



Build King Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code : 00240

Interim Report 2013

Build with
**Professionalism
Innovation
Integrity**





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Interim Financial Highlights

The board of directors (the “Board”) of Build King Holdings Limited (the “Company”) announces the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013.

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity* per share	3%
Equity	HK\$284 million
Equity per share	HK23 cents
Group revenue and share of revenue of joint ventures	HK\$1,009 million
Profit attributable to owners of the Company	HK\$6 million

* equity refers to equity attributable to owners of the Company

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013.



Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the six months ended 30 June 2013, the Group recorded a turnover, including our share of joint ventures, of HK\$1,009 million representing a decrease of 4% compared with HK\$1,046 million for the corresponding period in 2012.

The profit for the period was HK\$5 million (2012: HK\$16 million) comprising profit of HK\$2 million (2012: HK\$13 million) from construction and a gain of HK\$3 million (2012: HK\$3 million profit) from investment in listed securities.

The group results of the past six months were hit by cost overrun on two government projects when they approached to their final stage. Portion C4 of Central Wanchai Bypass over existing MTR Tsuen Wan line encountered unexpected delay in China during the final stages of constructing the 45,000 tonnes concrete box structure. Extra resources were employed to solve the issues and finally, the box structure arrived on site in mid July. In order to meet the tight schedule for opening the project for the Bus Interchange on Tuen Mun Road to public in July, we were required to accelerate the works with increased resources. Both projects are now close to substantial completion and all additional costs have been allowed for in the interim results. Under both these contracts, we of course will endeavor to recover the extra cost to which we are entitled.

Hong Kong

Since January 2013, the Group has been awarded 4 projects with total contract value of HK\$3.4 billion. The total outstanding value of contracts on hand at the date of this report was increased to HK\$7.5 billion.

We anticipate that the prospect for civil engineering construction as well as that for the Group remains very promising. The Hong Kong Government is continuing with their plans for implementation of an enormous amount of infrastructure works and tendering opportunities are expected to continue to be abundant for some time. The contracts for the second phase of MTR Shatin Central Link are also expected to be out for tender later this year. However, we will not relax our cautious attitude towards pricing the tenders and we will continue to be selective and focus only on those projects which we believe will be profitable with healthy cashflows and where we have an edge.

The Group currently has about twenty active solo projects of various sizes and eight major joint venture projects. Except for the two projects mentioned above, all the projects are progressing on programme and forecasted to achieve satisfactory results on completion.



Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS (Continued)

Hong Kong (Continued)

Projects awarded in 2011 or earlier are approaching completion steadily. The construction of the sewage treatment plants on Lamma Island for DSD, and the infrastructure work for Kai Tak Development for CEDD will be complete in the second half of this year. The reconstruction, improvement and rehabilitation of Kai Tak River in Wong Tai Sin, two projects for the Harbour Area Treatment Scheme and the upgrading work for the promenades of Aberdeen Harbour have all entered a mature stage, progressing well and within budget.

On building projects, following the success of timely handover in last September of the first block in the development for Hang Seng Management College, we are on target to meet the tight programme which demands completion of the second block in this September and remaining facilities in early 2014. Both of the two building projects commenced in late last year, namely Disciplined Services Quarter in Tuen Mun for ASD and a student hostel for HKUST, have completed foundation on time and will complete super-structure in 2014.

All the major joint venture projects also moved forward steadily during the period. The joint venture at Central Wanchai Bypass Portion C1, at Hong Kong Convention and Exhibition Centre, was pushing hard to keep up with the programme and within the budget. The tunneling work for Contract 824 of Express Rail Link has improved and the delays being suffered due to underground conditions overcome but with the budget under pressure. The critical pipe laying work across the harbor – part of the contract for a new twin cross harbor gas mains for the Hong Kong and China Gas Company are nearing completion leaving the land works portion for completion in 2014. The joint venture projects on Shatin Central Link including Diamond Hill Station, Hung Hom North Approach Tunnel and Kai Tak Station have commenced satisfactorily together with Central Wanchai Bypass Package C3 at West Wanchai.

PRC

The operation of the sewage treatment plant in Wuxi City sustained steady growth and income during the period. By the end of June, the treated volume had increased to an average of 37,000 tonnes per day (tpd), exceeding the design capacity of 35,000 tpd. The Group has invested a further RMB5 million in new facilities to increase the plant capacity to 50,000 tpd and the new facilities will be ready for operation in the third quarter of 2013. Leveraging on the experience of this project, we are actively seeking further opportunities for investment in environmental projects in China.

Employees and Remuneration Policies

At 30 June 2013, the Group had a total of 1,024 employees and total remuneration for the six months ended 30 June 2013 was approximately HK\$129 million. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as that of the individual.



Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2013, the Group had liquid assets of HK\$104 million (at 31 December 2012: HK\$96 million) comprising held-for-trading investments of HK\$43 million (at 31 December 2012: HK\$41 million) and bank balances and cash of HK\$61 million (at 31 December 2012: HK\$55 million).

At 30 June 2013, the Group had a total of interest bearing borrowings of HK\$77 million (at 31 December 2012: HK\$74 million) with following maturity profile:

	At 30 June 2013	At 31 December 2012
	HK\$'million	HK\$'million
Borrowings due within one year	77	74
	77	74

The Group's borrowings, bank balances and cash and held-for-trading investments were principally denominated in Hong Kong dollars. Hence, there is no exposure to foreign exchange rate fluctuations. During the period, the Group had no significant borrowings at fixed interest rate and had no financial instrument for hedging purpose.

Capital Structure and Gearing

At 30 June 2013, total equity was HK\$298 million comprising ordinary share capital of HK\$124 million, reserves of HK\$160 million and non-controlling interests of HK\$14 million.

At 30 June 2013, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 26% (at 31 December 2012: 25%).

Pledge of Assets

At 30 June 2013, bank deposits of the Group amounting to HK\$6 million (at 31 December 2012: HK\$10,000) were pledged to banks for securing the banking facilities granted to the Group.

At 30 June 2013, certain equity securities with market value of HK\$22 million (at 31 December 2012: HK\$20 million) were pledged to a bank to secure general facilities granted to the Group.

Contingent Liabilities

	At 30 June 2013	At 31 December 2012
	HK\$'million	HK\$'million
Outstanding tender/performance/retention bonds in respect of construction contracts	322	243



Disclosure of Interests

DIRECTORS' INTERESTS

As at 30 June 2013, the interests (including short positions) of the directors (the "Directors") and chief executive of the Company (including their respective spouses, infant children, related trusts and companies controlled by them) in the Shares, convertible securities, warrants, options or derivatives in respect of securities which carried voting rights of the Company and its associated corporations (within the meaning of the Securities & Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(I) The Company

Interests in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held		Percentage of shareholding (%)
		Long Position (Note)	Short position	
Zen Wei Peu, Derek	Personal	111,475,228	–	8.98
Chang Kam Chuen, Desmond	Personal	1,400,000	–	0.11
David Howard Gem	Personal	900,000	–	0.07
Cheng Chi Pang, Leslie	Personal	1,170,000	–	0.09

Note: Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).



Disclosure of Interests

DIRECTORS' INTERESTS (Continued)

(II) Associated Corporations

Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of shareholding (%)
			Long Position (Note)	Short position	
Zen Wei Peu, Derek	Wai Kee Holdings Limited ("Wai Kee")	Personal	185,557,078	–	23.40
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	–	37.50

Note: Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company had any interests or short positions in any equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save as disclosed above, none of the Directors nor any of their associates had any interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, none of the Directors nor their spouse or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.



Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2013, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares held and percentage of shareholding			
		Long position (Note 1)		Short position	
		Number of Shares	%	Number of Shares	%
Top Horizon Holdings Limited ("Top Horizon") (Note 2)	Personal/Beneficiary	635,415,033	51.17	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee Zens") (Note 3)	Corporate	635,415,033	51.17	–	–
Wai Kee (Note 4)	Corporate	635,415,033	51.17	–	–
Vast Earn Group Limited (Note 5)	Personal/Beneficiary	67,404,052	5.43	–	–
NWS Service Management Limited (incorporated in the British Virgin Islands) (Note 6)	Corporate	67,404,052	5.43	–	–
NWS Service Management Limited (incorporated in the Cayman Islands) (Note 7)	Corporate	67,404,052	5.43	–	–
NWS Holdings Limited (Note 8)	Corporate	67,404,052	5.43	–	–
New World Development Company Limited (Note 9)	Corporate	67,404,052	5.43	–	–
Chow Tai Fook Enterprises Limited (Note 10)	Corporate	67,404,052	5.43	–	–
Chow Tai Fook (Holding) Limited (Note 11)	Corporate	67,404,052	5.43	–	–
Chow Tai Fook Capital Limited (Note 12)	Corporate	67,404,052	5.43	–	–
Cheng Yu Tung Family (Holdings II) Limited (Note 13)	Corporate	67,404,052	5.43	–	–
Cheng Yu Tung Family (Holdings) Limited (Note 14)	Corporate	67,404,052	5.43	–	–



Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)

Notes:

1. Long position in the Shares.
2. Top Horizon was a direct wholly owned subsidiary of Wai Kee (Zens).
3. Wai Kee (Zens) was deemed to be interested in the Shares through its interests in Top Horizon.
4. Wai Kee (Zens) was a direct wholly owned subsidiary of Wai Kee. Accordingly, Wai Kee was deemed to be interested in the Shares through its interests in its wholly owned subsidiaries, namely Wai Kee (Zens) and Top Horizon.
5. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).
6. NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited.
7. NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the British Virgin Islands).
8. NWS Holdings Limited is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands).
9. New World Development Company Limited is deemed to be interested in the Shares through its interests in its subsidiary, namely NWS Holdings Limited.
10. Chow Tai Fook Enterprises Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.
11. Chow Tai Fook (Holding) Limited is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.
12. Chow Tai Fook Capital Limited is deemed to be interested in the Shares through its interests in its subsidiary, namely Chow Tai Fook (Holding) Limited.
13. Cheng Yu Tung Family (Holdings II) Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.
14. Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.

Save as disclosed above, as at 30 June 2013, no other person (other than Directors or chief executives of the Company) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



Corporate Governance

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions on Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013, except for code provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

Mr. Zen Wei Peu, Derek has been both the Chairman and Chief Executive Officer of the Company. In addition to his responsibilities as Chairman overseeing the function of the Board and formulating overall strategies and policies of the Company, Mr. Zen has taken up the management of the Group's business and overall operation. However, the day-to-day running of the Company has been delegated to the divisional heads responsible for the different aspects of the business.

The Board considers that this structure will not impair the balance of power and authority between the board and the management of the business of the Group given that there are a strong and independent non-executive directorship element on the Board and a clear division of responsibility in running the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2013.



Other Information

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

Term loan facility up to HK\$25 million

On 18 April 2013, Kaden Construction Limited (“Kaden”, a wholly owned subsidiary of the Company) confirmed its acceptance of a facility letter (the “Facility Letter”) issued by a bank (the “Bank”). Pursuant to the Facility Letter, the Bank agreed to grant Kaden a term loan facility up to HK\$25 million (the “Banking Facility”) with maturity date falling twelve months from the date of first drawdown date of the Banking Facility. Throughout the life of the Banking Facility, the Company shall remain directly or indirectly at least 50% owned by Wai Kee.

Save as disclosed above, as at 30 June 2013, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Upon enquiry by the Company, save as disclosed below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company’s last published annual report:

Name of Director	Details of changes
Chan Chi Hung, Anthony	<p>Mr. Chan resigned as an executive director and managing director of China Financial Leasing Group Limited (Stock Code: 2312) with effect from 15 July 2013.</p> <p>He has been appointed as an executive director of EPI (Holdings) Limited (Stock Code: 689) with effect from 16 July 2013.</p>
Chow Ming Kuen, Joseph	<p>Dr. Chow has been appointed as an independent non-executive director of Hsin Chong Construction Group Ltd. (Stock Code: 404) with effect from 17 June 2013.</p>

AUDIT COMMITTEE

The Audit Committee has reviewed with the management, internal auditor and external auditor the accounting policies adopted by the Group and the unaudited interim financial information for the six months ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2013.

APPRECIATION

I would like to take this opportunity to express my hearty gratitude to our shareholders, our business partners, directors and loyal and dedicated colleagues.

By Order of the Board
Zen Wei Peu, Derek
Chairman

Hong Kong, 15 August 2013

Report on Review of Condensed Consolidated Financial Statements

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To The Board of Directors of Build King Holdings Limited

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Build King Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 13 to 31, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15 August 2013

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	3	621,312	785,087
Cost of sales		(577,867)	(735,567)
Gross profit		43,445	49,520
Investments and other income	5	8,067	29,396
Increase in fair value of held-for-trading investments		1,584	1,538
Administrative expenses		(60,239)	(54,007)
Finance costs	6	(1,754)	(842)
Other expenses		–	(14,799)
Share of results of joint ventures		13,277	6,310
Share of results of associates		424	245
Profit before tax	7	4,804	17,361
Income tax expense	8	(17)	(894)
Profit for the period		4,787	16,467
Profit for the period attributable to:			
Owners of the Company		6,493	16,256
Non-controlling interests		(1,706)	211
		4,787	16,467
Earnings per share	9	HK cents	HK cents
– Basic		0.5	1.3

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit for the period	4,787	16,467
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	1,258	(666)
Total comprehensive income for the period	6,045	15,801
Total comprehensive income for the period attributable to:		
Owners of the Company	7,705	15,615
Non-controlling interests	(1,660)	186
	6,045	15,801

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	45,317	42,675
Intangible assets		64,907	65,095
Goodwill		30,554	30,554
Interests in joint ventures		34,529	27,963
Available-for-sale investment	12	–	–
Other financial asset		52,219	52,295
		227,526	218,582
Current assets			
Amounts due from customers for contract work		194,828	138,152
Debtors, deposits and prepayments	13	463,432	527,995
Amounts due from fellow subsidiaries		3,138	–
Amounts due from associates		7,571	7,552
Amounts due from joint ventures		85,664	74,671
Held-for-trading investments	14	42,608	41,024
Tax recoverable		722	–
Pledged bank deposits	20	6,262	10
Bank balances and cash		61,427	55,340
		865,652	844,744
Current liabilities			
Amounts due to customers for contract work		72,100	125,957
Creditors and accrued charges	15	549,386	507,372
Amount due to an intermediate holding company		6,652	5,149
Amounts due to fellow subsidiaries		–	654
Amount due to an associate		12,159	11,052
Amounts due to joint ventures		45,735	12,465
Amounts due to non-controlling interests		3,094	3,094
Bank loans	16	77,023	74,387
Tax liabilities		–	899
		766,149	741,029
Net current assets		99,503	103,715
Total assets less current liabilities		327,029	322,297

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Capital and reserves			
Ordinary share capital	17	124,188	124,188
Reserves		159,951	152,246
Equity attributable to owners of the Company		284,139	276,434
Non-controlling interests		13,945	15,605
Total equity		298,084	292,039
Non-current liabilities			
Deferred tax liabilities	18	5,750	5,750
Obligations in excess of interests in associates	19	17,371	17,795
Amount due to an associate		5,824	6,713
		28,945	30,258
		327,029	322,297

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Ordinary share capital	Share premium	Translation reserve	Special reserve	Asset revaluation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2012 (audited)	124,188	14,186	13,506	(63,141)	4,290	161,911	254,940	15,817	270,757
Profit for the period	-	-	-	-	-	16,256	16,256	211	16,467
Exchange differences arising on translation of foreign operations	-	-	(641)	-	-	-	(641)	(25)	(666)
Total comprehensive (expense) income for the period	-	-	(641)	-	-	16,256	15,615	186	15,801
Capital contribution from non-controlling interests upon the formation of a subsidiary	-	-	-	-	-	-	-	300	300
At 30 June 2012 (unaudited)	124,188	14,186	12,865	(63,141)	4,290	178,167	270,555	16,303	286,858
At 1 January 2013 (audited)	124,188	14,186	14,331	(63,141)	4,290	182,580	276,434	15,605	292,039
Profit for the period	-	-	-	-	-	6,493	6,493	(1,706)	4,787
Exchange differences arising on translation of foreign operations	-	-	1,212	-	-	-	1,212	46	1,258
Total comprehensive income (expense) for the period	-	-	1,212	-	-	6,493	7,705	(1,660)	6,045
At 30 June 2013 (unaudited)	124,188	14,186	15,543	(63,141)	4,290	189,073	284,139	13,945	298,084

Note: The special reserve represents adjustment in share capital on the reverse acquisition of the Company in 2004.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash (used in) from operating activities	(10,028)	12,772
Investing activities		
Dividends from held-for-trading investments	900	720
Distribution of profits from joint ventures	6,711	–
Repayment from (advances to) joint ventures	22,277	(17,356)
Increase in pledged bank deposits	(6,252)	(11)
Advances to associates	(18)	(116)
Purchase of property, plant and equipment	(7,565)	(1,696)
Proceeds from disposal of property, plant and equipment	57	15,789
Proceeds from disposal of a subsidiary	–	12,325
Net cash from investing activities	16,110	9,655
Financing activities		
Payment to fellow subsidiaries	(3,792)	(971)
Advance from (repayment to) intermediate holding company	1,503	(9,469)
Repayment to non-controlling interests	–	(121)
Repayment of bank loans	(22,364)	(4,341)
Interest paid	(1,537)	(644)
Capital contribution from non-controlling interests upon the formation of a subsidiary	–	300
New bank loans raised	25,000	30,000
Net cash (used in) from financing activities	(1,190)	14,754
Net increase in cash and cash equivalents	4,892	37,181
Cash and cash equivalents at beginning of the period	55,340	91,300
Effect of foreign exchange rate changes, net	1,195	139
Cash and cash equivalents at end of the period	61,427	128,620
Represented by		
Bank balances and cash	61,427	129,017
Bank overdraft	–	(397)
	61,427	128,620

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is Top Horizon Holdings Limited. The directors of the Company (the “Directors”) consider Wai Kee Holdings Limited (“Wai Kee”), also incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Stock Exchange, as the Company’s ultimate holding company.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised HKAS(s), Hong Kong Financial Reporting Standards (“HKFRS(s)”), amendments and interpretations (“HK(IFRIC) – Int”) (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for as described below, the application of the new and revised HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 10 “Consolidated Financial Statements”

HKFRS 10 replaces the requirements in HKAS 27 “Consolidated and Separate Financial Statements” relating to the preparation of consolidated financial statements and HK-SIC 12 “Consolidation – Special Purpose Entities”. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11 “Joint Arrangements”

HKFRS 11, which replaces HKAS 31 “Interests in Joint Ventures”, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator’s interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group’s consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 13 “Fair Value Measurement”

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group’s major financial instruments are the investments held for trading, which are measured at fair value at recurring basis, by reference to market bid price in active market and classified under Level 1. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group’s assets and liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income” introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income” and an “income statement” is renamed as a “statement of profit or loss”. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the chief operating decision maker and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

3. REVENUE

The Group’s revenue represents mainly the revenue on construction contracts recognised during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

4. SEGMENTAL INFORMATION

The Group is mainly engaged in civil engineering work. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on geographical location of its customers including Hong Kong, the People's Republic of China ("PRC") and the Middle East. The Group's reportable segments under HKFRS 8 are as follows:

Six months ended 30 June 2013

	Hong Kong HK\$'000	The PRC HK\$'000	Middle East HK\$'000	Total HK\$'000
Results				
Group revenue	612,003	9,309	–	621,312
Share of revenue of joint ventures	387,520	–	–	387,520
Segment revenue	999,523	9,309	–	1,008,832
Group results	(11,068)	3,373	(1,499)	(9,194)
Share of results of joint ventures	13,277	–	–	13,277
Segment profit (loss)	2,209	3,373	(1,499)	4,083
Unallocated expenses				(1,212)
Investments income				1,679
Increase in fair value of held-for-trading investments				1,584
Share of results of associates				424
Finance costs				(1,754)
Profit before tax				4,804

Other segment information:

Six months ended 30 June 2013

	Hong Kong HK\$'000	The PRC HK\$'000	Middle East HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss:				
Gain on disposal of property, plant and equipment	–	–	49	49

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

4. SEGMENTAL INFORMATION (Continued)

Six months ended 30 June 2012

	Hong Kong HK\$'000	The PRC HK\$'000	Middle East HK\$'000	Total HK\$'000
Results				
Group revenue	772,341	8,462	4,284	785,087
Share of revenue of joint ventures	260,886	–	–	260,886
Segment revenue	1,033,227	8,462	4,284	1,045,973
Group results	9,550	8,755	(7,274)	11,031
Share of results of joint ventures	6,310	–	–	6,310
Segment profit (loss)	15,860	8,755	(7,274)	17,341
Unallocated expenses				(2,355)
Investments income				1,434
Increase in fair value of held-for-trading investments				1,538
Share of results of associates				245
Finance costs				(842)
Profit before tax				17,361

Other segment information:

Six months ended 30 June 2012

	Hong Kong HK\$'000	The PRC HK\$'000	Middle East HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss:				
Expenses incurred in towing certain vessels	–	–	(14,799)	(14,799)
Gain on disposal of a subsidiary	–	4,080	–	4,080
Gain on disposal of property, plant and equipment	17	–	13,937	13,954

There are no inter-segment sales for both periods.

All of the segment revenue reported above is from external customers.

Segment profit (loss) represents the profit earned (loss incurred) by each segment and share of results of joint ventures without allocation of dividends from held-for-trading investments, interest on held-for-trading investments, change in fair value of held-for-trading investments, share of results of associates, finance costs and unallocated expenses.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

5. INVESTMENTS AND OTHER INCOME

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Investments and other income includes:		
Service income from joint ventures	3,341	8,967
Gain on disposal of property, plant and equipment	49	13,954
Gain on disposal of a subsidiary	–	4,080
Dividends from held-for-trading investments	900	720
Interest on bank deposits	182	107
Interest on other financial asset	696	728
Interest on held-for-trading investments	733	714

6. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	1,537	644
Imputed interest expense on non-current interest free amount due to an associate	217	198
	1,754	842

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	641	620
Depreciation of property, plant and equipment	4,917	4,401
Expenses incurred in towing certain vessels from Middle East to Hong Kong (included in other expenses)	–	14,799

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Underprovision in prior years:		
Hong Kong	-	894
Other jurisdiction	17	-
	17	894

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used is 16.5% (six months ended 30 June 2012: 16.5%) for the six months ended 30 June 2013.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdiction.

No provision for Hong Kong Profits Tax for both periods has been made in the condensed consolidated financial statements as the estimated assessable profit has been wholly absorbed by tax losses brought forward.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share	6,493	16,256
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,241,878	1,241,878

The Company has no potential ordinary shares outstanding during both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

10. DIVIDEND

No interim dividend is paid, declared or proposed during the period.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$7,565,000 (six months ended 30 June 2012: HK\$1,696,000) on additions to property, plant and equipment. During the six months ended 30 June 2012, the Group had disposed of a vessel situated in Middle East at the consideration of HK\$15,600,000, resulting in a gain on disposal of HK\$13,000,000.

12. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Unlisted equity securities, at cost	800	800
Less: Impairment loss recognised	(800)	(800)
	-	-

The unlisted investment represents investment in unlisted equity securities issued by private entity incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

13. DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade receivables net of allowances for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Trade receivables analysed by age:		
0 to 60 days	315,610	385,152
Over 90 days	118	118
	315,728	385,270
Retention receivables	98,751	94,527
Other debtors, deposits and prepayments	48,953	48,198
	463,432	527,995
Retention receivables		
Due within one year	74,406	45,033
Due more than one year	24,345	49,494
	98,751	94,527

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

14. HELD-FOR-TRADING INVESTMENTS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Held-for-trading investments stated at fair value:		
– Equity securities listed in Hong Kong	26,386	24,504
– Debt securities listed in Singapore	16,222	16,520
	42,608	41,024

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

14. HELD-FOR-TRADING INVESTMENTS (Continued)

The investments held for trading are measured at fair value at recurring basis, by reference to market bid price in active market and classified under Level 1.

At 30 June 2013, certain equity securities with market value of HK\$21,540,000 (31 December 2012: HK\$20,310,000) were pledged to a bank to secure general banking facilities granted to the Group. Although these equity securities were pledged to the bank, the Group is allowed to trade the pledged securities upon the repayment of respective bank borrowing. In relation to the pledge of equity securities, the bank also requires certain subsidiaries of the Company to provide cross guarantee to the bank.

15. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	83,869	89,136
61 to 90 days	20,064	4,384
Over 90 days	10,272	3,453
	114,205	96,973
Retention payables	107,169	102,447
Accrued project costs	306,459	295,435
Other creditors and accrued charges	21,553	12,517
	549,386	507,372
Retention payables		
Repayable within one year	85,716	43,006
Repayable more than one year	21,453	59,441
	107,169	102,447

For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

16. BANK LOANS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Secured	25,000	13,750
Unsecured	52,023	60,637
	77,023	74,387

As at 30 June 2013, bank loan that is repayable more than one year after the end of the reporting period but contains a repayment on demand clause with the aggregate carrying amount of HK\$759,000 (31 December 2012: HK\$1,397,000) has been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK\$111,110,000 (31 December 2012: HK\$123,110,000).

Certain bank loans are secured by personal guarantees of a director of the Company.

17. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each At 1 January 2012, 31 December 2012 and 30 June 2013	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each At 1 January 2012, 31 December 2012 and 30 June 2013	1,241,877,992	124,188

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

18. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31 December 2005. There is no movement of balance during the current period.

19. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Cost of investment in unlisted associates	4	4
Share of post-acquisition losses (note)	(17,375)	(17,799)
	(17,371)	(17,795)

Note: The Group has contractual obligations to share the net liabilities of associates.

20. PLEDGE OF ASSETS

Other than disclosed in note 14, as at 30 June 2013, bank deposits amounting to approximately HK\$6,262,000 (31 December 2012: HK\$10,000) of the Group were pledged to banks for securing the banking facilities granted to the Group.

21. CONTINGENT LIABILITIES

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	322,228	242,799

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

22. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Intermediate holding company		
Corporate guarantee fee expense	123	156
Fellow subsidiary		
Construction contract revenue	-	24
Purchase of construction materials	7,757	14,147
Joint ventures		
Service income	3,341	8,967
Construction contract revenue	3,640	-
Plant hire income	2,248	-
Compensation of key management personnel		
Short-term employee benefits	10,521	8,444
Post-employment benefits	618	516
	11,139	8,960

At 30 June 2013, a director of the Company provided personal guarantees amounting to HK\$12,500,000 (31 December 2012: HK\$12,500,000) to a bank to secure the general banking facilities granted to the Group.



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zen Wei Peu, Derek
(Chairman, Chief Executive Officer & Managing Director)
Chang Kam Chuen, Desmond

Non-executive Directors

David Howard Gem
Cheng Chi Pang, Leslie
Chan Chi Hung, Anthony

Independent Non-executive Directors

Chow Ming Kuen, Joseph
Ng Chi Ming, James
Ho Tai Wai, David

AUDIT COMMITTEE

Ng Chi Ming, James *(Chairman)*
Chow Ming Kuen, Joseph
Ho Tai Wai, David

NOMINATION COMMITTEE

Ho Tai Wai, David *(Chairman)*
Chow Ming Kuen, Joseph
Ng Chi Ming, James
Zen Wei Peu, Derek

REMUNERATION COMMITTEE

Chow Ming Kuen, Joseph *(Chairman)*
Ng Chi Ming, James
Ho Tai Wai, David
Zen Wei Peu, Derek

COMPANY SECRETARY

Chang Kam Chuen, Desmond

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
China CITIC Bank International Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 601-605A, 6th Floor, Tower B
Manulife Financial Centre
223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Progressive Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

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