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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by SFK Construction Holdings Limited (the “**Company**”) dated 30 November 2015 (the “**Prospectus**”) in relation to the placing and public offer (the “**Share Offer**”) of the Company’s shares for the listing (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS

It was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus that the Company intended to use the net proceeds from the Share Offer (assuming the net proceeds was HK\$100 million) in the following manner:

1. approximately HK\$60.0 million, representing approximately 60% of the net proceeds will be used for financing the capital input to newly awarded projects, ongoing projects and future projects;
2. approximately HK\$30.0 million, representing approximately 30% of the net proceeds will be used for suitable merger and acquisition opportunities in enhancing our capabilities to undertake different types of construction works; and
3. the remaining balance of approximately HK\$10.0 million, representing 10% of the net proceeds will be used for additional working capital and other general corporate purposes.

The actual net proceeds from the Share Offer was approximately HK\$102 million (the “**IPO Proceeds**”). Up to the date of this announcement, the Company has used the IPO Proceeds in the same manner and proportion as set out in the Prospectus. The amount of the IPO Proceeds which has remained unutilised up to the date of this announcement (the “**Unutilised IPO Proceeds**”) amounted to approximately HK\$30.6 million, the entire amount of which was intended for merger and acquisition purpose.

CHANGE IN USE OF PROCEEDS

The board of directors of the Company (the “**Board**”) has resolved to change the use of the Unutilised IPO Proceeds (the “**Proposed Change**”). The table below sets out the proposed application of the IPO Proceeds in accordance with the Prospectus, the actual usage up to the date of this announcement and the proposed change of use of the Unutilised IPO Proceeds:

	Proposed application of the IPO Proceeds in accordance with the Prospectus <i>(approximate HK\$' million)</i>	Actual usage up to the date of this announcement <i>(approximate HK\$' million)</i>	The Unutilised IPO Proceeds <i>(approximate HK\$' million)</i>	Proposed application of the Unutilised IPO Proceeds following the Proposed Change <i>(approximate HK\$' million)</i>
Financing the capital input to recently awarded projects, ongoing projects and future projects	61.2	61.2	—	30.6
Suitable merger and acquisition opportunities in enhancing our capabilities to undertake different types of construction works	30.6	Nil	30.6	—
Working capital requirements and other general corporate purposes	10.2	10.2	—	—

REASONS FOR THE PROPOSED CHANGE

Since the Listing, the Group has undertaken merger and acquisition projects as contemplated under the Prospectus. As disclosed in the announcements of the Company dated 15 July 2016 and 20 October 2016, the Group has acquired Fujitac Construction & Engineering Consultants Limited (“**Fujitac**”) and 佛山寶得物業管理有限公司 (Foshan Baode Building Management Limited*) from the subsidiaries of Sun Fook Kong Group Limited in 2016. However, as the consideration of these acquisitions have been satisfied by internal resources of the Group, the Unutilised IPO Proceeds have not been applied thereto and hence remain unutilised up to the date of this announcement. While the Group will still keep an eye on

* for identification purpose only

suitable merger and acquisition opportunities, no suitable target has yet been identified. As such, the Board anticipates that the Unutilised IPO Proceeds may not be in use for its original purpose in the near future.

On the other hand, the Group has taken up some new projects in 2016 and is eager to acquire more in the coming years. 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)” and is a long established and one of the leading general building main contractor in Hong Kong. During the year ended 31 December 2016 (“2016”) and up to the date of this announcement, the Group has been awarded with various sizable construction and maintenance projects. For 2016, the Group has been awarded projects in Hong Kong as a main contractor with total original contract sum of approximately HK\$6,273 million (2015: approximately HK\$4,927 million), representing an increase of about 27% comparing to that of the year ended 31 December 2015. Subsequent to the end of the reporting period, the Group has been awarded various maintenance contracts with a total contract sum of approximately HK\$1,872 million, and Fujitac has been awarded three consultancy term contracts with the Buildings Department for the investigation of reports on building defects. Upon taking into account the Hong Kong Government’s commitment to infrastructure investment and its housing policy of increasing land supply to accommodate growing demand, the Board expects more construction projects in the coming years.

In the premises, to better utilise the IPO Proceeds, the Board decides to reallocate the Unutilised IPO Proceeds to use for financing the capital input to recently awarded projects, ongoing projects and future projects.

The Board considers that the Proposed Change is in the best interest of the Group and the shareholders of the Company as a whole. The Proposed Change will allow the Group to deploy more financial resources on its principle business and enable the Group to be better equipped in the provision of construction and maintenance services.

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

Hong Kong, 24 March 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.