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 2018

HIGHLIGHTS

- Our overall revenue for the six months ended 30 June 2018 increased to HK$2,827.07 million as compared with that of HK$1,592.67 million for the corresponding period last year, representing an increase of approximately 77.51%.

- Our overall gross profit increased by approximately HK$20.47 million, or approximately 20.33%, from HK$100.67 million for the six months ended 30 June 2017 to HK$121.14 million for the six months ended 30 June 2018.

- Profit attributable to the equity shareholders of the Company increased by approximately HK$7.12 million, or approximately 12.81%, from HK$55.58 million for the six months ended 30 June 2017 to HK$62.70 million for the six months ended 30 June 2018.

- During the six months ended 30 June 2018, 5 new projects were awarded to us as a main contractor in Hong Kong (out of which 2 projects were from the public sector and 3 projects were from the statutory institutions), with a total original contract sum of approximately HK$4,296 million.

- As at 30 June 2018, we had a total of 21 projects for general building works and 7 projects for civil engineering works on hand and the total original contract sum amounted to approximately HK$19,124 million (31 December 2017: HK$17,647 million). The outstanding value of our ongoing projects as at 30 June 2018 was approximately HK$12,390 million (31 December 2017: HK$10,281 million).

- The directors of the Company resolved to declare an interim dividend of HK9 cents per share, amounting to approximately HK$36 million (2017: HK12.5 cents per share totalling HK$50 million).

INTERIM CONSOLIDATED RESULTS

The board (the "Board") of directors (the "Directors") of SFK Construction Holdings Limited (the "Company") is pleased to present the unaudited interim consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 (the "Period"), together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2018	2017
	Notes	***$'000***	*$'000*
Revenue	*3*	**2,827,070**	1,592,668
Direct costs		**(2,705,931)**	(1,491,994)
Gross profit		**121,139**	100,674
Other revenue		**2,322**	189
Other net (loss)/income		**(142)**	385
Administrative expenses		**(43,632)**	(33,713)
Profit from operations		**79,687**	67,535
Finance costs		**(4,265)**	(1,916)
Share of profits less losses of joint ventures		**(1,142)**	954
Profit before taxation	*4*	**74,280**	66,573
Income tax	*5*	**(11,857)**	(10,846)
Profit for the period		**62,423**	55,727
Attributable to:			
Equity shareholders of the Company		**62,701**	55,577
Non-controlling interests		**(278)**	150
Profit for the period		**62,423**	55,727
Earnings per share — Basic/Diluted	*6*	**15.68 cents**	13.89 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018	2017
	$'000	*$'000*
Profit for the period	**62,423**	55,727
Other comprehensive income for the period (after tax)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiary	**(23)**	161
Total comprehensive income for the period	**62,400**	55,888
Attributable to:		
Equity shareholders of the Company	**62,678**	55,738
Non-controlling interests	**(278)**	150
Total comprehensive income for the period	**62,400**	55,888

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018 — unaudited
(Expressed in Hong Kong dollars)

	Notes	**30 June 2018** **$'000**	31 December 2017 *(Note)* *$'000*
Non-current assets			
Plant and equipment	*7*	**43,014**	30,314
Goodwill		**1,209**	1,209
Interest in joint ventures		**1,948**	3,089
Deferred tax assets		**34,982**	33,557
		81,153	68,169
Current assets			
Contract assets		**1,167,310**	–
Gross amount due from customers for contract work		**–**	689,399
Trade and other receivables	*8*	**477,324**	871,904
Amount due from a joint venture		**7,596**	–
Current tax recoverable		**1,740**	2,482
Pledged deposits		**25,028**	25,006
Cash at banks and in hand	*9*	**233,226**	256,759
		1,912,224	1,845,550
Current liabilities			
Contract liabilities		**128,253**	–
Gross amount due to customers for contract work		**–**	186,396
Trade and other payables	*10*	**905,651**	931,071
Amount due to a joint venture		**–**	1,904
Bank loans and overdrafts		**471,933**	307,742
Current tax payable		**19,329**	8,360
		1,525,166	1,435,473
Net current assets		**387,058**	410,077
Total assets less current liabilities		**468,211**	478,246
Non-current liabilities			
Deferred tax liabilities		**5,016**	3,451
NET ASSETS		**463,195**	474,795

	Notes	30 June 2018 $'000	31 December 2017 (Note) $'000
CAPITAL AND RESERVES			
Share capital		**40,000**	40,000
Reserves		**422,669**	433,991
Total equity attributable to equity shareholders of the Company		**462,669**	473,991
Non-controlling interests		**526**	804
TOTAL EQUITY		**463,195**	474,795

Note: The Group has initially applied HKFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

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, 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.

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2018 but are extracted from the interim financial report.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

These unaudited consolidated interim financial statements have been approved for issue by the Board of Directors on 29 August 2018.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 15 in relation to presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition method chosen, the Group recognises cumulative effect of the initial application of HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 15:

	At 31 December 2017	**Impact on initial application of HKFRS 15** *(Note 2(c))*	**At 1 January 2018**
	$'000	*$'000*	*$'000*
Contract assets	–	908,907	908,907
Gross amount due from customers for contract work	689,399	(689,399)	–
Trade and other receivables	871,904	(219,508)	652,396
Total current assets	**1,845,550**	**–**	**1,845,550**
Contract liabilities	–	186,396	186,396
Gross amount due to customers for contract work	186,396	(186,396)	–
Total current liabilities	**1,435,473**	**–**	**1,435,473**
Net current assets	**410,077**	**–**	**410,077**
Total assets less current liabilities	**478,246**	**–**	**478,246**
Net assets	**474,795**	**–**	**474,795**
Total equity attributable to equity shareholders of the Company	**473,991**	**–**	**473,991**
Total equity	**474,795**	**–**	**474,795**

Further details of these changes are set out in sub-section (c) of this note.

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces the standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets. The Group has been impacted by HKFRS 9 in relation to measurement of impairment for financial assets.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model results in earlier recognition of credit losses but with no material financial impact to the Group.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18.

There is no impact of transition to HKFRS 15 on retained profits at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) *Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from construction contracts and provision of services.

(ii) *Timing of recognition of contract costs*

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Previously, contract costs of the Group are recognised by reference to the stage of completion of the contract, which was measured by reference to the percentage of the estimated total revenue for the contracts entered into by the Group that have been performed to date. Under HKFRS 15, contract costs that related to satisfy performance obligations are expensed as incurred. The adoption of HKFRS 15 does not have a significant impact on the timing of recognition of contract costs.

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "gross amount due from customers for contract work" or "gross amount due to customers for contract work" respectively. Receivables for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion for retention period were presented in the statement of financial position as "retentions receivable" under "trade and other receivables".

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

a. "Gross amount due from customers for contract work" and "retentions receivable" under "trade and other receivables" amounting to $689,399,000 and $219,508,000 respectively, are now included under contract assets; and

b. "Gross amount due to customers for contract work" amounting to $186,396,000 is now included under contract liabilities.

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 2018

	General building $'000	Civil engineering $'000	Others $'000	Total $'000
Reportable segment revenue (recognised over time)	**2,055,156**	**722,000**	**49,914**	**2,827,070**
Reportable segment profit	**91,734**	**24,571**	**5,480**	**121,785**
Other revenue and other net gain				**29**
Depreciation				**(343)**
Finance costs				**(4,265)**
Unallocated head office and corporate expenses				**(42,926)**
Consolidated profit before taxation				**74,280**
Share of profits less losses of joint ventures	**(1,142)**	**–**	**–**	**(1,142)**
Depreciation for the period	**4,416**	**1,635**	**288**	**6,339**
Reportable segment assets (including interest in joint ventures)	**1,063,811**	**511,818**	**97,314**	**1,672,943**
Deferred tax assets				**34,982**
Current tax recoverable				**1,740**
Unallocated head office and corporate assets				**283,712**
Consolidated total assets				**1,993,377**
Additions to non-current segment assets during the period	**14,134**	**4,966**	**343**	**19,443**
Share of net assets in joint ventures	**1,948**	**–**	**–**	**1,948**
Reportable segment liabilities	**637,701**	**274,036**	**31,984**	**943,721**
Current tax payable				**19,329**
Deferred tax liabilities				**5,016**
Unallocated head office and corporate liabilities				**562,116**
Consolidated total liabilities				**1,530,182**

For the six months ended 30 June 2017

	General building $'000	Civil engineering $'000	Others $'000	Total $'000
Reportable segment revenue (recognised over time)	1,091,095	445,578	55,995	1,592,668
Reportable segment profit	68,332	27,374	5,940	101,646
Other revenue and other net loss				207
Depreciation				(593)
Finance costs				(1,916)
Unallocated head office and corporate expenses				(32,771)
Consolidated profit before taxation				66,573
Share of profits less losses of joint ventures	954	–	–	954
Depreciation for the period	3,411	1,496	354	5,261
Reportable segment assets (including interest in joint ventures)	728,708	414,420	66,408	1,209,536
Deferred tax assets				1,553
Current tax recoverable				3,051
Unallocated head office and corporate assets				169,761
Consolidated total assets				1,383,901
Additions to non-current segment assets during the period	6,205	2,534	326	9,065
Share of net assets in joint ventures	3,027	–	–	3,027
Reportable segment liabilities	324,204	208,818	24,066	557,088
Current tax payable				18,490
Deferred tax liabilities				3,676
Unallocated head office and corporate liabilities				367,023
Consolidated total liabilities				946,277

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

4 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	$'000	*$'000*
(a) Finance costs		
Interest on bank advances and other borrowings	**4,265**	1,916
(b) Staff costs		
Salaries, wages and other benefits	**345,233**	260,592
Contributions to defined contribution retirement plans	**13,120**	10,340
Less: Amount capitalised in respect of construction contracts and consultancy contacts in progress	**(332,814)**	(252,442)
	25,539	18,490
(c) Other items		
Depreciation	**6,682**	5,854
Less: Amount capitalised in respect of construction contracts in progress	**(6,075)**	(4,978)
	607	876
Auditors' remuneration	**1,532**	1,449

5 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2018	2017
	$'000	*$'000*
Current tax — Hong Kong Profits Tax		
Provision for the period	**11,717**	10,671
Deferred tax		
Origination and reversal of temporary differences	**140**	175
	11,857	10,846

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 $62,701,000 (30 June 2017: $55,577,000) and 400,000,000 shares (30 June 2017: 400,000,000 shares) in issue during the period.

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2018 and 2017.

7 PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of plant and equipment with a cost of $19,471,000 (30 June 2017: $9,317,000). Also, the Group disposed items of plant and equipment with a carrying amount of $90,000 (30 June 2017: $464,000).

8 TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	$'000	*$'000*
Trade debtors	**378,841**	570,525
Deposits, prepayments and other receivables	**56,290**	43,246
Amounts due from related companies	**20**	1,815
Amounts due from joint operation partners	**42,173**	36,810
Retentions receivable *(note)*	**–**	219,508
	477,324	871,904

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

	30 June 2018	31 December 2017
	$'000	*$'000*
Within 1 month	**350,737**	532,377
Over 1 to 2 months	**19,725**	24,502
Over 2 to 3 months	**1,910**	7,941
Over 3 months	**6,489**	7,520
	378,861	572,340

Note: Upon the adoption of HKFRS 15, retentions receivable is included in contract assets (see note 2(c)).

9 CASH AND CASH EQUIVALENTS

	30 June 2018 *$'000*	31 December 2017 *$'000*
Cash at banks and in hand in the consolidated statement of financial position	**233,226**	256,759
Bank overdrafts	**(4,297)**	(5,984)
Cash and cash equivalents in the condensed consolidated cash flow statement	**228,929**	250,775

10 TRADE AND OTHER PAYABLES

	30 June 2018 *$'000*	31 December 2017 *$'000*
Trade creditors	**399,755**	450,070
Accruals and other payables	**243,008**	250,640
Amounts due to joint operation partners	**6,562**	6,562
Retentions payable	**256,326**	223,799
	905,651	931,071

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

	30 June 2018 *$'000*	31 December 2017 *$'000*
Within 1 month	**288,893**	352,289
Over 1 to 2 months	**90,762**	70,655
Over 2 to 3 months	**9,239**	10,319
Over 3 months	**10,861**	16,807
	399,755	450,070

11 DIVIDENDS

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

	Six months ended 30 June	
	2018	2017
	$'000	*$'000*
Interim dividend declared after the end of reporting period of 9 cents per share (2017: 12.5 cents per share)	**36,000**	50,000

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

Final dividend of 18.5 cents per share, amounting to $74,000,000, was declared for the year ended 31 December 2017 and paid in June 2018.

12 MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2018	2017
	$'000	*$'000*
Housing and related service income *(Note (i))*	**143**	13,441
Rental expenses, licence fees, air-conditioning and service charges *(Note (ii))*	**4,436**	4,417
Property management services and property consultancy services income *(Note (iii))*	**3,145**	2,532

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

Notes:

(i) During the six months ended 30 June 2018 and 2017, the Group earned housing management service income from and engaged in trading of cleaning materials with subsidiaries of Great Eagle Holdings Limited.

(ii) During the six months ended 30 June 2018 and 2017, the Group paid rental expenses to a subsidiary of Great Eagle Holdings Limited.

(iii) During the six months ended 30 June 2018 and 2017, the Group provided property management services and property consultancy services to subsidiaries of Sun Fook Kong Group Limited.

13 CONTINGENT LIABILITIES

(a) As at 30 June 2018, approximately \$420,319,000 (31 December 2017: \$345,803,000) 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 2018, the Group had provided guarantees of \$257,680,000 (31 December 2017: \$258,493,000) representing a 50% proportionate guarantee in respect of certain banking facilities of \$515,360,000 (31 December 2017: \$516,986,000) granted to its joint ventures in Macau. The 50% proportionate facilities were utilised to the extent of \$106,490,000 (31 December 2017: \$87,088,000) of which amounts of \$73,681,000 (31 December 2017: \$75,740,000) represent performance bonds given by banks to customers of joint ventures.

(c) 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.

(d) 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)". In addition, the Group provides other services, which comprise mainly housing and property management services (such as the provision of cleaning services and security management services) and building information modeling ("BIM") services to real estates in Hong Kong and the PRC.

BUSINESS REVIEW

Our overall revenue for the Period increased to HK$2,827.07 million as compared with that of HK$1,592.67 million for the corresponding period last year, representing an increase of approximately 77.51%. The favourable 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, 5 new projects were awarded to us as a main contractor in Hong Kong (out of which 2 projects were from the public sector and 3 projects were from the statutory institutions), with a total original contract sum of approximately HK$4,296 million. The table below sets out the summary of our construction and maintenance projects for general building and civil engineering works that were awarded to us during the Period. Regarding the 2 newly awarded contracts from the public sector, total original contract sum is about HK$4,222 million.

	Number of projects	**Total original contract sum** *(approximate HK$'million)*
Original contract sum at or above HK$500 million	1	3,740
Original contract sum below HK$500 million but at or above HK$200 million	1	482
Original contract sum below HK$200 million but at or above HK$50 million	1	72
Original contract sum less than HK$50 million	2	2
	5	4,296

As at 30 June 2018, we had a total of 21 projects for general building works and 7 projects for civil engineering works on hand and the total original contract sum amounted to approximately HK$19,124 million (31 December 2017: HK$17,647 million). The outstanding value of our ongoing projects as at 30 June 2018 was approximately HK$12,390 million (31

December 2017: 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 remain ongoing as at 30 June 2018:

Project type	**Business segment**	**Scope of works**	**Original contract completion date**	**Original contract sum** *(approximate HK$'million)*	**Revenue recognised during the six months ended 30 June 2018** *(approximate HK$'million)*
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	173.8
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	214.3
Enhancement works at Carpark of Airport Authority Hong Kong	Civil engineering works	Enhancement works at Car Park 1	November 2018	123.7	26.6
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	213.9
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	59.4
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	81.6
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*	118.8**
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	727.5
Construction of Public Rental Housing Development of the Housing Authority	General building works	Construction of Public Rental Housing Development	December 2019	707.0	104.3
Construction of Subsidised Sale Flats Development of Housing Authority	General building works	Construction of Subsidised Sale Flats Development	February 2020	513.0	64.0
Main Contract for Global Graduate Tower of HKUST	General building works	Construction of Global Graduate Tower in HKUST	February 2020	316.4	21.1

Project type	Business segment	Scope of works	Original contract completion date	Original contract sum *(approximate HK$'million)*	Revenue recognised during the six months ended 30 June 2018 *(approximate HK$'million)*
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	1.6
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	33.2
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	21.0
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	131.2
Piers maintenance for Civil Engineering and Development Department	Civil engineering — maintenance project	To carry out maintenance works for piers	March 2022	150.1	45.5
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	October 2022	3,740.0	54.6
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.	March 2024	482.6	9.5

* 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.

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$2,055.16 million and HK$722.00 million (30 June 2017: HK$1,091.09 million and HK$445.58 million), respectively, representing approximately 72.70% and 25.54% (30 June 2017: 68.51% and 27.98%), 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 and property management services (such as the provision of cleaning services and security management services) and BIM services to real estates in Hong Kong and the PRC. Revenue attributable to these other services amounted to approximately 1.76% of the total revenue of the Group for the Period (30 June 2017: 3.51%).

FINANCIAL REVIEW

Revenue

Our overall revenue increased by approximately HK$1,234.40 million, or approximately 77.51%, from HK$1,592.67 million for the six months ended 30 June 2017 to HK$2,827.07 million for the six months ended 30 June 2018. The increase in our revenue was mainly the combined effect of the increase in general building business of HK$964.07 million and the increase in civil engineering business of HK$276.42 million.

Revenue from general building business increased by approximately HK$964.07 million, or approximately 88.36%, from HK$1,091.09 million for the six months ended 30 June 2017 to HK$2,055.16 million for the six months ended 30 June 2018. The increase was primarily due to the increase in revenue between periods of certain general building contracts in accordance with the work progress, including the construction of a home ownership scheme development for the Hong Kong Housing Authority at Sheung Lok Street, the construction of a public rental housing development for the Housing Authority at Fo Tan and the construction of a park development in Kowloon West. In addition, the increase was explained by the inclusion of certain new general building contracts for the six months ended 30 June 2018, including the construction of a public rental housing development for the Housing Authority at Tung Tau Estate Phase 8.

Revenue from civil engineering business increased by approximately HK$276.42 million, or approximately 62.04%, from HK$445.58 million for the six months ended 30 June 2017 to HK$722.00 million for the six months ended 30 June 2018. The increase was primarily due to the increase in revenue of certain civil engineering contracts in accordance with the work progress, including Kai Tak Development — the infrastructure works for developments at the southern part of the former runway, and piers maintenance for Civil Engineering and Development Department.

Revenue from other services (which mainly comprised housing and property management services and BIM services) for the six months ended 30 June 2018 amounted to HK$49.91 million (30 June 2017: HK$56.00 million), representing 1.76% (30 June 2017: 3.51%) of the total revenue of the Group.

Our business remains to be primarily focusing in the Hong Kong market during the Period.

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK$20.47 million, or approximately 20.33%, from HK$100.67 million for the six months ended 30 June 2017 to HK$121.14 million for the six months ended 30 June 2018. The increase in gross profit was mainly due to the increase in revenue for the six months ended 30 June 2018 as compared to the six months ended 30 June 2017.

Our overall gross profit margin decreased from 6.32% for the six months ended 30 June 2017 to 4.28% for the six months ended 30 June 2018 mainly due to the intense competition for project works across the market.

Other revenue

Our other revenue for the six months ended 30 June 2018 amounted to HK$2.32 million, compared to that of HK$0.19 million for the six months ended 30 June 2017. Other revenue mainly consisted of interest income and other sundry income.

Other net (loss)/income

Our other net loss for the six months ended 30 June 2018 amounted to HK$0.14 million, compared to other net income of HK$0.39 million for the six months ended 30 June 2017. Our other net loss for the six months ended 30 June 2018 was attributed to the combined effect of (i) loss on disposal of plant and equipment; and (ii) foreign exchange loss.

Administrative expenses

Administrative expenses mainly consisted of staff cost and rental charges. Our administrative expenses for the six months ended 30 June 2018 amounted to HK$43.63 million, compared to that of HK$33.71 million for the six months ended 30 June 2017. The increase in administrative expenses was mainly due to the increase in staff costs as a result of the higher volume of business.

Finance costs

Our finance costs for the six months ended 30 June 2018 amounted to HK$4.27 million, compared to that of HK$1.92 million for the six months ended 30 June 2017. The increase was primarily associated with the increase in bank interest expenses arising from the increase in average bank loan balances and average interest rates.

Income tax

Our income tax for the six months ended 30 June 2018 amounted to HK$11.86 million, compared to that of HK$10.85 million for the six months ended 30 June 2017. The effective tax rate for the six months ended 30 June 2018 was 15.97%, which was about in line compared to that of 16.30% for the six months ended 30 June 2017.

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$7.12 million, or approximately 12.81%, from HK$55.58 million for the six months ended 30 June 2017 to HK$62.70 million for the six months ended 30 June 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 30 June 2018, the capital structure of the Group consisted of equity of HK$463.20 million (31 December 2017: HK$474.80 million) and bank borrowings of HK$471.93 million as more particularly described in the paragraph headed "Borrowings" below (31 December 2017: HK$307.74 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 and bank borrowings. As at 30 June 2018, our cash and cash equivalents were HK$233.23 million (31 December 2017: HK$256.76 million).

As at 30 June 2018, the current ratio of the Group was 1.25 (31 December 2017: 1.29).

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

Borrowings

As at 30 June 2018, the Group had total bank borrowings of HK$471.93 million (31 December 2017: approximately HK$307.74 million). The increase in total bank borrowings was mainly used to finance the working capital of the ongoing sizable projects plus the new projects that were awarded to us, especially at the commencement stage of these contracts which generally require more capital input. During the past twelve months, we were awarded 12 projects as a main contractor in Hong Kong with total original contract sum exceeding HK$6 billion.

As at 30 June 2018, the Group had approximately HK$1,467 million (31 December 2017: HK$1,267 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 remained in compliance with its loan covenants during the Period and up to the date of this announcement.

GEARING RATIO

As at 30 June 2018, the Group's gearing ratio was 101.88% (31 December 2017: 64.82%), calculated based on the interest-bearing liabilities divided by the total equity as at the respective period end. The increase in gearing ratio was attributed to the combined effect of (i) increase in bank borrowings mainly used to finance the working capital of the ongoing sizable projects plus the new projects that were awarded to us, especially at the commencement stage of these contracts which generally require more capital input; and (ii) decrease in equity which was the net effect of the declaration of 2017 year end's final dividend offset by the inclusion of net profit for the current period in 2018.

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. During the Period, the Group has incurred approximately HK$19.47 million (30 June 2017: HK$9.32 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 FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2018. There was no future plan for material investments or capital assets as at 30 June 2018.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the six months ended 30 June 2018.

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 2018.

PLEDGE OF ASSETS

As at 30 June 2018, the Group had deposits, amounting to HK$25.03 million (31 December 2017: HK$25.01 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 2018, the Group did not have any capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had 2,240 employees in Hong Kong, Macau and the PRC and total remuneration for the six months ended 30 June 2018 was approximately HK$358 million. 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. 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

Our anticipation that the Finance Committee of the Legislative Council of Hong Kong would approve financial proposals more efficiently became reality. According to the remarks by the chairman of the Finance Committee, the Honourable Mr. Chan Kin Por, on 18 July 2018, the Finance Committee took 1.4 hour on average to approve a financial proposal in the 2017–2018 fiscal year, as opposed to 4 hours in last fiscal year, which was much more efficient. Out of the 98 financial proposals approved in this 2017–2018 fiscal year, there are 36 approved funds related to public works totalling about HK$168 billion. Within the 36 approved funds, significant projects included construction of Central Kowloon Route and renovation works to five hospitals. The Housing Authority recently announced that as at the end of June 2018, the average waiting time for general applicants to public rental housing was about 5.3 years which is much longer than the targeted average waiting time of around 3 years. Facing such huge demand for public rental housing, the Housing Authority would definitely spare no effort in searching for more lands for building more public housing. The Government has launched "New Initiatives on Housing Policy" on 29 June 2018. One of the new measures is to re-allocate nine pieces of private housing sities in Anderson Road Quarry and Kai Tak District for public housing with 10,600 flats to be built. Looking forward, there will be ample opportunities in public works and public housing works for the main contractors engaging in civil engineering and general building, like the Group, to tender. The Group will suitably allocate internal resources and bank credits to provide working capital for these opportunities on public works and public housing works.

Moreover, the recent MTR (Mass Transit Railway)'s Shatin-Central link events have exposed certain loopholes in checking, surveillance and reporting the contractor's compliance with the approved drawings and specifications. The Government departments and regulatory departments would inevitably exercise more stringent control over the contractor's performance in the public works and public housing works, and would inevitably increase construction cost substantially. Notwithstanding the aforesaid, the Group will continue to maintain high-quality construction work services in a stable and efficient way. Meanwhile, the Group will continue to keep an eye on suitable merger and acquisition opportunities with construction-related or other up-stream business to enhance our overall competitiveness and income.

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 and C.2.5 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.

According to code provision C.2.5 of the CG Code, the Company should have an internal audit function. The Company has not established a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal audit function in relation to different aspects of the Group. The Company has appointed an external internal control adviser to perform ongoing review of our internal control system to evaluate the effectiveness and formulate plans and recommendations for improvement of our internal control measures and policies. It is intended to review the effectiveness of the Group's material internal controls so as to provide assurance that key internal control measures are carried out appropriately and are functioning as intended.

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 was 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 Board is pleased to report that, subsequent to 30 June 2018, the Civil Engineering and Development Department has awarded us a new contract for the Site Formation and Infrastructure Works for Development at Kam Tin South, Yuen Long — Advance Works and Hong Kong Housing Authority has awarded us two district term contracts for the Maintenance, Improvement and Vacant Flat Refurbishment for Hong Kong Island & Islands and the Maintenance, Improvement and Vacant Flat Refurbishment for Properties Managed by Property Service Administration Unit / Wong Tai Sin, Tsing Yi and Tsuen Wan Region, respectively. The total contract sum of the abovementioned contracts is approximately HK$1,106 million.

Save for the above, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 30 June 2018 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 condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018.

INTERIM DIVIDEND

The Directors resolved to declare an interim dividend of HK9 cents per Share for the Period (30 June 2017: HK12.5 cents per Share), amounting to approximately HK$36 million (30 June 2017: HK$50 million). Such payment of interim dividend 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, 18 September 2018. It is expected that the proposed dividend will be paid on or about Friday, 28 September 2018.

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, 18 September 2018, 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, 17 September 2018.

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 2018 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 2018

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