



Build King Holdings Limited

(Incorporated in Bermuda with limited liability)
Stock Code - 66240

Interim Report 2014



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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 2014.

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	6%
Equity	HK\$317 million
Equity per share	HK26 cents
Group revenue	HK\$1,345 million
Profit attributable to owners of the Company	HK\$26 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 2014.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the six months ended 30 June 2014, the Group achieved a turnover of HK\$1,345 million and a profit of HK\$26 million, representing growth of 33% and 434% respectively over the corresponding period of 2013.

During the first half of 2014, the gross margin was significantly improved from 6% in 2013 to 8.4%. The improvement was attributable to the healthier margin of projects on hand and the absence of the one-off loss provision made in 2013 for two government projects. However, overhead costs also increased from 6% of turnover to 6.5% as a result of extra resources to cope with the expanded operation including tendering activities. Overall, we achieved a profit to turnover ratio of 1.9%, a significant improvement from the past years.

The growth of turnover was consistent with the level of new projects awarded in the past years. The outstanding value of contracts on hand has increased to HK\$9.4 billion as at the date of this report.

Since January 2014, the Group has secured three projects with a total contract value of HK\$2.6 billion. These included the reprovisioning of Harbour Road Sports Centre and Wan Chai Swimming Pool for Shatin Central Link, and building of Northern Connection Toll Plaza for the Tuen Mun-Chek Lap Kok Link.

Looking ahead, tender opportunities are now still promising. We are currently tendering the second phase of Shatin Central Link projects and the Government is continuing with its ambitious plan for infrastructure works and we expect to remain busy with these tenders for foreseeable future. We will consistently uphold our strategy to be selective and targeting only those projects that we believe the cashflow will be healthy and where we think we have edge.

Our current major projects were progressing satisfactorily. At Central-Wanchai Bypass Package C1 at Hong Kong Convention and Exhibition Centre, the construction of reinforced concrete tunnel box for future highway is on programme and the whole Contract will be completed in 2015. The major reclamation works of the Central-Wanchai Bypass Package C3 at Wanchai West have been completed and the land works and diaphragm walls are now in progress. Work of MTR Contract 824 Express Rail Link is well on hand with significant improvement in tunnel progress despite significant adverse geological conditions. All three projects for Shatin Central Link, namely, Kai Tak Station, Diamond Hill Station and Hung Hom North Approach Tunnel, are progressing well.

The building division is also steadily expanding. The last phase of the development of Hang Seng Management College started in the first quarter of 2014 and is expected to be completed in 2015. The building of disciplined services quarter in Tuen Mun for Architectural Services Department is going smoothly and substantial completion is anticipated within 2014. The building of two schools in Kai Tak Development Area started in early 2014 and is expected to complete in 2015.

The operation of the sewage treatment plant in Wuxi City, following completion of its expansion in the third quarter of 2013, is running smoothly and has generated steadily increasing income. With the treated sewage volume reaching 38,000 tonnes per day, both the turnover and profit increased by 21% and 36% respectively, compared with the corresponding period of 2013.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS (Continued)

Employees and Remuneration Policies

At 30 June 2014, the Group had a total of 1,320 employees and total remuneration for the six months ended 30 June 2014 was approximately HK\$295 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.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2014, the Group had liquid assets of HK\$435 million (at 31 December 2013: HK\$344 million) comprising held-for-trading investments of HK\$36 million (at 31 December 2013: HK\$45 million) and bank balances and cash of HK\$399 million (at 31 December 2013: HK\$299 million).

At 30 June 2014, the Group had a total of interest bearing borrowings of HK\$108 million (at 31 December 2013: HK\$94 million) with following maturity profile:

	At 30 June 2014 HK\$ million	At 31 December 2013 HK\$ million
Borrowings due within one year	108	94
	108	94

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 2014, total equity was HK\$320 million (at 31 December 2013: HK\$303 million) comprising ordinary share capital of HK\$124 million (at 31 December 2013: HK\$124 million), reserves of HK\$193 million (at 31 December 2013: HK\$176 million) and non-controlling interests of HK\$3 million (at 31 December 2013: HK\$3 million).

At 30 June 2014, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 34% (at 31 December 2013: 31%).

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Pledge of Assets

At 30 June 2014, bank deposits amounting to HK\$98,000 (at 31 December 2013: HK\$30,000) of the Group were pledged to banks for securing the banking facilities granted to the Group.

At 30 June 2014, certain equity securities with market value of HK\$21 million (at 31 December 2013: HK\$22 million) were pledged to a bank to secure general facilities granted to the Group.

Contingent Liabilities

	At 30 June 2014 HK\$ million	At 31 December 2013 HK\$ million
Outstanding tender/performance/retention bonds in respect of construction contracts	238	248

Disclosure of Interests

DIRECTORS' INTERESTS

As at 30 June 2014, 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	110,495,228	–	8.90
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 2014, 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 of its 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 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 nor 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 2014, 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 is a direct wholly owned subsidiary of Wai Kee (Zens). Mr. Zen Wei Peu, Derek is a director of Top Horizon.
3. Wai Kee (Zens) is deemed to be interested in the Shares through its interests in Top Horizon. Mr. Zen Wei Peu, Derek is a director of Wai Kee (Zens).
4. Wai Kee (Zens) is a direct wholly owned subsidiary of Wai Kee. Accordingly, Wai Kee is deemed to be interested in the Shares through its interests in Wai Kee (Zens). Mr. Zen Wei Peu, Derek is the Vice Chairman and an executive director of Wai Kee, and Dr. Cheng Chi Pang, Leslie is a non-executive director of Wai Kee.
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 2014, no other person (other than Directors or chief executive 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 2014, 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 set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' Securities Transactions. All directors of the Company have confirmed, following specific enquiry, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014.

Other Information

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 2014.

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 2014.

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 2014, 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
Zen Wei Peu, Derek	Mr. Zen has been appointed as the Chief Executive Officer of Wai Kee (Stock Code: 610) with effect from 15 August 2014.
Chang Kam Chuen, Desmond	Mr. Chang's annual salary has been revised from HK\$1.79 million to HK\$1.91 million with effect from 1 July 2014.

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 2014

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 set out on pages 13 to 31, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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 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 2014

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited and restated) HK\$'000
Revenue	3	1,344,823	1,008,207
Cost of sales		(1,231,829)	(947,562)
Gross profit		112,994	60,645
Investments and other income	5	2,719	4,726
(Decrease) increase in fair value of held-for-trading investments		(840)	1,584
Administrative expenses		(87,413)	(60,239)
Finance costs	6	(1,717)	(2,336)
Share of results of associates		58	424
Profit before tax	7	25,801	4,804
Income tax expense	8	(225)	(17)
Profit for the period		25,576	4,787
Profit for the period attributable to:			
Owners of the Company		25,706	6,493
Non-controlling interests		(130)	(1,706)
		25,576	4,787
Earnings per share	9	HK cents	HK cents
– Basic		2.1	0.5

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit for the period	25,576	4,787
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(2,549)	1,258
Total comprehensive income for the period	23,027	6,045
Total comprehensive income for the period attributable to:		
Owners of the Company	23,249	7,705
Non-controlling interests	(222)	(1,660)
	23,027	6,045

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	101,225	76,311
Intangible assets		69,395	71,110
Goodwill		30,554	30,554
Interests in joint ventures		–	–
Available-for-sale investment	12	–	–
Other financial asset		50,036	52,390
		251,210	230,365
Current assets			
Amounts due from customers for contract work		420,396	325,487
Debtors, deposits and prepayments	13	659,897	784,056
Amounts due from fellow subsidiaries		3,148	3,148
Amounts due from associates		7,458	7,541
Amount due from a joint venture		321	321
Amounts due from other partners of joint operations		107,522	66,601
Held-for-trading investments	14	35,626	44,948
Tax recoverable		–	1,482
Pledged bank deposits	20	98	30
Bank balances and cash		398,695	299,082
		1,633,161	1,532,696
Current liabilities			
Amounts due to customers for contract work		712,460	643,952
Creditors and accrued charges	15	598,971	599,149
Amount due to an intermediate holding company		8,352	7,225
Amount due to an associate		13,264	12,159
Amount due to a joint venture		1,142	1,142
Amounts due to other partners of joint operations		89,597	69,849
Amounts due to non-controlling interests		3,094	3,094
Tax liabilities		1,398	–
Bank loans	16	108,209	94,497
		1,536,487	1,431,067
Net current assets		96,674	101,629
Total assets less current liabilities		347,884	331,994

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Capital and reserves			
Ordinary share capital	17	124,188	124,188
Reserves		192,664	175,624
Equity attributable to owners of the Company		316,852	299,812
Non-controlling interests		3,017	3,239
Total equity		319,869	303,051
Non-current liabilities			
Deferred tax liabilities	18	5,750	5,750
Obligations in excess of interests in associates	19	17,094	17,152
Amount due to an associate		5,171	6,041
		28,015	28,943
		347,884	331,994

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Ordinary share capital	Share premium	Translation reserve	Other reserve	Special reserve	Asset revaluation reserve	Retained profits	Equity attributable to owners of the Company	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 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
At 1 January 2014 (audited)	124,188	14,186	16,811	(432)	(63,141)	4,290	203,910	299,812	3,239	303,051
Profit for the period	-	-	-	-	-	-	25,706	25,706	(130)	25,576
Exchange differences arising on translation of foreign operations	-	-	(2,457)	-	-	-	-	(2,457)	(92)	(2,549)
Total comprehensive income for the period	-	-	(2,457)	-	-	-	25,706	23,249	(222)	23,027
Dividend paid	-	-	-	-	-	-	(6,209)	(6,209)	-	(6,209)
At 30 June 2014 (unaudited)	124,188	14,186	14,354	(432)	(63,141)	4,290	223,407	316,852	3,017	319,869

Notes:

- The other reserve represents the excess of the consideration paid over the additional interests in net assets of a subsidiary, Titan Foundation Limited, acquired during the year ended 31 December 2013.
- 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 2014

	Note	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited and restated) HK\$'000
Net cash from operating activities		160,575	151,201
Investing activities			
Dividends from held-for-trading investments		1,352	900
Advances to other partners of joint operations		(16,948)	(251)
Increase in pledged bank deposits		(68)	(6,252)
Repayment from (advances to) associates		83	(18)
Purchase of property, plant and equipment		(43,649)	(25,347)
Proceeds from disposal of property, plant and equipment		108	57
Additions to other financial assets		(57)	–
Acquisition of additional interest in a joint operation	23	(8,000)	–
Net cash used in investing activities		(67,179)	(30,911)
Financing activities			
Payment to fellow subsidiaries		–	(1,985)
Advance from an intermediate holding company		1,127	1,503
Repayment of bank loans		(39,688)	(22,364)
Interest paid		(1,482)	(2,119)
New bank loans raised		53,400	32,650
Dividend paid		(6,209)	–
Net cash from financing activities		7,148	7,685
Net increase in cash and cash equivalents		100,544	127,975
Cash and cash equivalents at beginning of the period		299,082	155,100
Effect of foreign exchange rate changes, net		(931)	1,195
Cash and cash equivalents at end of the period		398,695	284,270
Represented by			
Bank balances and cash		398,695	284,270

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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, 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 2014 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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 2014

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

During the year ended 31 December 2013, the Group had applied for the first time HKFRS 11 “Joint Arrangements” issued by the HKICPA. The Directors reviewed and assessed the classification of the Group’s joint arrangements in accordance with the requirements of HKFRS 11. The Directors concluded that certain of the Group’s joint arrangements, which were previously classified as jointly controlled entities under HKAS 31 and were accounted for using the equity method, should be classified as joint operations under HKFRS 11 taking into account the relevant joint arrangement agreements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements and accounted for the assets, liabilities, revenues and expenses relating to its interests in the joint operations. The change in accounting of the Group’s joint arrangements has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. Comparative amounts for the six months ended 30 June 2013 have been restated to reflect the change in accounting for the Group’s joint arrangements.

The effects of adopting HKFRS 11 described above on the results for the prior period by line items are as follows:

	Six months ended 30 June 2013 HK\$'000
Increase in revenue	386,895
Increase in cost of sales	(369,695)
Decrease in investments and other income	(3,341)
Increase in finance costs	(582)
Decrease in share of results of joint ventures	(13,277)
Change in profit for the period	—

The above change in accounting policy does not have any impact on the Group’s basic earnings per share for the prior period.

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 2014

4. SEGMENTAL INFORMATION

The Group is mainly engaged in civil engineering work. Information reported to the Group's chief operating decision maker (i.e. the executive directors) 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 2014

	Hong Kong HK\$'000	The PRC HK\$'000	Middle East HK\$'000	Total HK\$'000
Results				
Segment revenue	1,333,519	11,304	-	1,344,823
Segment profit (loss)	24,911	4,580	(1,281)	28,210
Unallocated expenses				(1,393)
Investments income				1,483
Decrease in fair value of held-for-trading investments				(840)
Share of results of associates				58
Finance costs				(1,717)
Profit before tax				25,801

Other segment information:

Six months ended 30 June 2014

	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	-	41	-	41

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

4. SEGMENTAL INFORMATION (Continued)

Six months ended 30 June 2013

	Hong Kong	The PRC	Middle East	Total (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results				
Segment revenue	998,898	9,309	–	1,008,207
Segment profit (loss)	2,791	3,373	(1,499)	4,665
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				(2,336)
Profit before tax				4,804

Other segment information:

Six months ended 30 June 2013

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

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 without allocation of dividends from held-for-trading investments, interest on held-for-trading investments, certain bank interest income, 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 2014

5. INVESTMENTS AND OTHER INCOME

	Six months ended 30 June	
	2014	2013 (restated)
	HK\$'000	HK\$'000
Investments and other income includes:		
Gain on disposal of property, plant and equipment	41	49
Dividends from held-for-trading investments	1,352	900
Interest on bank deposits	31	182
Interest on other financial asset	674	696
Interest on held-for-trading investments	131	733

6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013 (restated)
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	1,482	2,119
Imputed interest expense on non-current interest free amount due to an associate	235	217
	1,717	2,336

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	759	641
Depreciation of property, plant and equipment	18,670	11,877
Less: amount attributable to construction contracts	(11,258)	(6,960)
	7,412	4,917

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Underprovision in prior years:		
Hong Kong	213	–
Other jurisdictions	12	17
	225	17

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 2013: 16.5%) for the six months ended 30 June 2014.

Taxation arising in other jurisdictions is 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	
	2014	2013
	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	25,706	6,493
	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 2014

10. DIVIDEND

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Dividend paid and recognised as distribution during the period:		
2013 final dividend – HK0.5 cent per share (six months ended 30 June 2013: Nil)	6,209	–

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$43,649,000 (six months ended 30 June 2013 (restated): HK\$25,347,000) on additions to property, plant and equipment.

12. AVAILABLE-FOR-SALE INVESTMENT

	30 June	31 December
	2014	2013
	HK\$'000	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 2014

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 2014 HK\$'000	31 December 2013 HK\$'000
Trade receivables analysed by age:		
0 to 60 days	389,039	504,306
61 to 90 days	1,497	7,337
Over 90 days	7,631	14
	398,167	511,657
Retention receivables	222,679	195,401
Other debtors, deposits and prepayments	39,051	76,998
	659,897	784,056
Retention receivables		
Due within one year	96,800	109,220
Due more than one year	125,879	86,181
	222,679	195,401

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

14. HELD-FOR-TRADING INVESTMENTS

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Held-for-trading investments stated at fair value:		
– Equity securities listed in Hong Kong	27,684	28,668
– Debt securities listed in Singapore	7,942	16,280
	35,626	44,948

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 2014, certain equity securities with market value of HK\$21,000,000 (31 December 2013: HK\$22,260,000) 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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 2014 HK\$'000	31 December 2013 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	126,063	101,551
61 to 90 days	10,017	13,471
Over 90 days	24,777	13,895
	160,857	128,917
Retention payables	158,060	133,432
Accrued project costs	245,717	317,085
Other creditors and accrued charges	34,337	19,715
	598,971	599,149
Retention payables		
Repayable within one year	78,847	70,148
Repayable more than one year	79,213	63,284
	158,060	133,432

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

16. BANK LOANS

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Secured	68,000	50,000
Unsecured	40,209	44,497
	108,209	94,497

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK\$186,110,000 (31 December 2013: HK\$206,110,000).

Certain borrowing facilities are secured by personal guarantees of a director of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

17. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each At 1 January 2013, 31 December 2013 and 30 June 2014	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each At 1 January 2013, 31 December 2013 and 30 June 2014	1,241,877,992	124,188

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 2014 HK\$'000	31 December 2013 HK\$'000
Cost of investment in unlisted associates	4	4
Share of post-acquisition losses (note)	(17,098)	(17,156)
	(17,094)	(17,152)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

20. PLEDGE OF ASSETS

Other than disclosed in note 14, as at 30 June 2014, bank deposits amounting to HK\$98,000 (31 December 2013: HK\$30,000) of the Group were pledged to banks for securing the banking facilities granted to the Group.

21. CONTINGENT LIABILITIES

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	237,816	248,288

22. RELATED PARTY TRANSACTIONS

	Six months ended 30 June 2014 HK\$'000	2013 (restated) HK\$'000
Intermediate holding company		
Corporate guarantee fee expense	–	123
Fellow subsidiary		
Purchase of construction materials	1,921	7,757
Plant hire income	4,381	–
Compensation of key management personnel		
Short-term employee benefits	11,417	10,521
Post-employment benefits	705	618
	12,122	11,139

At 30 June 2014, a director of the Company provided personal guarantees amounting to HK\$12,500,000 (31 December 2013: HK\$12,500,000) to a bank to secure the general banking facilities granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

23. ACQUISITION OF ADDITIONAL INTEREST IN A JOINT OPERATION

On 28 February 2014, the Group further acquired 60% attributable interest in Honwin-Leader Marine Joint Venture (“Honwin-Leader”) from an independent third party at a cash consideration of HK\$8,000,000. The Group had 40% interest in Honwin-Leader, which is an unincorporated entity and which has been accounted for as joint operation of the Group. Immediately after the acquisition, Honwin-Leader becomes a 100% owned subsidiary of the Group. Honwin-Leader is engaged in marine engineering and provision of transportation services in Hong Kong. The acquisition is accounted for using the purchase method.

Acquisition-related costs have been excluded from the cost of the above acquisition. The costs were insignificant and recognised as an expense in the period, within the administrative expenses in the condensed consolidated statement of profit or loss.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK\$'000
Debtors, deposits and prepayments	2,665
Amount due from a partner of joint operation	8,562
Amount due to a partner of joint operation	(1,522)
	<hr/>
Net assets	9,705
	<hr/>
Cash consideration paid	8,000
	<hr/>
Goodwill arising on acquisition:	
Cash consideration paid	8,000
Fair value of the 40% interest held by the Group	3,882
Less: net assets acquired	(9,705)
	<hr/>
	2,177
	<hr/>

The fair value of Honwin-Leader’s identifiable assets and liabilities has been assessed by the management of the Group and it considers that the fair value of debtors, deposits and prepayments, at the date of acquisition amounted to HK\$2,665,000 which approximate to gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considers that the contractual cash flows not expected to be collected is insignificant.

Goodwill arising in the acquisition includes the control premium and the potential for revenue growth and future market development.

At the end of the reporting period, the management of the Group writes off the goodwill and recognises a loss of HK\$2,177,000 in relation to goodwill arising from the acquisition of Honwin-Leader which is included in administrative expenses.

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

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2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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The Belvedere Building
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Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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