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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF A HONG KONG COMPANY

THE ACQUISITION

On 1 December 2017 (after trading hours), SFK Holdings, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which SFK Holdings agreed to acquire, and the Vendor agreed to sell, the entire issued share capital of the Target Company at a consideration of HK\$1.

Completion has taken place immediately after the signing of the Sale and Purchase Agreement. Upon Completion, the Target Company has become an indirect wholly-owned subsidiary of the Company, and its results, assets and liabilities will be consolidated into the financial statements of the Group.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 5% but all applicable percentage ratios in respect of the Acquisition are less than 25%, the Acquisition constitutes a discloseable transaction for the Company, which is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 1 December 2017 (after trading hours), SFK Holdings, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which SFK Holdings agreed to acquire, and the Vendor agreed to sell, the entire issued share capital of the Target Company at a consideration of HK\$1.

THE SALE AND PURCHASE AGREEMENT

Date

1 December 2017 (after trading hours)

Parties

- (1) Purchaser: SFK Holdings
- (2) Vendor: Biwater Holdings Limited

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party as at the date of the Sale and Purchase Agreement.

Subject Matter

Pursuant to the Sale and Purchase Agreement, SFK Holdings agreed to purchase, and the Vendor agreed to sell 118,578,047 ordinary shares of the Target Company, which represents the entire issued share capital of the Target Company, subject to and upon the terms and conditions of the Sale and Purchase Agreement.

Consideration

The consideration of HK\$1 has been fully paid by SFK Holdings to the Vendor by cheque upon Completion.

The consideration was determined after arm's length negotiations between SFK Holdings and the Vendor with reference to historical financial performance (including the unaudited net liability of the Target Company as at 30 November 2017), the current financial positions and the business prospects of the Target Company.

The Directors are of the view that the consideration of the Sale and Purchase Agreement is fair and reasonable and was determined after arm's length negotiations between parties to the Sale and Purchase Agreement.

Completion

Completion of the Sale and Purchase Agreement is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following conditions:

- (a) SFK Holdings having been satisfied, in its sole and absolute discretion, with the conduct and results of the due diligence review on the Target Company;
- (b) all necessary board and/or shareholders resolutions of the Vendor and the Target Company to approve the sale and transfer of the subject shares having been passed;
- (c) all relevant consents, authorizations and approvals from third parties in connection with the proposed change in shareholding of the Target Company having been obtained;

- (d) all consents, authorizations and approvals of all governmental or regulatory authorities, agencies or bodies having been obtained;
- (e) all ancillary agreements in connection with the sale and purchase of the subject shares (including, without limitation, the Tax Indemnity, the Services Agreement and the Trade Mark Licence Agreement) having been duly entered into, executed and delivered;
- (f) no material breach of any relevant laws, regulations or licensing requirements of any existing approvals or consents by the Target Company; and
- (g) the compliance with, and performance of, all the terms and conditions of the Sale and Purchase Agreement in all respects on or before the Completion.

As all the conditions have been fulfilled or waived on 1 December 2017, Completion has taken place immediately after the signing of the Sale and Purchase Agreement. Upon Completion, the Target Company has become an indirect wholly-owned subsidiary of the Company, and its results, assets and liabilities will be consolidated into the financial statements of the Group.

Post-completion operations

In order to assist the transition and smoothen the business operations of the Target Company post Completion, the Vendor further executed the following agreements in favour of the Target Company at Completion pursuant to the Sale and Purchase Agreement:

- (i) the Services Agreement, pursuant to which the Vendor has agreed to provide technical support and consultancy services relating to the business of the Target Company in Hong Kong for a period of 24 months from the date of Completion, free of service charges for up to HK\$10 million; and
- (ii) the Trade Mark Licence Agreement, pursuant to which the Vendor has granted to the Target Company a royalty-free and non-exclusive licence to use certain trademarks in relation to the business of the Target Company in Hong Kong, Macau, Taiwan and the PRC for one year from the date of Completion.

INFORMATION ON THE VENDOR

The Vendor, which is a company incorporated under the laws of the England and Wales with limited liability, is a water treatment company, which is principally engaged in the business of designing, building, operating and maintaining water companies, water supplies, effluent treatment and desalination plants.

INFORMATION ON THE TARGET COMPANY

The Target Company is an electrical and mechanical engineering contracting company incorporated in Hong Kong on 20 June 1980 and was a direct wholly-owned subsidiary of the Vendor before Completion. It is mainly engaged in the design, installation, testing and commissioning of electrical and mechanical engineering project for wastewater treatment

plant, potable water treatment plant, water filtration and feature system, pumping station, fresh and flush water supply pumping system, fire service, plant operation and maintenance services, flow control equipment and system.

The Target Company is also an approved contractor on the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” of the Hong Kong Government for certain specific categories of works (subject to certain conditions) including, *inter alia*, “Supply and Installation of Water Treatment Plant (on probation)”.

According to the audited financial statements of the Target Company for the financial year ended 31 March 2017, the audited net liabilities of the Target Company as at 31 March 2017 were HK\$135,744,000. The audited net loss before taxation and after taxation of the Target Company was HK\$41,803,000 for the year ended 31 March 2017. The audited net loss before taxation and after taxation of the Target Company was HK\$125,654,000 for the year ended 31 March 2016.

As disclosed in the prospectus of the Company dated 30 November 2015, SFK Civil and the Target Company entered into an agreement in December 2010 for the tendering for and execution of the contract for the Stonecutters Island sewage treatment works for Drainage Services Department. Pursuant to the agreement, Sun Fook Kong — Biwater Joint Venture, a joint operation was formed, which is interested as to 66.16% by SFK Civil and 33.84% by the Target Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company, an investment holding company, was incorporated under the laws of Bermuda with limited liability. The Group as a general building main contractor is principally engaged in construction and maintenance projects in Hong Kong and constructions projects in Macau. Besides, 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.

The Acquisition is in line with the businesses of the Group. With the injection of the expertise, skills and solid experiences in wastewater and potable treatment industry, the Group will be better equipped to further develop its businesses in the provision of construction services. In particular, given the public’s rising awareness of environmental protection and favourable government policy in Hong Kong, the Company is optimistic on the wastewater treatment industry in Hong Kong. It is expected that the Acquisition will create synergy from combining the resources and expertise of both the Group and the Target Company in the provision of construction services, and enable the Group to enhance 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 Sale and Purchase Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 5% but all applicable percentage ratios in respect of the Acquisition are less than 25%, the Acquisition constitutes a discloseable transaction for the Company, which is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of the Target Company pursuant to the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Independent Third Party”	third party who is independent of the Company and connected persons of the Company and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Sale and Purchase Agreement”	the agreement entered into between SFK Holdings and the Vendor on 1 December 2017 in relation to the Acquisition

“Services Agreement”	the agreement entered into between the Vendor as supplier and the Target Company as recipient on 1 December 2017 in relation to the provision of technical support and consultancy services to the Target Company after Completion
“SFK Civil”	Sun Fook Kong (Civil) Limited, a company incorporated with limited liability under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“SFK Holdings”	Sun Fook Kong Holdings Limited, a company incorporated with limited liability under the laws of the British Virgin Islands and registered in Hong Kong as a non-Hong Kong company, and a direct 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
“Target Company”	Biwater Man Lee Limited, a company incorporated with limited liability under the laws of Hong Kong
“Trade Mark Licence Agreement”	the agreement entered into between the Vendor as licensor and the Target Company as licensee on 1 December 2017 in relation to the grant of the use of certain marks to the Target Company after Completion
“Tax Indemnity”	the tax indemnity entered into between the Vendor and SFK Holdings on 1 December 2017 in relation to the tax indemnity given by the Vendor in favour of SFK Holdings
“UK”	United Kingdom
“Vendor”	Biwater Holdings Limited, a company incorporated with limited liability under the laws of England and Wales
“%”	per cent

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, 3 December 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.