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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

CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

Reference is made to the October Announcement whereby the Company has announced, inter alia that (i) immediately after the completion of the Foshan Baode Acquisition, Foshan Baode has become a direct wholly-owned subsidiary of SFK Housing and an indirect wholly-owned subsidiary of the Company; and (ii) following the completion of the Foshan Baode Acquisition, certain continuing transactions under the existing agreements entered into between Foshan Baode (through its head and branch offices) and various subsidiaries of SFK Group have become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Terms used herein shall have the same meanings as defined in the October Announcement unless the context requires otherwise.

RENEWAL OF EXISTING SERVICE AND RENTAL AGREEMENTS AND ENTERING INTO NEW SERVICE AGREEMENTS

As the existing service and rental agreements entered into by Foshan Baode with various subsidiaries of SFK Group have expired on 31 December 2016, Foshan Baode has renewed some of them. For the others, new agreements have been entered into by Foshan Baode in replacement.

IMPLICATIONS OF THE LISTING RULES

Foshan Baode is an indirect wholly-owned subsidiary of the Company.

SFK Group is a controlling shareholder of the Company. Thus, SFK Group and its subsidiaries are connected persons of the Company under Chapter 14A of the Listing Rules.

The transactions under the Renewed Agreements and the New Agreements constitute continuing transactions. Since the subsidiaries of SFK Group are connected persons of the Company under Chapter 14A of the Listing Rules, these continuing transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the estimated annual cap for the year ending 31 December 2017 for the transactions under the Renewed Agreements and the New Agreements, as one or more of the applicable percentage ratios calculated in accordance with the Listing Rules are expected to be more than 0.1% but less than 5%, such transactions are continuing connected transactions subject to the reporting, announcement and annual review requirements, but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

(A) BACKGROUND

Reference is made to the October Announcement whereby the Company has announced, inter alia that (i) immediately after the completion of the Foshan Baode Acquisition, Foshan Baode has become a direct wholly-owned subsidiary of SFK Housing and an indirect wholly-owned subsidiary of the Company; and (ii) following the completion of the Foshan Baode Acquisition, certain continuing transactions under the existing agreements entered into between Foshan Baode (through its head and branch offices) and various subsidiaries of SFK Group have become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Terms used herein shall have the same meanings as defined in the October Announcement unless the context requires otherwise.

As the existing service and rental agreements entered into by Foshan Baode with various subsidiaries of SFK Group have expired on 31 December 2016, Foshan Baode has renewed some of them. For the others, new agreements have been entered into by Foshan Baode in replacement.

(B) RENEWAL OF EXISTING SERVICE AND RENTAL AGREEMENTS

Each of Agreement 1, Agreement 3, Agreement 4 and Agreement 6, which is a service agreement in respect of the provision of property consultancy and/or property management services by Foshan Baode to the relevant subsidiary of SFK Group, expired on 31 December 2016. On 11 January 2017, each of Agreement 1, Agreement 3, Agreement 4 and Agreement 6 was renewed for one year commencing from 1 January 2017 and expiring on 31 December 2017.

In addition, two rental agreements (hereinafter referred to as “**Agreement 8**” and “**Agreement 9**” respectively), which were entered into between the relevant subsidiary of SFK Group as the lessor and Foshan Baode as the lessee for the leasing of Property 1 and Property 2 respectively for use by Foshan Baode, expired on 31 December 2016. On 11 January 2017, each of Agreement 8 and Agreement 9 was renewed for one year commencing from 1 January 2017 and expiring on 31 December 2017.

Each of the above-mentioned renewed service or rental agreements (each the “**Renewed Agreement**” and collectively the “**Renewed Agreements**”) has become effective on 1 January 2017.

Under each Renewed Agreement, the service fees or rentals (as the case may be) thereunder were arrived at after arm’s length negotiations between Foshan Baode and the relevant counterparty. The service fees were determined based on (i) the service fees paid by the relevant counterparty for the previous term(s); (ii) the projected operating costs and expenses to be incurred by Foshan Baode for providing the services during the current term; (iii) the prevailing market rates charged by independent third parties offering comparable services for properties of comparable scale and grade in the vicinity; and (iv) the rates of service fees generally applicable to other independent unit owners, if applicable; whereas the rentals were determined based on (i) the rentals charged by the relevant counterparty for the previous term; and (ii) the prevailing market rates for properties of comparable grade in the vicinity.

Set forth below are the principal terms of the Renewed Agreements:

	Date of Renewed Agreement	Parties	Scope	Current term	Service fees received/ rentals paid under current term
Agreement 1	11 January 2017	<ul style="list-style-type: none"> • Foshan Xin Yun Tai • Foshan Baode (through its Foshan head office) 	<p>Provision of the following services in respect of Project 1:</p> <ul style="list-style-type: none"> • Property consultancy services in relation to different stages of property development (from project design, construction to marketing and sales) which include, without limitation: <ul style="list-style-type: none"> a. advising on site planning; b. advising on design of various systems, such as fire, water and sewage, electricity, elevators and air-conditioning systems; c. advising on construction works; d. advising on acquisition of equipment and materials; e. carrying out checking and acceptance works on the property and its facilities; f. advising on marketing and sale of flats; and g. advising on property management • Property services as requested 	One year from 1 January 2017 to 31 December 2017, subject to renewal	<ul style="list-style-type: none"> • Basic consultancy fee of RMB200,000 per month for the property consultancy services (as compared to the monthly fee of RMB160,000 under the previous term) • Additional service fees (calculated in accordance with Agreement 1) for the property services, if any

	Date of Renewed Agreement	Parties	Scope	Current term	Service fees received/rentals paid under current term
Agreement 3	11 January 2017	<ul style="list-style-type: none"> Dujiangyan Gen Yuan Foshan Baode (through its Foshan head office) 	<p>Provision of the following services in respect of Project 3:</p> <ul style="list-style-type: none"> Property consultancy services in relation to marketing and sales which include, without limitation: <ul style="list-style-type: none"> a. advising on marketing and sale of flats; and b. advising on property management Property services as requested 	One year from 1 January 2017 to 31 December 2017, subject to renewal	<ul style="list-style-type: none"> Basic consultancy fee of RMB50,000 per month for the property consultancy services (as compared to the monthly fee of RMB40,000 under the previous term) Additional service fees (calculated in accordance with Agreement 3) for the property services, if any
Agreement 4	11 January 2017	<ul style="list-style-type: none"> Guangzhou Hong Kang Fook Kong Foshan Baode (through its Guangzhou branch office) 	<p>Provision of the following services in respect of Project 2:</p> <ul style="list-style-type: none"> Property consultancy services in relation to marketing and sales which include, without limitation: <ul style="list-style-type: none"> a. advising on marketing and sale of flats; b. advising on handing over of units; and c. advising on repairing, after handing over Property services as requested 	One year from 1 January 2017 to 31 December 2017, subject to renewal	<ul style="list-style-type: none"> Basic consultancy fee of RMB22,000 per month for the property consultancy services, (which is the same as the monthly fee under the previous term) Additional service fees (calculated in accordance with Agreement 4) for the property services, if any
Agreement 6	11 January 2017	<ul style="list-style-type: none"> Jiangmen Hua Ying Foshan Baode (through its Jiangmen branch office) 	<p>Provision of the following services in respect of Project 5:</p> <ul style="list-style-type: none"> Property management services which include, without limitation: <ul style="list-style-type: none"> a. security services; b. concierge services; c. cleaning services; d. gardening services; e. repair and maintenance services; and f. purchase equipment and materials services Property consultancy services during the construction stage and other management services required by Jiangmen Hua Ying 	One year from 1 January 2017 to 31 December 2017, subject to renewal	<ul style="list-style-type: none"> Service fees for the property management services are calculated on “commission basis” and charged at the rate of 10% out of the monthly management fees payable by the unit owners, which vary in accordance with the types of units (which are the same as the rate and manner of calculation under the previous term) Property consultancy services during the construction stage and other management services required by Jiangmen Hua Ying will be charged separately in accordance with Agreement 6

	Date of Renewed Agreement	Parties	Scope	Current term	Service fees received/ rentals paid under current term
Agreement 8	11 January 2017	<ul style="list-style-type: none"> Guangzhou Hong Kong Fook Kong Foshan Baode (through its Guangzhou branch office) 	Leasing of Property 1	One year from 1 January 2017 to 31 December 2017, subject to renewal	<ul style="list-style-type: none"> Monthly rental of RMB8,960.40 (being RMB6/m²) (which is the same as the monthly rental under the previous term)
Agreement 9	11 January 2017	<ul style="list-style-type: none"> Jiangmen Hua Ying Foshan Baode (through its Jiangmen branch office) 	Leasing of Property 2	One year from 1 January 2017 to 31 December 2017, subject to renewal	<ul style="list-style-type: none"> Monthly rental of RMB10,595.76 (being RMB3/m²) (which is the same as the monthly rental under the previous term)

(C) ENTERING INTO NEW SERVICE AGREEMENTS

On 11 January 2017, Foshan Baode (through its head and branch offices) entered into 3 new service agreements (hereinafter referred to as “**Agreement 10**”, “**Agreement 11**” and “**Agreement 12**” respectively) with various subsidiaries of SFK Group for the provision of property consultancy and/or property management services by Foshan Baode to the relevant subsidiaries of SFK Group.

Agreement 10 is in replacement of Agreement 2 (which has expired on 31 December 2016) for Project 2. Agreement 11 is in replacement of Agreement 5 (which has expired on 31 December 2016) for Project 4. Agreement 12 is in replacement of Agreement 7 (which has expired on 31 December 2016) for Project 6.

Each of the above-mentioned new service agreements (each the “**New Agreement**” and collectively the “**New Agreements**”) has become effective on 1 January 2017.

Under each of the New Agreements, the new service fees were arrived at after arm’s length negotiations between Foshan Baode and the relevant counterparty. The new service fees were determined based on (i) where applicable, the service fees paid by the relevant counterparty under the relevant replaced service agreements; (ii) the projected operating costs and expenses to be incurred by Foshan Baode for providing the services during the current term; (iii) the prevailing market rates charged by independent third parties offering comparable services for properties of comparable scale and grade in the vicinity; and (iv) the rates of service fees generally applicable to other independent unit owners, if applicable.

Set forth below are the principal terms of the New Agreements:

	Date of New Agreement	Parties	Scope	Current term	Service fees received under current term
Agreement 10	11 January 2017	<ul style="list-style-type: none"> Guangzhou Hong Kong Fook Kong Foshan Baode (through its Foshan head office) 	<p>Provision of the following services in respect of Project 2:</p> <ul style="list-style-type: none"> Property consultancy services in relation to different stages of property development (from project design, construction to marketing and sales) which include, without limitation: <ol style="list-style-type: none"> advising on site planning; advising on design of various systems, such as fire, water and sewage, electricity, elevators and air-conditioning systems; advising on construction works; advising on acquisition of equipment and materials; carrying out checking and acceptance works on the property and its facilities; advising on marketing and sale of flats; and advising on property management Property services as requested 	One year from 1 January 2017 to 31 December 2017, subject to renewal	<ul style="list-style-type: none"> Basic consultancy fee of RMB50,000 per month for the property consultancy services Additional service fees (calculated in accordance with Agreement 10) for property services, if any
Agreement 11	11 January 2017	<ul style="list-style-type: none"> Jiangmen Hua Ying Foshan Baode (through its Jiangmen branch office) 	<p>Provision of the following services in respect of Project 4:</p> <ul style="list-style-type: none"> Property consultancy services in relation to marketing and sales which include, without limitation: <ol style="list-style-type: none"> advising on marketing and sale of flats; advising on handing over of flats; and advising on repairing, after handing over Property services as requested 	One year from 1 January 2017 to 31 December 2017, subject to renewal	<ul style="list-style-type: none"> Basic consultancy fee of RMB28,000 per month for the property consultancy services Additional service fees (calculated in accordance with Agreement 11) for the property services, if any

	Date of New Agreement	Parties	Scope	Current term	Service fees received under current term
Agreement 12	11 January 2017	<ul style="list-style-type: none"> Jiangmen Hua Ying Foshan Baode (through its Jiangmen branch office) 	<p>Provision of the following services in respect of Project 6:</p> <ul style="list-style-type: none"> Property management services which include, without limitation: <ul style="list-style-type: none"> a. security services; b. concierge services; c. cleaning services; d. gardening services; e. repair and maintenance services; and f. purchase equipment and materials services. Property consultancy services during the construction stage and other management services required by Jiangmen Hua Ying 	One year from 1 January 2017 to 31 December 2017, subject to renewal	<ul style="list-style-type: none"> Service fees for the property management services are calculated on “commission basis” and charged at the rate of 10% out of the monthly management fees payable by the unit owners, which vary in accordance with the types of units Property consultancy services during the construction stage and other management services required by Jiangmen Hua Ying will be charged separately in accordance with Agreement 12

(D) SERVICE FEES RECEIVED AND RENTALS PAID

The service fees received and rentals paid by Foshan Baode under the respective previous term of Agreement 1, Agreement 2, Agreement 3, Agreement 4, Agreement 5, Agreement 6, Agreement 7, Agreement 8 and Agreement 9 are as follow:

	Previous term	Service fees/rentals (approximate RMB)
Agreement 1	1 January 2016–31 December 2016	1,920,000
Agreement 2	1 January 2016–31 December 2016	600,000
Agreement 3	1 January 2016–31 December 2016	480,000
Agreement 4	1 May 2016–31 December 2016	176,000
Agreement 5	1 January 2016–31 December 2016	480,000
Agreement 6	1 January 2016–31 December 2016	281,000
Agreement 7	30 June 2016–31 December 2016	143,000
Agreement 8	1 January 2016–31 December 2016	108,000
Agreement 9	1 January 2016–31 December 2016	128,000

(E) ESTIMATED ANNUAL CAP AND BASIS OF DETERMINATION

The estimated annual cap in respect of the financial year ending 31 December 2017 for transactions under the Renewed Agreements and New Agreements is RMB5,838,000 (equivalent to approximately HK\$6,538,560) as determined by the respective estimated transaction amount under the following basis of estimation:

	Current term	Estimated transaction amount (approximate RMB)	Basis of estimation
Agreement 1	1 January 2017– 31 December 2017	2,880,000	With reference to the monthly basic consultancy fee payable to Foshan Baode under Agreement 1, and the estimated additional service fees that may be received during the current term.
Agreement 3	1 January 2017– 31 December 2017	720,000	With reference to the monthly basic consultancy fee payable to Foshan Baode under Agreement 3, and the estimated additional service fees that may be received during the current term.
Agreement 4	1 January 2017– 31 December 2017	317,000	With reference to the monthly basic consultancy fee payable to Foshan Baode under Agreement 4, and the estimated additional service fees that may be received during the current term.
Agreement 6	1 January 2017– 31 December 2017	324,000	With reference to the management fees and commission rate specified under Agreement 6, and the estimated additional service fees that may be received during the current term.
Agreement 8	1 January 2017– 31 December 2017	108,000	With reference to the rentals payable by Foshan Baode under Agreement 8.
Agreement 9	1 January 2017– 31 December 2017	128,000	With reference to the rentals payable by Foshan Baode under Agreement 9.

	Current term	Estimated transaction amount (approximate RMB)	Basis of estimation
Agreement 10	1 January 2017– 31 December 2017	720,000	With reference to the monthly basic consultancy fee payable to Foshan Baode under Agreement 10, and the estimated additional service fees that may be received during the current term.
Agreement 11	1 January 2017– 31 December 2017	403,000	With reference to the monthly basic consultancy fee payable to Foshan Baode under Agreement 11, and the estimated additional service fees that may be received during the current term.
Agreement 12	1 January 2017– 31 December 2017	238,000	With reference to the management fees and commission rate specified under Agreement 12, and the estimated additional service fees that may be received during the current term.

(F) INFORMATION ON THE GROUP AND COUNTERPARTIES

(1) Information on the Group

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 and property management services (such as the provision of cleaning services and security management services) and building information modeling (BIM) services to Hong Kong customers in both the public and private sectors.

Foshan Baode is principally engaged in building management, property consultancy, property intermediary services and agency, car park management and swimming pool management.

(2) Information on the counterparties

- (a) Foshan Xin Yun Tai is principally engaged in the business of property development. The properties developed by it include, without limitation, Project 1.
- (b) Guangzhou Hong Kang Fook Kong is principally engaged in the business of property development. The properties developed by it include, without limitation, Project 2.
- (c) Dujiangyan Gen Yuan is principally engaged in the business of property development. The properties developed by it include, without limitation, Project 3.
- (d) Jiangmen Hua Ying is principally engaged in the business of property development. The properties developed by it include, without limitation, Project 4, Project 5 and Project 6.

(G) REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group as a general building main contractor is principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau. Besides, the Group also provides other services, which comprise housing and property management services, such as the provision of cleaning services and security management services in Hong Kong.

The leasing of Property 1 and Property 2 under Agreement 8 and Agreement 9, respectively, are mainly for office uses by the branch offices of Foshan Baode in Guangzhou and Jiangmen, respectively.

By renewing the Renewed Agreements and entering into the New Agreements, the Board believes that it will enable the Group to continue developing and expanding its housing and property management business into the PRC, and to further strengthen its overall competitiveness as a general building main contractor in the construction industry.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Renewed Agreements and the New Agreements are on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole. Mr. Chan Ki Chun being a director of both the Company and SFK Group, and Mr. Chan Chor Tung being a director of both the Company and Foshan Baode, have abstained from voting on the resolutions approving the renewal of the Renewed Agreements and entering into the New Agreements at a board meeting of the Company.

(H) IMPLICATIONS OF THE LISTING RULES

Foshan Baode is an indirect wholly-owned subsidiary of the Company.

SFK Group is a controlling shareholder of the Company. Thus, SFK Group and its subsidiaries are connected persons of the Company under Chapter 14A of the Listing Rules.

The transactions under the Renewed Agreements and the New Agreements constitute continuing transactions. Since the subsidiaries of SFK Group are connected persons of the Company under Chapter 14A of the Listing Rules, these continuing transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the estimated annual cap for the year ending 31 December 2017 for the transactions under the Renewed Agreements and the New Agreements, as one or more of the applicable percentage ratios calculated in accordance with the Listing Rules are expected to be more than 0.1% but less than 5%, such transactions are continuing connected transactions subject to the reporting, announcement and annual review requirements, but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

(I) DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of Directors
“Company”	SFK Construction Holdings Limited, a company incorporated with limited liability under the laws of Bermuda, whose Shares are listed on the Main Board of the Stock Exchange (Stock code: 1447)
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“October Announcement”	the announcement made by the Company on 20 October 2016

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau
“Property 1”	the landed property situated at 廣州高新技術產業開發區科學城香雪大道西283號A15，福港鼎峰花園商業綜合樓 (A15, No. 283, Xiangxue Road West, Guangzhou Science City, Gaoxin Jishu Chanye Development Zone, Fook Kong Paramount Commercial Complex*)
“Property 2”	the landed property situated at 鶴山峻廷灣御湖60號商業綜合樓 (Commercial Complex, No. 60, Yuhu, Heshan La Baie Palais*)
“RMB”	Renminbi, the lawful currency of the PRC
“SFK Group”	Sun Fook Kong Group Limited, a company incorporated with limited liability under the laws of the British Virgin Islands, being a controlling shareholder of the Company
“SFK Housing”	SFK Housing Services (China) Limited, a company incorporated with limited liability under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* *The English names are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.*

For the purpose of this announcement and for illustration only, conversion of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB1 to HK\$1.12. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or any other rates or at all.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

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

Hong Kong, 11 January 2017

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.