction for the theme park) and the construction of home ownership scheme development of the Hong Kong Housing Authority.

Revenue from civil engineering business increased by approximately HK$30.58 million, or approximately 8.28%, from HK$369.11 million for the six months ended 30 June 2015 to HK$399.69 million for the six months ended 30 June 2016. The increase was primarily due to inclusion of certain new civil engineering contracts for the six months ended 30 June 2016, namely Kai Tak Development at the southern part of the former runway.

Revenue from other services (which mainly comprised housing management services) for the six months ended 30 June 2016 amounted to HK$45.01 million (30 June 2015: HK$32.81 million), representing 3.15% (30 June 2015: 2.88%) of the total revenue of the Group.

Our business remains to be focusing only in the Hong Kong market in both periods.

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK$12.25 million, or approximately 17.33%, from HK$70.68 million for the six months ended 30 June 2015 to HK$82.93 million for the six months ended 30 June 2016. The increase in gross profit was mainly attributable to the increase in revenue for the six months ended 30 June 2016 as compared to the six months ended 30 June 2015.

Gross profit margin for the six months ended 30 June 2016 amounted to 5.81%, which was about in line compared to that of 6.20% for the six months ended 30 June 2015.

Other revenue

Our other revenue for the six months ended 30 June 2016 amounted to HK$0.21 million, which was about in line compared to that of HK$0.28 million for the six months ended 30 June 2015. Other revenue mainly consisted of interest income.

Other net income/(loss)

Our other net income for the six months ended 30 June 2016 amounted to HK$0.30 million, compared to our other net loss for the six months ended 30 June 2015 of HK$0.65 million. Our other net income for the six months ended 30 June 2016 was attributed to the net effect of (i) gain on disposal of property, plant and equipment; and (ii) foreign exchange loss.

Administrative expenses

Our administrative expenses for the six months ended 30 June 2016 amounted to HK$34.17 million, which was about in line compared to that of HK$33.49 million for the six months ended 30 June 2015.

Finance costs

Our finance costs for the six months ended 30 June 2016 amounted to HK$1.21 million, compared to that of HK$0.33 million for the six months ended 30 June 2015. The increase was primarily associated with the increase in bank interest expenses arising from the increase in average bank loan balances.

Income tax

Our income tax for the six months ended 30 June 2016 amounted to HK$8.22 million, compared to that of HK$6.81 million for the six months ended 30 June 2015. The effective tax rate for the six months ended 30 June 2016 was 17.17%, compared to that of 19.12% for the six months ended 30 June 2015.

The relatively higher effective tax rate for the six months ended 30 June 2015 was mainly due to the inclusion of a HK$2.34 million non-deductible listing expenses. Excluding this one-off item from the profit before income tax, our effective tax rate for the six months ended 30 June 2015 would be 17.94%, which was about in line with that for the six months ended 30 June 2016.

Profit attributable to the equity shareholders of the Company

Based on the above factors, profit attributable to the equity shareholders of the Company increased by approximately HK$10.27 million, or approximately 35.49%, from HK$28.94 million for the six months ended 30 June 2015 to HK$39.21 million for the six months ended 30 June 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 30 June 2016, the capital structure of the Group consisted of equity of HK$421.41 million (31 December 2015: HK$481.79 million) and bank borrowings of HK$165 million as more particularly described in the paragraph headed "Borrowings" below (31 December 2015: HK$155 million).

Cash position and fund available

During the Period, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows, bank borrowings and proceeds from the listing of the shares of the Company (the "Shares") on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 December 2015 (the "Listing").

As at 30 June 2016, our cash and cash equivalents were HK$201.01 million (31 December 2015: HK$297.27 million).

As at 30 June 2016, the current ratio of the Group was 1.44 (31 December 2015: 1.44).

Our principal uses of cash have been, and are expected to continue to be, operational costs. The following table sets out the cash flows from our operating, investing and financing activities for the Period and the corresponding period last year:

	Six months ended 30 June	
	2016	2015
	(approximate HK$' million)	*(approximate HK$' million)*
Operating activities	**3.28**	(279.68)
Investing activities	**(8.21)**	(1.43)
Financing activities	**(91.21)**	114.67
Cash and cash equivalents at 1 January	**297.27**	246.15
Effect of foreign exchange rate changes	**(0.12)**	0.03
Cash and cash equivalents at 30 June	**201.01**	79.74

Borrowings

As at 30 June 2016, the Group had total bank borrowings of approximately HK$165 million (31 December 2015: HK$155 million). All of the Group's banking facilities are subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

GEARING RATIO

As at 30 June 2016, the Group's gearing ratio was 39.15% (31 December 2015: 32.17%), calculated based on the interest-bearing liabilities divided by the total equity as at the respective period end.

CAPITAL EXPENDITURES

The Group's capital expenditures primarily comprise purchase of property, 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. During the Period, the Group has incurred HK$8.00 million (30 June 2015: HK$2.57 million) on acquiring items of property, 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 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 FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Period, the following two indirect wholly-owned subsidiaries were formed:

(a) High Horse Holdings Limited ("High Horse"), a limited liability company incorporated in the British Virgins Islands. High Horse is an investment holding company. It is wholly owned by Sun Fook Kong Holdings Limited, a direct wholly-owned company of the Company.

(b) SFK Housing Services (China) Limited ("SFK Housing China"), a limited liability company incorporated in Hong Kong. SFK Housing China is an investment holding company. It is wholly owned by High Horse. After the end of the Period, SFK Housing China has acquired the entire equity interest of a wholly foreign-owned enterprise established in the People's Republic of China ("PRC"). More information about the acquisition is set out in the section below headed "Events after the Reporting Period".

Save for the above, there were no other material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2016. Save for the business plan disclosed in the prospectus of the Company dated 30 November 2015 (the "Prospectus") or otherwise disclosed herein, there was no future plan for material investments or capital assets as at 30 June 2016.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the six months ended 30 June 2016.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing amounted to approximately HK$102 million. The Company has used the net proceeds in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The below table sets out the proposed applications of the net proceeds and actual usage up to the date of this announcement:

	Proposed application *HK$' million*	**Actual usage up to the date of this announcement** *HK$' million*
financing the capital input to recently awarded projects, ongoing projects and future projects	61.2	61.2
for suitable merger and acquisition opportunities in enhancing our capabilities to undertake different types of construction works	30.6	Nil
for working capital requirements and other general corporate purposes	10.2	10.2

CONTINGENT LIABILITIES

Save as disclosed in note 13 to the condensed consolidated financial statements, the Group had no other contingent liabilities as at 30 June 2016.

PLEDGE OF ASSETS

As at 30 June 2016, the Group had deposits, amounting to HK$19.86 million (31 December 2015: HK$19.86 million), and assignment of project proceeds from certain construction contracts of the Group, the Group's joint operations and the Group's joint venture, that are pledged with banks as security of banking facilities (including bank loans and performance bonds). Pledged deposits remained stable between periods.

CAPITAL COMMITMENTS

As at 30 June 2016, the Group did not have any capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had 1,487 employees in Hong Kong and Macau. The Group entered into separate labour contracts with its employees in accordance with the applicable labour laws of Hong Kong and Macau. The remuneration offered to employees generally includes salaries, medical benefits and bonus. Share options may also be granted to eligible employees. In general, the Group determines salaries of its employees based on each employee's qualification, position, seniority and experience.

FUTURE PROSPECTS

The Listing marked an important milestone in the history of the Group and opened up good opportunities for the Group's future development in the construction industry. With the Listing and taking into account the Hong Kong Government's commitment to infrastructure investment and its housing policy of increasing land supply to accommodate growing demand, as well as the ongoing dedication of the government of Macau to upgrading Macau's infrastructure, the Board is optimistic that the Group can maintain steady growth in net profit and scale of operations due to its long established reputation, experience and proven ability in the general building and civil engineering main contracting industries.

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 enhance shareholders' value. The Board 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). For the Period, the Board is of the opinion that the Company has complied with all the code provisions of the CG Code, except for the deviation from code provision A.2.1 of the CG Code.

According to code 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 to the Listing Rules upon the Listing. Having made specific enquiries of all the Directors, each of the Directors confirmed that he has complied with the required standard set out in the Model Code during the Period.

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 Period.

EVENTS AFTER THE REPORTING PERIOD

The Fujitac Acquisition and Foshan Baode Acquisition

On 15 July, 2016, Sun Fook Kong Holdings Limited ("SFK Holdings"), a direct wholly-owned subsidiary of the Company entered into an agreement (the "Fujitac SPA") with Gain Treasure Investments Limited ("Gain Treasure") pursuant to which Gain Treasure agreed to sell, and SFK Holdings agreed to purchase, the entire issued share capital of Fujitac Construction & Engineering Consultants Limited, a company incorporated with limited liability under the laws of Hong Kong ("Fujitac"), for a total consideration of HK$7,672,329 (the "Fujitac Acquisition"). Completion has taken place simultaneously upon the signing of the Fujitac SPA.

On 15 July, 2016, SFK Housing China, an indirect wholly-owned subsidiary of the Company and 新福港投資控股(深圳)有限公司 (Sun Fook Kong Investment Holdings (Shenzhen) Limited*) ("SFK Investment Shenzhen") entered into an agreement (the "Foshan Baode SPA") pursuant to which SFK Investment Shenzhen has conditionally agreed to sell, and SFK Housing China has conditionally agreed to purchase, the entire equity interest of 佛山寶得物業管理有限公司 (Foshan Baode Building Management Limited*), a company established as a wholly foreign-owned enterprise under the laws of the PRC ("Foshan Baode"), for a total consideration of RMB4,878,274.96 (equivalent to approximately HK$5,707,581.70) (the "Foshan Baode Acquisition"). Completion of the Foshan Baode Acquisition is subject to the fulfillment of certain conditions precedent set out in the Foshan Baode SPA. As at the date of this announcement, completion of the Foshan Baode Acquisition has not yet taken place.

As Gain Treasure and SFK Investment Shenzhen are both wholly-owned subsidiaries of SFK Group, which is a controlling shareholder of the Company, both Gain Treasure and SFK Investment Shenzhen are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, both the Fujitac Acquisition and the Foshan Baode Acquisition constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The Fujitac Acquisition and the Foshan Baode Acquisition, which have been entered into within a 12-month period, have been aggregated pursuant to Rule 14A.81 of the Listing Rules. As all the applicable percentage ratios (as defined under the Listing Rules), in aggregate, exceeded 0.1% but less than 5%, the Fujitac Acquisition and the Foshan Baode Acquisition were subject to the reporting and announcement requirements but were exempt from the circular and independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

Fujitac Consultancy Agreement

Fujitac entered into a consultancy agreement (the "Fujitac Consultancy Agreement") with Sun Fook Kong Construction Limited ("SFK Construction"), an indirect wholly-owned subsidiary of the Company on 19 November 2015. Pursuant to the Fujitac Consultancy Agreement, Fujitac has agreed to provide consultancy service to SFK Construction for a term commencing from 1 July 2015 to 31 December 2017.

Prior to completion of the Fujitac Acquisition, as Fujitac is a connected person of the Company, the transactions contemplated under the Fujitac Consultancy Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. For details of such continuing connected transactions, please refer to the section headed "Connected Transactions" under the Prospectus and the section headed "Continuing Connected Transactions" under the Report of the Directors in the 2015 Annual Report of the Company. Following the completion of the Fujitac Acquisition, as Fujitac has become an indirect wholly-owned subsidiary of the Company and accordingly ceased to be a connected person of the Company, the transactions contemplated under the Fujitac Consultancy Agreement no longer constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

For details of the Fujitac Acquisition, the Foshan Baode Acquisition and the Fujitac Consultancy Agreement, please refer to the announcement of the Company dated 15 July 2016.

Award of Construction Contracts

The following table sets forth the particulars of the sizeable projects awarded and undertaken by us as a main contractor after the reporting period:

Project Type	**Business segment**	**Scope of works**	**Original contract sum** *(approximate HK$' million)*	**Contract period**
Contract with the Hospital Authority	General building works	To carry out minor works for New Territories East and New Territories West Clusters	734.2	July 2016 to June 2019
Main contract for a park development	General building works	Construction of a park development in Kowloon West including a freespace, park ancillary buildings and retail, dining and entertainment buildings	1,140.20	July 2016 to December 2018
Public rental housing development of the Housing Authority	General building works	To build 5 domestic blocks with 4,846 flats and ancillary buildings	3,047.0	August 2016 to October 2019

Save for the above, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 30 June 2016 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Board has reviewed the accounting principles and practices adopted by the Group and has reviewed the unaudited interim results and financial report of the Group for the six months ended 30 June 2016.

INTERIM DIVIDENDS

The directors recommended the payment of an interim dividend of HK9 cents per Share for the Period (30 June 2015: HK$nil per Share), amounting to approximately HK$36 million (30 June 2015: HK$nil). Such payment of interim dividends 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, 13 September 2016. It is expected that the proposed dividend will be paid on or about Friday, 23 September 2016.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to the proposed interim dividend, the register of members of the Company will be closed on Tuesday, 13 September 2016, during which 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 Monday, 12 September 2016.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim 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 2016 Interim Report will be despatched to the shareholders of the Company and available on the above websites.

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

Hong Kong, 29 August 2016

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.