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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 2017**

HIGHLIGHTS

- Our overall revenue for the six months ended 30 June 2017 increased to HK\$1,592.67 million as compared with that of HK\$1,427.18 million for the corresponding period last year, representing an increase of approximately 11.60%.
- Our overall gross profit increased by approximately HK\$17.74 million, or approximately 21.39%, from HK\$82.93 million for the six months ended 30 June 2016 to HK\$100.67 million for the six months ended 30 June 2017.
- Profit attributable to the equity shareholders of the Company increased by approximately HK\$16.37 million, or approximately 41.75%, from HK\$39.21 million for the six months ended 30 June 2016 to HK\$55.58 million for the six months ended 30 June 2017.
- During the six months ended 30 June 2017, 9 new projects were awarded to us as a main contractor in Hong Kong (out of which 4 projects were from the public sector and 5 projects were from the statutory institutions), with a total original contract sum of approximately HK\$2,352 million.
- As at 30 June 2017, we had a total of 18 projects for general building works and 6 projects for civil engineering works on hand and the total original contract sum amounted to approximately HK\$18,169 million (31 December 2016: HK\$17,063 million). The outstanding value of our ongoing projects as at 30 June 2017 was approximately HK\$11,099 million (31 December 2016: HK\$10,525 million).
- The directors of the Company resolved to declare an interim dividend of HK12.5 cents per share, amounting to approximately HK\$50 million (2016: HK9 cents per share totalling 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 unaudited interim consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017 (the “Period”), together with the comparative figures for the corresponding period in 2016 as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017 — unaudited

(Expressed in Hong Kong dollars)

	<i>Notes</i>	Six months ended 30 June	
		2017	2016
		\$'000	\$'000
Revenue	3	1,592,668	1,427,177
Direct costs		(1,491,994)	(1,344,248)
Gross profit		100,674	82,929
Other revenue		189	207
Other net income		385	296
Administrative expenses		(33,713)	(34,170)
Profit from operations		67,535	49,262
Finance costs		(1,916)	(1,209)
Share of profits less losses of joint ventures		954	(216)
Profit before taxation	4	66,573	47,837
Income tax	5	(10,846)	(8,216)
Profit for the period		55,727	39,621
Attributable to:			
Equity shareholders of the Company		55,577	39,207
Non-controlling interests		150	414
Profit for the period		55,727	39,621
Earnings per share — Basic/Diluted	6	13.89 cents	9.80 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017 — unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Profit for the period	55,727	39,621
Other comprehensive income for the period (after tax)		
<i>Items that may be reclassified subsequently to profit or loss or have been reclassified:</i>		
Exchange differences on translation of financial statements of overseas subsidiary	<u>161</u>	<u>—</u>
Total comprehensive income for the period	<u>55,888</u>	<u>39,621</u>
Attributable to:		
Equity shareholders of the Company	55,738	39,207
Non-controlling interests	<u>150</u>	<u>414</u>
Total comprehensive income for the period	<u>55,888</u>	<u>39,621</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2017 — unaudited

(Expressed in Hong Kong dollars)

		30 June	31 December
		2017	2016
	<i>Notes</i>	\$'000	\$'000
Non-current assets			
Plant and equipment	7	30,148	27,149
Interest in joint ventures		3,027	2,067
Deferred tax assets		1,553	1,217
		<u>34,728</u>	<u>30,433</u>
Current assets			
Gross amount due from customers for contract work	8	651,569	570,330
Trade and other receivables	9	541,103	524,689
Current tax recoverable		3,051	2,742
Pledged deposits		19,985	19,941
Cash and cash equivalents	10	133,465	215,828
		<u>1,349,173</u>	<u>1,333,530</u>
Current liabilities			
Gross amount due to customers for contract work	8	55,199	124,458
Trade and other payables	11	547,807	674,780
Amount due to a joint venture		232	1,032
Bank overdraft	10	1,115	–
Bank loans		319,758	100,732
Current tax payable		18,490	8,060
		<u>942,601</u>	<u>909,062</u>
Net current assets		<u>406,572</u>	<u>424,468</u>
Total assets less current liabilities		441,300	454,901
Non-current liability			
Deferred tax liabilities		<u>3,676</u>	<u>3,165</u>
NET ASSETS		<u>437,624</u>	<u>451,736</u>

	30 June	31 December
	2017	2016
<i>Notes</i>	\$'000	\$'000
CAPITAL AND RESERVES		
Share capital	40,000	40,000
Reserves	397,487	411,749
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Total equity attributable to equity shareholders of the Company	437,487	451,749
Non-controlling interests	137	(13)
	<hr/>	<hr/>
TOTAL EQUITY	437,624	451,736
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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 2016, 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 2017.

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 2016.

Certain new standards, amendments and improvements to standards are mandatory for the accounting period beginning 1 January 2017. 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 and property management services, building information modeling (BIM) services and consultancy services

For the six months ended 30 June 2017

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

For the six months ended 30 June 2016

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

4 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
(a) Finance costs		
Interest on bank advances and other borrowings	<u>1,916</u>	<u>1,209</u>
(b) Staff costs		
Salaries, wages and other benefits	260,592	200,513
Contributions to defined contribution retirement plans	10,340	8,150
Less: Amount capitalised in respect of construction contracts and consultancy contracts in progress	<u>(252,442)</u>	<u>(190,018)</u>
	<u>18,490</u>	<u>18,645</u>
(c) Other items		
Depreciation	5,854	5,033
Less: Amount capitalised in respect of construction contracts in progress	<u>(4,978)</u>	<u>(4,102)</u>
	<u>876</u>	<u>931</u>
Auditors' remuneration	<u>1,449</u>	<u>1,409</u>

5 INCOME TAX

Taxation in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Current tax — Hong Kong Profits Tax		
Provision for the period	10,671	7,856
Deferred tax		
Origination and reversal of temporary differences	<u>175</u>	<u>360</u>
	<u>10,846</u>	<u>8,216</u>

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 \$55,577,000 (30 June 2016: \$39,207,000) and the weighted average of 400,000,000 shares (30 June 2016: 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 2017 and 2016.

7 PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of plant and equipment with a cost of \$9,317,000 (30 June 2016: \$8,001,000). Also, the Group disposed items of plant and equipment with a carrying amount of \$464,000 (30 June 2016: \$69,000).

8 GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	30 June 2017 \$'000	31 December 2016 \$'000
Gross amount due from customers for contract work	651,569	570,330
Gross amount due to customers for contract work	(55,199)	(124,458)
	<u>596,370</u>	<u>445,872</u>

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 2017 \$'000	31 December 2016 \$'000
Trade debtors	300,177	314,282
Deposits, prepayments and other receivables	51,103	39,502
Amounts due from related companies	3,491	10,285
Amounts due from joint operation partners	38,132	27,789
Retentions receivable	148,200	132,831
	<u>541,103</u>	<u>524,689</u>

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

	30 June 2017 \$'000	31 December 2016 \$'000
Within 1 month	292,047	263,006
Over 1 to 2 months	7,514	55,345
Over 2 to 3 months	3,394	4,377
Over 3 months	713	1,839
	<u>303,668</u>	<u>324,567</u>

10 CASH AND CASH EQUIVALENTS

	30 June 2017 \$'000	31 December 2016 \$'000
Cash at bank and in hand	<u>133,465</u>	<u>215,828</u>
Cash and cash equivalents in the statement of financial position	133,465	215,828
Bank overdraft	<u>(1,115)</u>	<u>–</u>
Cash and cash equivalents in the cash flow statement	<u>132,350</u>	<u>215,828</u>

11 TRADE AND OTHER PAYABLES

	30 June 2017 \$'000	31 December 2016 \$'000
Trade creditors	230,392	315,188
Accruals and other payables	124,623	175,427
Amounts due to joint operation partners	6,562	7,480
Retentions payable	<u>186,230</u>	<u>176,685</u>
	<u>547,807</u>	<u>674,780</u>

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

	30 June 2017 \$'000	31 December 2016 \$'000
Within 1 month	175,403	256,496
Over 1 to 2 months	44,803	50,602
Over 2 to 3 months	6,400	3,001
Over 3 months	<u>3,786</u>	<u>5,089</u>
	<u>230,392</u>	<u>315,188</u>

12 DIVIDENDS

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

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Interim dividend declared after the end of reporting period of 12.5 cents per share (2016: 9 cents per share)	<u>50,000</u>	<u>36,000</u>

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 17.5 cents per share, amounting to \$70,000,000, was declared for the year ended 31 December 2016 and paid in June 2017.

13 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	
	2017	2016
	\$'000	\$'000
Housing and related service income (<i>Note (i)</i>)	13,441	21,265
Rental expenses, licence fees, air-conditioning and service charges (<i>Note (ii)</i>)	4,417	4,443
Property management services and property consultancy services income (<i>Note (iii)</i>)	<u>2,532</u>	<u>–</u>

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 2017 and 2016, 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 2017 and 2016, the Group paid rental expenses to a subsidiary of Great Eagle Holdings Limited.
- (iii) During the six months ended 30 June 2017, the Group provided property management services and property consultancy services to subsidiaries of Sun Fook Kong Group Limited. The Group acquired 佛山寶得物業管理有限公司 from a wholly-owned subsidiary of Sun Fook Kong Group Limited with a cash consideration of approximately RMB4,878,000 (equivalent to approximately \$5,708,000) which was completed on 20 October 2016. Following the completion of the acquisition, the transaction constituted related party transaction of the Group.

14 CONTINGENT LIABILITIES

- (a) As at 30 June 2017, approximately \$375,749,000 (31 December 2016: \$371,652,000) of performance bonds were given by banks to the Group in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and their customers. The Group has provided guarantees of the above performance bonds. If the Group fails to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work.
- (b) As at 30 June 2017, the Group had provided guarantees of \$239,104,000 (31 December 2016: \$236,728,000) representing a 50% proportionate guarantee in respect of certain banking facilities of \$478,208,000 (31 December 2016: \$473,455,000) granted to its joint ventures in Macau. The 50% proportionate facilities were utilised to the extent of \$128,078,000 (31 December 2016: \$137,722,000) of which amounts of \$128,078,000 (31 December 2016: \$117,118,000) represent performance bonds given by banks to customers of joint ventures.
- (c) As at 30 June 2017, the Group had also given guarantees in respect of certain banking facilities of the Group's joint operations which amounted to \$97,618,000 (31 December 2016: \$97,618,000). The banking facilities were utilised to the extent of \$90,459,000 (31 December 2016: \$90,459,000), of which the amounts of \$87,618,000 (31 December 2016: \$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 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. In last year, we have also expanded housing management business into the People’s Republic of China (the “PRC”).

BUSINESS REVIEW

Our overall revenue for the Period increased to HK\$1,592.67 million as compared with that of HK\$1,427.18 million for the corresponding period last year, representing an increase of approximately 11.60%. 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, 9 new projects were awarded to us as a main contractor in Hong Kong (out of which 4 projects were from the public sector and 5 projects were from the statutory institutions), with a total original contract sum of approximately HK\$2,352 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 4 newly awarded contracts from the public sector, all of them are maintenance contracts from various government departments of total original contract sum of about HK\$1,868 million. This is a satisfactory result generated from our strategic tendering for more maintenance contracts which are less susceptible to delay in funding approval by the Legislative Council of Hong Kong (the “Legco”).

	Number of projects	Total original contract sum (approximate HK\$' million)
Original contract sum at or above HK\$500 million	2	1,472
Original contract sum below HK\$500 million but at or above HK\$200 million	2	711
Original contract sum below HK\$200 million but at or above HK\$50 million	1	150
Original contract sum less than HK\$50 million	4	19
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	9	2,352
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As at 30 June 2017, we had a total of 18 projects for general building works and 6 projects for civil engineering works on hand and the total original contract sum amounted to approximately HK\$18,169 million (31 December 2016: HK\$17,063 million). The outstanding value of our ongoing projects as at 30 June 2017 was approximately HK\$11,099 million (31 December 2016: HK\$10,525 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 2017:

Project type	Business segment	Scope of works	Expected completion date	Original contract sum (approximate HK\$'million)	Revenue recognised during the six months ended 30 June 2017 (approximate HK\$'million)
Kai Tak Development for Civil Engineering and Development Department	Civil engineering works	Reconstruction and upgrading of Kai Tak nullah	July 2017	1,947.0	193.9
Management and maintenance of roads in Kowloon East for the Highways Department	Civil engineering works — maintenance projects	Management and maintenance of public roads, including associated slopes, highway structures, landscaping and minor improvement works, in Kowloon East but excluding high speed roads	March 2018	550.0	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	March 2018	432.2	53.2
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	189.4
Home ownership scheme development of the Housing Authority	General building works	To build 2 blocks of 27 storeys building and ancillary structures	October 2018	1,299.0	100.8
Main contract for the Park for West Kowloon Cultural District Authority	General building works	Construction of a park development in Kowloon West	December 2018	1,140.2	112.2
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	–
Contract with the Hospital Authority	General building works	To carry out minor works for New Territories East and New Territories West Clusters	June 2019	734.2	38.1

Project type	Business segment	Scope of works	Expected completion date	Original contract sum (approximate HK\$ million)	Revenue recognised during the six months ended 30 June 2017 (approximate HK\$ million)
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*	64.8**
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	222.8
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	25.5
Maintenance of properties managed by the Housing Authority	General building works — maintenance project	Maintenance, improvement and vacant flat refurbishment for properties managed by the Housing Authority in Tuen Mun and Yuen Long	March 2020	246.7	3.9
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 Outlying 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	2.0
Contract with Civil Engineering and Development Department	Civil engineering — maintenance project	To carry out maintenance works for piers	March 2022	150.1	2.6

* 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\$1,091.09 million and HK\$445.58 million (30 June 2016: HK\$982.48 million and HK\$399.69 million), respectively, representing approximately 68.51% and 27.98% (30 June 2016: 68.84% and 28.01%), 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 building information modelling (BIM) services to Hong Kong customers in both the public and private sectors. Revenue attributable to these other services amounted to approximately 3.51% of the total revenue of the Group for the Period (30 June 2016: 3.15%).

FINANCIAL REVIEW

Revenue

Our overall revenue increased by approximately HK\$165.49 million, or approximately 11.60%, from HK\$1,427.18 million for the six months ended 30 June 2016 to HK\$1,592.67 million for the six months ended 30 June 2017. The increase in our revenue was mainly the combined effect of the increase in general building business of HK\$108.61 million and the increase in civil engineering business of HK\$45.89 million.

Revenue from general building business increased by approximately HK\$108.61 million, or approximately 11.05%, from HK\$982.48 million for the six months ended 30 June 2016 to HK\$1,091.09 million for the six months ended 30 June 2017. The increase was primarily due to the inclusion of full six-month period effect in 2017 of certain new general building contracts, including the construction of a home ownership scheme development for the Hong Kong Housing Authority at Choi Hing Road. In addition, the increase was due to the inclusion of certain new general building contracts for the six months ended 30 June 2017, including 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. The increase was partly offset by the decrease in revenue between periods due to the completion of certain general building projects carried out for a theme park (to build an attraction, a chiller plant 2 and a costuming building for the theme park).

Revenue from civil engineering business increased by approximately HK\$45.89 million, or approximately 11.48%, from HK\$399.69 million for the six months ended 30 June 2016 to HK\$445.58 million for the six months ended 30 June 2017. 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 reconstruction and upgrading of Kai Tak nullah.

Revenue from other services (which mainly comprised housing and property management services and building information modelling (BIM) services) for the six months ended 30 June 2017 amounted to HK\$56.00 million (30 June 2016: HK\$45.01 million), representing 3.51% (30 June 2016: 3.15%) 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\$17.74 million, or approximately 21.39%, from HK\$82.93 million for the six months ended 30 June 2016 to HK\$100.67 million for the six months ended 30 June 2017. The increase in gross profit was mainly due to the increase in revenue for the six months ended 30 June 2017 as compared to the six months ended 30 June 2016.

Our overall gross profit margin increased from 5.81% for the six months ended 30 June 2016 to 6.32% for the six months ended 30 June 2017.

Other revenue

Our other revenue for the six months ended 30 June 2017 amounted to HK\$0.19 million, which was about in line compared to that of HK\$0.21 million for the six months ended 30 June 2016. Other revenue mainly consisted of interest income and other sundry income.

Other net income

Our other net income for the six months ended 30 June 2017 amounted to HK\$0.39 million, which was about in line compared to that of HK\$0.30 million for the six months ended 30 June 2016. Our other net income for the six months ended 30 June 2017 was attributed to the combined effect of (i) gain on disposal of plant and equipment; and (ii) foreign exchange gain.

Administrative expenses

Administrative expenses mainly consisted of staff cost and rental charges. Our administrative expenses for the six months ended 30 June 2017 amounted to HK\$33.71 million, which was about in line compared to that of HK\$34.17 million for the six months ended 30 June 2016.

Finance costs

Our finance costs for the six months ended 30 June 2017 amounted to HK\$1.92 million, compared to that of HK\$1.21 million for the six months ended 30 June 2016. The increase was primarily associated with the increase in bank interest expenses arising from the increase in average bank loan balances.

Income tax

Our income tax for the six months ended 30 June 2017 amounted to HK\$10.85 million, compared to that of HK\$8.22 million for the six months ended 30 June 2016. The effective tax rate for the six months ended 30 June 2017 was 16.30%, which was about in line compared to that of 17.17% 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\$16.37 million, or approximately 41.75%, from HK\$39.21 million for the six months ended 30 June 2016 to HK\$55.58 million for the six months ended 30 June 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 30 June 2017, the capital structure of the Group consisted of equity of HK\$437.62 million (31 December 2016: HK\$451.74 million) and bank borrowings of HK\$320.87 million as more particularly described in the paragraph headed “Borrowings” below (31 December 2016: HK\$100.73 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 2017, our cash and cash equivalents were HK\$133.47 million (31 December 2016: HK\$215.83 million).

As at 30 June 2017, the current ratio of the Group was 1.43 (31 December 2016: 1.47).

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

Borrowings

As at 30 June 2017, the Group had total bank borrowings of approximately HK\$320.87 million (31 December 2016: HK\$100.73 million). The increase in total bank borrowings was mainly used to finance the working capital of the new projects that were awarded to us, especially at the commencement stage of these contracts which generally require more capital input. Amongst all the new construction and maintenance projects for general building and civil engineering works that were awarded to us during the past twelve months, eight of them have original contract sum of over HK\$100 million individually, and the total original contract sum of these eight projects added up to approximately HK\$7,254 million.

As at 30 June 2017, the Group had approximately HK\$1,072 million (31 December 2016: HK\$1,120 million) of unutilised banking facilities in Hong Kong and Macau (including loans, letter of credit and letter of guaranteed facilities). All of the Group’s banking facilities are subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. The Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group remained in compliance with its loan covenants during the Period and up to the date of this announcement.

GEARING RATIO

As at 30 June 2017, the Group's gearing ratio was 73.32% (31 December 2016: 22.30%), 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 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 2016 year end's final dividend offset by the inclusion of net profit for the current period in 2017.

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\$9.32 million (30 June 2016: HK\$8.00 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 2017. There was no future plan for material investments or capital assets as at 30 June 2017.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the six months ended 30 June 2017.

USE OF NET PROCEEDS FROM LISTING

The net 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 amounted to approximately HK\$102 million (the "IPO Proceeds"). As disclosed in the announcement of the Company dated 24 March 2017, the Board had resolved to change the use of the unutilised IPO proceeds. Up to the date of this announcement, the IPO Proceeds had been fully utilised.

CONTINGENT LIABILITIES

Save as disclosed in note 14 to the condensed consolidated financial statements, the Group had no other contingent liabilities as at 30 June 2017.

PLEDGE OF ASSETS

As at 30 June 2017, the Group had deposits, amounting to HK\$19.99 million (31 December 2016: HK\$19.94 million), and assignment of project proceeds from certain construction contracts of the Group, the Group's joint operations and the Group's joint venture, that are pledged with banks as security of banking facilities (including bank loans and performance bonds). Pledged deposits remained stable between periods.

CAPITAL COMMITMENTS

As at 30 June 2017, the Group did not have any capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 1,886 employees in Hong Kong, Macau and the PRC and total remuneration for the six months ended 30 June 2017 was approximately HK\$271 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

The funds approval for public works remained prolonged during the first half of 2017. Several funding requests for major infrastructures failed to be passed in time before the Legco's summer recess due to filibustering. The delays in funds approval to the proposed infrastructure projects would cause higher scarcity of public works available in the market which means the business environment of construction industry would be even more competitive. Having said that, looking ahead, we anticipate that the relationship between the legislative and executive branches would be improved during the term of the new Hong Kong Chief Executive and new measures will be introduced in the Legco to speed up the funds approval process in the coming future.

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 to 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 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 Board is pleased to report that, subsequent to 30 June 2017, the Hong Kong Housing Authority has awarded us a new contract for the construction of Public Rental Housing Development of Tung Tou Estate Phase 8 in the contract sum of HK\$707 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 2017 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 2017.

INTERIM DIVIDEND

The Directors resolved to declare an interim dividend of HK12.5 cents per Share for the Period (30 June 2016: HK9 cents per Share), amounting to approximately HK\$50 million (30 June 2016: HK\$36 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, 19 September 2017. It is expected that the proposed dividend will be paid on or about Thursday, 28 September 2017.

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, 19 September 2017, 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, 18 September 2017.

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 2017 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 2017

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.