



Build King Holdings Limited

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

Interim Report 2016



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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 2016.

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	8.6%
Equity	HK\$458 million
Equity per share	HK37 cents
Group revenue	HK\$2,254 million
Profit attributable to owners of the Company	HK\$56 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 2016.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the six months ended 30 June 2016, although the Group's turnover recorded a mild decrease of 2% to HK\$2,254 million, the profit after tax increased to HK\$57 million by 46% as compared with the corresponding period of 2015. The increase of the profit for the first half of 2016 was contributed by projects awarded in past two years which are producing profit as tender budget. In addition, the cost overrun and provision for loss of few railway projects had been fully provided in 2015 and did not cause adverse impact in the current period. Overall, this led to the improvement of gross margin to turnover ratio from 5.7% to 8.3%.

Earlier this year, we anticipated a more competitive market and were skeptical about the prospect of winning new projects in coming years due to delayed approval by Legco of funding for public works. Amidst this difficult environment, we could only work harder to enhance to our competitiveness and more cautious toward pricing our tenders. These efforts were very fruitful. Since January 2016, the Group has won 9 contracts of total values over HK\$4 billion. These new projects include addition works at Admiralty station, design and construction of Kowloon East Regional Headquarter for Hong Kong Police, construction of a dual two lane road for Tseung Kwan O-Lam Tin Tunnel, building of 13-storey high tower block for Hong Kong Scout Association, Deep Cement Mixing for Hong Kong Airport Authority. At the date of this report, the total outstanding value of contract on hand has reached HK\$12.5 billion. With the current outstanding works on hand, we are confident to endure the hard time of construction industry in Hong Kong and continue to actively tender for upcoming major infrastructures like the massive third runway in the Hong Kong International Airport.

On major on-going projects, the progress was well on program and meeting the tender budget. The tunnel and building works at Contract 824 for MTR Express Rail Link was substantially completed in June 2016; the negotiation with MTRC on recovery of delay cost is still ongoing. The Central Wanchai Bypass Package C1 at Hong Kong Exhibition And Convention Centre has completed all major works and is working with the client on the final contract sum. The three joint venture projects for Shatin Central Link – Kai Tak Station, Diamond Hill Station and Hung Hom North Approach Tunnel, are also approaching to completion by end of this year or early next year. The Northern Connection Plaza for Tuen Mun-Chek Lap Kok Link completed over 50% and is aiming to complete by end of 2018. The construction of tunnel and substructure of ventilation building in CWB Package C3 at Wanchai West have been progressing well within program. The construction of 4.6 km dual two-lane trunk road connecting Sha Tou Kok Road to Liangtang/Heung Yuen Wai Boundary Control Point and the associated infrastructure works started off late last year smoothly; progress and costs are within budget.

On building projects, the reprovisioning of the Harbour Road Sports Centre and Wan Chai Swimming Pool has entered phase 2 – construction of Harbour Road Sports Centre; the foundation works of the five-storey commercial complex at Tsing Yi has completed and superstructure is progressing as program. Both two projects are aiming to complete in mid 2017.

On new investment, we ventured into heat supply business in the northern PRC. In June 2016, we acquired 49% equity interest at a price of RMB35 million in Dezhou Heng Yuan Heating Company Limited which holds exclusive right granted in 2007 to supply heat for 30 years to the west of the Jianhe in Dezhou Economic Development Zone of approximate area of 3.5 million square meters. We expect this new income to generate stable income stream to the Group.

At Wuxi City, the sewage treatment plant recorded a reduction of profit by 50% mainly because the one-off cash award of RMB2 million for its contribution to protection of water quality of Lake Tai was received in 2015 and did not recur in the current period.

Employees and Remuneration Policies

At 30 June 2016, the Group had a total of 1,839 employees and total remuneration for the six months ended 30 June 2016 was approximately HK\$426 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 2016, the Group had liquid assets of HK\$725 million (at 31 December 2015: HK\$828 million) comprising held-for-trading investments of HK\$24 million (at 31 December 2015: HK\$27 million) and bank balances and cash of HK\$701 million (at 31 December 2015: HK\$801 million).

At 30 June 2016, the Group had a total of interest bearing borrowings of HK\$251 million (at 31 December 2015: HK\$211 million) comprising bank loans of HK\$134 million (at 31 December 2015: HK\$97 million) and the Bonds of HK\$117 million (at 31 December 2015: HK\$114 million) with following maturity profile:

	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Borrowings due within one year	114	56
Borrowings due in the second year	11	26
Borrowings due in the third to fifth year inclusive	126	129
	251	211

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 financial instrument for hedging purpose. At 30 June 2016, total borrowings of HK\$117 million (at 31 December 2015: HK\$114 million) carried interest at fixed rate.

Capital Structure and Gearing

At 30 June 2016, total equity was HK\$459 million (at 31 December 2015: HK\$422 million) comprising ordinary share capital of HK\$124 million (at 31 December 2015: HK\$124 million), reserves of HK\$334 million (at 31 December 2015: HK\$297 million) and non-controlling interests of HK\$820,000 (at 31 December 2015: HK\$724,000).

At 30 June 2016, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 55% (at 31 December 2015: 50%).

Pledge of Assets

At 30 June 2016, bank deposits of the Group amounting to HK\$94,000 (at 31 December 2015: HK\$80,000) were pledged to banks for securing the banking facility granted to the Group.

Contingent Liabilities

	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Outstanding tender/performance/retention bonds in respect of construction contracts	365	297

Disclosure of Interests

DIRECTORS' INTERESTS

As at 30 June 2016, 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	123,725,228	–	9.96
Chang Kam Chuen, Desmond	Personal	1,500,000	–	0.12
David Howard Gem	Personal	900,000	–	0.07

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

(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 1)	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 (Note 2)	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).
- With effect from 29 February 2016, the name of Wai Kee (Zens) Construction & Transportation Company Limited has been changed to Build King (Zens) Engineering Limited.

Disclosure of Interests

DIRECTORS' INTERESTS (Continued)

Save as disclosed above, as at 30 June 2016, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2016, 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)	Beneficial owner	655,415,033	52.78	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 3)	Corporate	655,415,033	52.78	–	–
Wai Kee (Note 4)	Corporate	655,415,033	52.78	–	–

Notes:

1. Long position in the Shares.
2. Top Horizon was 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) was 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, Chief Executive Officer and an executive director of Wai Kee.

Save as disclosed above, as at 30 June 2016, 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 of Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2016, 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 Model Code throughout the six months ended 30 June 2016.

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 2016.

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 2016.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

(1) Term loan facility of up to HK\$25 million

On 8 June 2015, the Company as a guarantor executed a guarantee in favour of a bank. The bank had agreed to grant Build King Civil Engineering Limited (formerly known as Leader Civil Engineering Corporation Limited), a wholly owned subsidiary of the Company, a term loan facility of up to HK\$25 million (the "Banking Facility") with final repayment date falling twenty-four months after the date of first advance of the Banking Facility. Throughout the life of the Banking Facility, the Company shall remain directly or indirectly at least 50% beneficially owned by Wai Kee.

(2) General banking facility of up to HK\$18 million

On 7 September 2015, Build King Construction Limited ("BKCL", formerly known as Kaden Construction Limited), 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 BKCL a general banking facility of up to HK\$18 million (the "Banking Facility") repayable by 48 monthly instalments each inclusive of interest, commencing on the date falling one month from the utilization date. Throughout the life of the Banking Facility, Wai Kee shall beneficially hold not less than 50% interest (directly or indirectly) in the issued share capital of the Company.

Save as disclosed above, as at 30 June 2016, 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	<p>Mr. Zen's annual salary has been revised from HK\$2.82 million to HK\$2.88 million with retrospective effect from 1 January 2016.</p> <p>He has entered into a service agreement with the Company for a term of three years commencing from 1 May 2016 to 30 April 2019.</p>
Chang Kam Chuen, Desmond	<p>Mr. Chang's annual salary has been revised from HK\$2.11 million to HK\$2.17 million with retrospective effect from 1 January 2016.</p>
Cheng Chi Pang, Leslie	<p>Dr. Cheng retired as a Non-executive Director of the Company with effect from the conclusion of the annual general meeting of the Company held on 19 May 2016.</p>

Other Information

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, 19 August 2016

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 11 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 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
19 August 2016

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3	2,253,838	2,296,528
Cost of sales		(2,067,856)	(2,165,960)
Gross profit		185,982	130,568
Investments and other income	5	4,234	5,260
(Decrease) increase in fair value of held-for-trading investments		(2,986)	6,107
Administrative expenses		(122,330)	(99,116)
Finance costs	6	(6,627)	(3,390)
Share of results of associates		193	193
Profit before tax	7	58,466	39,622
Income tax expense	8	(1,860)	(969)
Profit for the period		56,606	38,653
Profit for the period attributable to:			
Owners of the Company		56,460	39,139
Non-controlling interests		146	(486)
		56,606	38,653
		HK cents	HK cents
Earnings per share	9		
– Basic		4.5	3.2

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit for the period	56,606	38,653
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(1,526)	114
Total comprehensive income for the period	55,080	38,767
Total comprehensive income for the period attributable to:		
Owners of the Company	54,984	39,248
Non-controlling interests	96	(481)
	55,080	38,767

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	NOTES	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	201,954	174,252
Intangible assets		64,026	65,143
Goodwill		30,554	30,554
Interests in joint ventures	12	40,956	–
Available-for-sale investment	13	–	–
Other financial asset		44,190	44,624
Other receivable		23,224	23,522
		404,904	338,095
Current assets			
Amounts due from customers for contract work		448,633	485,303
Debtors, deposits and prepayments	14	904,607	928,667
Amounts due from associates		7,362	7,606
Amount due from a joint venture		321	321
Amounts due from other partners of joint operations		40,030	24,366
Held-for-trading investments	15	23,625	26,611
Tax recoverable		9,764	2,682
Pledged bank deposits	21	94	80
Bank balances and cash		700,568	800,834
		2,135,004	2,276,470
Current liabilities			
Amounts due to customers for contract work		628,679	664,790
Creditors and accrued charges	16	1,116,439	1,239,549
Amount due to an intermediate holding company		12,538	11,400
Amounts due to fellow subsidiaries		1,028	5,506
Amount due to a joint venture		1,142	1,142
Amounts due to other partners of joint operations		25,594	12,119
Amounts due to non-controlling interests		3,094	3,094
Amount due to an associate		15,475	14,369
Tax payable		377	3,008
Bank loans – due within one year	17	133,899	96,540
		1,938,265	2,051,517
Net current assets		196,739	224,953
Total assets less current liabilities		601,643	563,048

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	NOTES	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Capital and reserves			
Ordinary share capital	18	124,188	124,188
Reserves		333,788	297,432
Equity attributable to owners of the Company		457,976	421,620
Non-controlling interests		820	724
Total equity		458,796	422,344
Non-current liabilities			
Deferred tax liabilities	19	5,750	5,750
Obligations in excess of interests in associates	20	15,980	16,173
Amount due to an associate		3,970	4,807
Bonds		117,147	113,974
		142,847	140,704
		601,643	563,048

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Ordinary share capital	Share premium	Translation reserve	Other reserve	Special reserve	Asset revaluation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2015 (audited)	124,188	14,186	14,347	(943)	(63,141)	4,290	252,904	345,831	1,068	346,899
Profit for the period	-	-	-	-	-	-	39,139	39,139	(486)	38,653
Exchange differences arising on translation of foreign operations	-	-	109	-	-	-	-	109	5	114
Total comprehensive income (expense) for the period	-	-	109	-	-	-	39,139	39,248	(481)	38,767
Dividend paid	-	-	-	-	-	-	(12,418)	(12,418)	-	(12,418)
At 30 June 2015 (unaudited)	124,188	14,186	14,456	(943)	(63,141)	4,290	279,625	372,661	587	373,248
At 1 January 2016 (audited)	124,188	14,186	8,247	(943)	(63,141)	4,290	334,793	421,620	724	422,344
Profit for the period	-	-	-	-	-	-	56,460	56,460	146	56,606
Exchange differences arising on translation of foreign operations	-	-	(1,476)	-	-	-	-	(1,476)	(50)	(1,526)
Total comprehensive (expense) income for the period	-	-	(1,476)	-	-	-	56,460	54,984	96	55,080
Dividend paid	-	-	-	-	-	-	(18,628)	(18,628)	-	(18,628)
At 30 June 2016 (unaudited)	124,188	14,186	6,771	(943)	(63,141)	4,290	372,625	457,976	820	458,796

Notes:

- The other reserve represents the excess of the consideration paid over the additional interests in net assets of respective acquired subsidiaries.
- 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 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash (used in) from operating activities	(23,052)	209,316
Investing activities		
Dividends from held-for-trading investments	1,174	1,511
Advances to other partners of joint operations	(2,189)	(32,283)
Increase in pledged bank deposits	(14)	(10)
Repayment from associates	244	111
Purchase of property, plant and equipment	(48,002)	(32,998)
Proceeds from disposal of property, plant and equipment	1,135	1,205
Acquisition of interest in a joint venture	(40,956)	–
Net cash used in investing activities	(88,608)	(62,464)
Financing activities		
(Repayment to) advances from fellow subsidiaries	(4,478)	10,082
Advance from intermediate holding company	1,138	1,208
Repayment of bank loans	(13,951)	(28,321)
Interest paid	(6,125)	(3,035)
New bank loans raised	51,310	40,000
Bonds raised, net	2,940	75,460
Dividend paid	(18,628)	(12,418)
Net cash from financing activities	12,206	82,976
Net (decrease) increase in cash and cash equivalents	(99,454)	229,828
Cash and cash equivalents at beginning of the period	800,834	410,873
Effect of foreign exchange rate changes, net	(812)	77
Cash and cash equivalents at end of the period	700,568	640,778
Represented by Bank balances and cash	700,568	640,778

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

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 2016 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

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

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the above amendments to 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.

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 2016

4. SEGMENTAL INFORMATION

The Group is mainly engaged in civil engineering work. Information reported to the Company'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 2016

	Hong Kong HK\$'000	The PRC HK\$'000	Middle East HK\$'000	Total HK\$'000
Results				
Segment revenue	2,243,717	10,121	–	2,253,838
Segment profit (loss)	65,801	3,199	(797)	68,203
Unallocated expenses				(1,491)
Investments income				1,174
Decrease in fair value of held-for-trading investments				(2,986)
Share of results of associates				193
Finance costs				(6,627)
Profit before tax				58,466

Other segment information:

Six months ended 30 June 2016

	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	365	–	–	365

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. SEGMENTAL INFORMATION (Continued)

Six months ended 30 June 2015

	Hong Kong HK\$'000	The PRC HK\$'000	Middle East HK\$'000	Total HK\$'000
Results				
Segment revenue	2,284,893	11,635	–	2,296,528
Segment profit (loss)	31,800	6,454	(1,700)	36,554
Unallocated expenses				(1,353)
Investments income				1,511
Increase in fair value of held-for-trading investments				6,107
Share of results of associates				193
Finance costs				(3,390)
Profit before tax				39,622

Other segment information:

Six months ended 30 June 2015

	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	282	–	–	282

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, 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 2016

5. INVESTMENTS AND OTHER INCOME

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Investments and other income includes:		
Gain on disposal of property, plant and equipment	365	282
Dividends from held-for-trading investments	1,174	1,511
Interest on bank deposits	107	28
Interest on other financial asset	580	650
Government subsidy	–	2,511

6. FINANCE COSTS

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Interests on:		
Bank borrowings wholly repayable within five years	2,036	1,248
Bonds	4,322	1,889
Imputed interest expense on non-current interest free amount due to an associate	269	253
	6,627	3,390

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	707	760
Depreciation of property, plant and equipment	19,524	21,122
Less: amount attributable to construction contracts	(7,202)	(9,972)
	12,322	11,150

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Underprovision in prior years:		
Hong Kong	1,824	923
Other jurisdictions	36	46
	1,860	969

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 2015: 16.5%) for the six months ended 30 June 2016.

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	
	2016 HK\$'000	2015 HK\$'000
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share	56,460	39,139
	Number of shares '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 2016

10. DIVIDEND

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Dividend paid and recognised as distribution during the period:		
2015 final dividend – HK1.5 cents per share (six months ended 30 June 2015: 2014 final dividend – HK1 cent per share)	18,628	12,418

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$48,002,000 (six months ended 30 June 2015: HK\$32,998,000) on additions to property, plant and equipment.

12. INTERESTS IN JOINT VENTURES

On 15 June 2016, the Group acquired 49% equity interests in 德州恒源熱力有限公司 (“Dezhou Heng Yuan”) at a consideration of RMB34,710,000 (approximately HK\$40,956,000).

Dezhou Heng Yuan is a limited liability company incorporated in the PRC and was granted an exclusive right to supply heat to the west of Jianhe in Dezhou Economic Development Zone.

13. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2016 HK\$'000	31 December 2015 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 2016

14. 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 and bills receivables presented based on the maturity date at the end of the reporting period:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade receivables analysed by age:		
0 to 60 days	528,692	515,246
61 to 90 days	330	1,336
Over 90 days	7,984	10,016
	537,006	526,598
Bills receivables analysed by age:		
0 to 60 days	3,681	5,175
61 to 90 days	–	878
Over 90 days	766	5,518
	4,447	11,571
Retention receivables	281,587	290,415
Other debtors, deposits and prepayments	81,567	100,083
	904,607	928,667
Retention receivables:		
Due within one year	61,252	55,504
Due more than one year	220,335	234,911
	281,587	290,415

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 2016

15. HELD-FOR-TRADING INVESTMENTS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Held-for-trading investments stated at fair value:		
– Equity securities listed in Hong Kong	23,625	26,611

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.

16. 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 2016 HK\$'000	31 December 2015 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	157,871	162,961
61 to 90 days	6,516	9,928
Over 90 days	26,684	39,400
Retention payables	191,071	212,289
Accrued project costs	261,010	244,688
Other creditors and accrued charges	631,241	760,105
	33,117	22,467
	1,116,439	1,239,549
Retention payables:		
Repayable within one year	72,685	79,683
Repayable more than one year	188,325	165,005
	261,010	244,688

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 2016

17. BANK LOANS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
The maturity of bank loans is as follows:		
On demand or within one year	113,761	56,122
In the second year	10,966	25,856
In the third to fifth year inclusive	9,172	14,562
	133,899	96,540
Less: Amount due within one year shown under current liabilities	(133,899)	(96,540)
Amount due after one year	–	–
Secured	84,500	43,000
Unsecured	49,399	53,540
	133,899	96,540

As at 30 June 2016, bank loans that are 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\$20,138,000 (31 December 2015: HK\$40,418,000) has been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK\$172,786,000 (2015: HK\$235,393,000).

18. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 1 January 2015, 31 December 2015 and 30 June 2016	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 1 January 2015, 31 December 2015 and 30 June 2016	1,241,877,992	124,188

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. 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.

20. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Cost of investment in unlisted associates	4	4
Share of post-acquisition losses (note)	(15,984)	(16,177)
	(15,980)	(16,173)

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

21. PLEDGE OF ASSETS

As at 30 June 2016, bank deposits amounting to HK\$94,000 (31 December 2015: HK\$80,000) of the Group were pledged to banks for securing the banking facilities granted to the Group.

22. CAPITAL COMMITMENTS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment, contracted for but not provided in the condensed consolidated financial statements	2,499	22,744
Capital expenditure in respect of acquisition of 49% equity interest in a PRC company authorised but not contracted for	–	40,822

23. CONTINGENT LIABILITIES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	365,483	297,056

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

24. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Fellow subsidiaries		
Purchase of construction materials	35,178	24,534
Marine plant hire income	4,769	5,711
Construction contract revenue	15,140	–
Compensation of key management personnel		
Short-term employee benefits	18,472	12,436
Post-employment benefits	885	775
	19,357	13,211

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

David Howard Gem
Chan Chi Hung, Anthony

Independent Non-executive Directors

Chow Ming Kuen, Joseph
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor

AUDIT COMMITTEE

Ho Tai Wai, David *(Chairman)*
Chow Ming Kuen, Joseph
Ling Lee Ching Man, Eleanor

NOMINATION COMMITTEE

Ling Lee Ching Man, Eleanor *(Chairwoman)*
Chow Ming Kuen, Joseph
Ho Tai Wai, David
Zen Wei Peu, Derek

REMUNERATION COMMITTEE

Chow Ming Kuen, Joseph *(Chairman)*
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
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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Manulife Financial Centre
223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Progressive Limited
Level 22, Hopewell Centre
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Hong Kong

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