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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 January Announcement of the Company in relation to the disclosure of certain continuing connected transactions under the agreements entered into between Foshan SFK (through its head and branch offices) and Guangzhou SFK with various subsidiaries of SFK Group under Chapter 14A of the Listing Rules.

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

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

As the existing service and rental agreements entered into by Foshan SFK and Guangzhou SFK with various subsidiaries of SFK Group have expired on 31 December 2018, Foshan SFK has renewed some of them while two of them were replaced by two new agreements entered by Guangzhou SFK, a direct wholly-owned subsidiary of Foshan SFK.

IMPLICATIONS OF THE LISTING RULES

Foshan SFK and Guangzhou SFK (being a direct wholly-owned subsidiary of Foshan SFK) are indirect wholly-owned subsidiaries 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 2019 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 more than 0.1% but all applicable percentage ratios are 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 January Announcement of the Company in relation to the disclosure of certain continuing connected transactions under the agreements entered into between Foshan SFK (through its head and branch offices) and Guangzhou SFK with various subsidiaries of SFK Group under Chapter 14A of the Listing Rules.

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

As the existing service and rental agreements entered into by Foshan SFK and Guangzhou SFK with various subsidiaries of SFK Group have expired on 31 December 2018, Foshan SFK has renewed some of them while two of them were replaced by two new agreements entered by Guangzhou SFK, a direct wholly-owned subsidiary of Foshan SFK.

(B) RENEWAL OF EXISTING SERVICE AGREEMENTS

Each of Agreement 1, Agreement 3, Agreement 4, Agreement 13 and Agreement 14, which was a service agreement in respect of the provision of property consultancy and/or property management services by Foshan SFK and Guangzhou SFK to the relevant subsidiary of SFK Group, expired on 31 December 2018. On 31 January 2019 (after trading hours), Foshan SFK entered into agreements for the renewal of each of Agreement 1, Agreement 3 and Agreement 13 for one year commencing from 1 January 2019 and expiring on 31 December 2019 on substantially the same terms and conditions of the relevant expired agreement.

Each of the above-mentioned renewed service agreements (each the “**Renewed Agreement**” and collectively the “**Renewed Agreements**”) has become effective on 1 January 2019.

Under each Renewed Agreement, the service fees thereunder were arrived at after arm's length negotiations between Foshan SFK 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 SFK 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 Renewed Agreements:

	Date of Renewed Agreement	Parties	Scope	Current term	Service fees received/rentals paid under current term
Agreement 1	31 January 2019	<ul style="list-style-type: none"> Foshan Xin Yun Tai Foshan SFK (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 2019 to 31 December 2019, subject to renewal	<ul style="list-style-type: none"> Basic consultancy fee of RMB180,000 per month for the property consultancy services (as compared to the monthly fee RMB250,000 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	31 January 2019	<ul style="list-style-type: none"> • Dujiangyan Gen Yuan • Foshan SFK (through its Foshan head office) 	Provision of the following services in respect of Project 3: <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"> a. advising on marketing and sale of flats; and b. advising on property management • Property services as requested 	One year from 1 January 2019 to 31 December 2019, subject to renewal	<ul style="list-style-type: none"> • Basic consultancy fee of RMB80,000 per month for the property consultancy services (which is the same as the monthly consultancy fee under the previous term) • Additional service fees (calculated in accordance with Agreement 3) for the property services, if any
Agreement 13	31 January 2019	<ul style="list-style-type: none"> • Foshan Xin Yun Tai • Foshan SFK (through its Foshan head office) 	Provision of the following services in respect of Project 1: <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"> a. advising on marketing and sale of flats; b. providing various services at the site to facilitate the sale of flats • Property services as requested 	One year from 1 January 2019 to 31 December 2019, subject to renewal	<ul style="list-style-type: none"> • Basic consultancy fee of RMB60,000 per month for the property consultancy services (which is the same as the monthly consultancy services fee under the previous term) • Additional service fees (calculated in accordance with Agreement 13) for the property services, if any

(C) ENTERING INTO NEW SERVICE AND RENTAL AGREEMENTS

On 31 January 2019 (after trading hours), Guangzhou SFK entered into a new service agreement and a new rental agreement (hereinafter referred to as “**Agreement 15**” and “**Agreement 16**” respectively) with Guangzhou Hong Kang Fook Kong for the provision of property consultancy and/or property management services by Guangzhou SFK to Guangzhou Hong Kang Fook Kong, and for the leasing of Property 1 from Guangzhou Hong Kang Fook Kong as the lessor for use by Guangzhou SFK as the lessee. Both Agreement 15 and Agreement 16 (each the “**New Agreement**” are collectively the “**New Agreements**”) have become effective on 1 January 2019.

Agreement 15 is in replacement of Agreement 4 (which has expired on 31 December 2018) for the provision of property consultancy and/or property management services in respect of Project 2, while Agreement 16 is in replacement of Agreement 8 (which has expired on 31 December 2018) for the rental of Property 1.

Under each New Agreement, the service fees or rentals (as the case may be) were arrived at after arm's length negotiations between Guangzhou SFK and the relevant counterparty. The service fees were determined based on (i) where applicable, the service fees paid by the relevant counterparty under the relevant replaced service agreement; (ii) the projected operating costs and expenses to be incurred by Guangzhou SFK 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 under the relevant replaced rental agreement; and (ii) the prevailing market rates for properties of comparable grade in the vicinity.

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 15	31 January 2019	<ul style="list-style-type: none"> Guangzhou Hong Kong Fook Kong Guangzhou SFK 	Provision of the following services in respect of Project 2: <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 units; and advising on repairing, after handing over Property services as requested 	One year from 1 January 2019 to 31 December 2019, subject to renewal	<ul style="list-style-type: none"> Basic consultancy fee of RMB20,000 per month for the property consultancy services, (as compared to the monthly fee RMB20,000 under Agreement 4) Additional service fees (calculated in accordance with Agreement 15) for the property services, if any
Agreement 16	31 January 2019	<ul style="list-style-type: none"> Guangzhou Hong Kong Fook Kong Guangzhou SFK 	Leasing of Property 1	One year from 1 January 2019 to 31 December 2019, 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 Agreement 8)

(D) SERVICE FEES RECEIVED AND RENTALS PAID

The service fees received and rentals paid by Foshan SFK or Guangzhou SFK under the respective previous term of Agreement 1, Agreement 3, Agreement 4, Agreement 8, Agreement 13 and Agreement 14 are as follow:

	Previous term	Service fees/rentals (approximate RMB)
Agreement 1	1 January 2018–31 December 2018	3,000,000
Agreement 3	1 January 2018–31 December 2018	960,000
Agreement 4	1 January 2018–31 December 2018	240,000
Agreement 8	1 January 2018–31 December 2018	108,000
Agreement 13	1 January 2018–31 December 2018	720,000
Agreement 14	1 January 2018–31 December 2018	276,000

(E) ESTIMATED ANNUAL CAP AND BASIS OF DETERMINATION

The estimated annual cap in respect of the financial year ending 31 December 2019 for transactions under the Renewed Agreements and New Agreements is RMB5,008,000 (equivalent to approximately HK\$5,832,818) 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 2019– 31 December 2019	2,600,000	With reference to the monthly basic consultancy fee payable to Foshan SFK under Agreement 1, and the estimated additional service fees that may be received during the current term.
Agreement 3	1 January 2019– 31 December 2019	1,150,000	With reference to the monthly basic consultancy fee payable to Foshan SFK under Agreement 3, and the estimated additional service fees that may be received during the current term.
Agreement 13	1 January 2019– 31 December 2019	860,000	With reference to the monthly basic consultancy fee payable to Foshan SFK under Agreement 13, and the estimated additional service fees that may be received during the current term.

		Estimated transaction amount (approximate RMB)	Basis of estimation
	Current term		
Agreement 15	1 January 2019– 31 December 2019	290,000	With reference to the monthly basic consultancy fee payable to Guangzhou SFK under Agreement 15, and the estimated additional service fees that may be received during the current term.
Agreement 16	1 January 2019– 31 December 2019	108,000	With reference to the monthly rentals payable by Guangzhou SFK under Agreement 16.

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

Guangzhou SFK is principally engaged in building management, property consultancy, property intermediary services and agency and car park 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.

(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 under Agreement 16 is mainly for office use by Guangzhou SFK in Guangzhou.

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 the Company, Foshan SFK and Guangzhou SFK, have abstained from voting on the resolutions approving the transactions under the Renewed Agreements and the New Agreements at a board meeting of the Company.

(H) IMPLICATIONS OF THE LISTING RULES

Foshan SFK and Guangzhou SFK (being a direct wholly-owned subsidiary of Foshan SFK) are indirect wholly-owned subsidiaries 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 2019 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 more than 0.1% but all applicable percentage ratios are 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
“Foshan SFK”	佛山新福港物業管理有限公司 (Foshan Sun Fook Kong Property Management Limited*), a company established under the laws of the PRC
“Group”	the Company and its subsidiaries
“Guangzhou SFK”	廣州新福港物業管理有限公司 (Guangzhou Sun Fook Kong Property Management Limited*), a company established under the laws of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“January Announcement”	the announcement made by the Company on 22 January 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau
“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
“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\$1.1647. 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, 31 January 2019

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.