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**BUILD KING HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00240)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR SIX MONTHS ENDED 30 JUNE 2017**

**FINANCIAL PERFORMANCE HIGHLIGHTS**

Percentage of increase in equity** per share	10%
Equity	HK\$601 million
Equity per share	HK48 cents
Group revenue	HK\$2,730 million
Profit attributable to owners of the Company	HK\$81 million

\*\* *equity refers to equity attributable to owners of the Company*

## RESULTS

The board of directors (the “Board”) of Build King Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the last corresponding period as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2017*

	Notes	Six months ended 30 June 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	3	2,730,358	2,253,838
Cost of sales		(2,514,917)	(2,067,856)
Gross profit		215,441	185,982
Investments and other income	5	4,562	4,234
Increase (decrease) in fair value of held-for-trading investments		10,431	(2,986)
Administrative expenses		(128,747)	(122,330)
Finance costs	6	(7,827)	(6,627)
Share of results of joint ventures		2,703	-
Share of results of associates		543	193
Profit before tax	7	97,106	58,466
Income tax expense	8	(15,184)	(1,860)
Profit for the period		81,922	56,606
Profit for the period attributable to:			
Owners of the Company		80,926	56,460
Non-controlling interests		996	146
		81,922	56,606
		HK cents	HK cents
Earnings per share	9		
- Basic		6.5	4.5

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2017*

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period	<u>81,922</u>	<u>56,606</u>
<b>Other comprehensive income (expense)</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>4,539</u>	<u>(1,526)</u>
<b>Total comprehensive income for the period</b>	<u><b>86,461</b></u>	<u><b>55,080</b></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u>85,317</u>	<u>54,984</u>
Non-controlling interests	<u>1,144</u>	<u>96</u>
	<u><b>86,461</b></u>	<u><b>55,080</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		478,417	365,251
Intangible assets		62,396	62,012
Goodwill		30,554	30,554
Interests in joint ventures		74,768	58,518
Other financial asset		41,909	41,128
		688,044	557,463
<b>Current assets</b>			
Amounts due from customers for contract work		335,597	324,351
Debtors, deposits and prepayments	11	1,540,746	1,287,743
Amounts due from fellow subsidiaries		2,542	-
Amounts due from associates		7,648	7,528
Amount due from a joint venture		321	321
Amounts due from other partners of joint operations		66,994	39,643
Held-for-trading investments		35,213	24,782
Tax recoverable		11,514	13,395
Pledged bank deposits		71	101
Bank balances and cash		764,555	826,230
		2,765,201	2,524,094
<b>Current liabilities</b>			
Amounts due to customers for contract work		521,911	637,795
Creditors and accrued charges	12	1,750,934	1,371,250
Amount due to an intermediate holding company		14,681	13,434
Amounts due to fellow subsidiaries		-	4,315
Amount due to a joint venture		1,142	1,142
Amounts due to other partners of joint operations		64,880	70,795
Amounts due to non-controlling interests		3,094	3,094
Amount due to an associate		16,580	15,475
Tax payable		30,088	20,894
Bank loans - due within one year		294,596	242,761
Bank overdraft, unsecured		430	-
		2,698,336	2,380,955
<b>Net current assets</b>		<b>66,865</b>	<b>143,139</b>
<b>Total assets less current liabilities</b>		<b>754,909</b>	<b>700,602</b>

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
<b>Capital and reserves</b>		
Ordinary share capital	124,188	124,188
Reserves	477,163	422,893
Equity attributable to owners of the Company	<b>601,351</b>	547,081
Non-controlling interests	<b>893</b>	(251)
<b>Total equity</b>	<b>602,244</b>	546,830
<b>Non-current liabilities</b>		
Deferred tax liabilities	5,750	5,750
Obligations in excess of interests in associates	15,061	15,604
Amount due to an associate	3,417	4,238
Bonds	128,437	128,180
	<b>152,665</b>	153,772
	<b>754,909</b>	700,602

*Notes:*

**1. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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 of Hong Kong Limited 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 2017 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 - 2016 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.

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 (the “PRC”) and the Middle East. The Group’s reportable segments under HKFRS 8 are as follows:

*Six months ended 30 June 2017*

	Hong Kong	The PRC	Middle East	Total
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<u>Results</u>				
Segment revenue	<u>2,720,680</u>	<u>9,678</u>	<u>-</u>	<u>2,730,358</u>
Segment profit (loss)	<u>89,263</u>	<u>2,723</u>	<u>(693)</u>	91,293
Unallocated expenses				(1,843)
Investments income				1,806
Increase in fair value of held-for-trading investments				10,431
Share of results of joint venture				2,703
Share of results of associates				543
Finance costs				(7,827)
Profit before tax				<u>97,106</u>

Other segment information:

*Six months ended 30 June 2017*

	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	-	-	-	-

*Six months ended 30 June 2016*

	Hong Kong HK\$'000	The PRC HK\$'000	Middle East HK\$'000	Total HK\$'000
<u>Results</u>				
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

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 joint ventures and associates, finance costs and unallocated expenses.

## 5. INVESTMENTS AND OTHER INCOME

**Six months ended 30 June**  
**2017**                      2016  
**HK\$'000**                    HK\$'000

Investments and other income includes:

Gain on disposal of property, plant and equipment	-	365
Dividends from held-for-trading investments	<b>1,806</b>	1,174
Interest on bank deposits	<b>252</b>	107
Interest on other receivable	<b>514</b>	-
Interest on other financial asset	<b>552</b>	580
PRC Value-Added Tax refund	<b>865</b>	-
Insurance claim on loss of plant and machinery	<b>339</b>	-
	<b><u>          </u></b>	<b><u>          </u></b>

## 6. FINANCE COSTS

**Six months ended 30 June**  
**2017**                      2016  
**HK\$'000**                    HK\$'000

Interests on:

Bank borrowings	<b>2,773</b>	2,036
Bonds	<b>4,770</b>	4,322
Imputed interest expense on non-current interest-free amount due to an associate	<b>284</b>	269
	<b><u>          </u></b>	<b><u>          </u></b>
	<b><u>7,827</u></b>	<b><u>6,627</u></b>

## 7. PROFIT BEFORE TAX

**Six months ended 30 June**  
**2017**                      2016  
**HK\$'000**                    HK\$'000

Profit before tax has been arrived at after charging:

Amortisation of intangible assets	<b>702</b>	707
Depreciation of property, plant and equipment	<b>21,631</b>	19,524
Less: amount attributable to construction contracts	<b>(2,083)</b>	(7,202)
	<b><u>          </u></b>	<b><u>          </u></b>
	<b><u>19,548</u></b>	<b><u>12,322</u></b>



8. **INCOME TAX EXPENSE**

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax:		
Hong Kong	<b>14,971</b>	-
Other jurisdictions	<b>3</b>	-
	<u><b>14,974</b></u>	<u>-</u>
(Overprovision) underprovision in prior years:		
Hong Kong	<b>(20)</b>	1,824
Other jurisdictions	<b>230</b>	36
	<u><b>210</b></u>	<u>1,860</u>
	<u><b>15,184</b></u>	<u>1,860</u>

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 2016: 16.5%) for the six months ended 30 June 2017.

No provision for Hong Kong Profits Tax for the period ended 30 June 2016 had been made in the condensed consolidated financial statements as the estimated assessable profits had been wholly absorbed by tax losses brought forward.

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

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:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share	<u><b>80,926</b></u>	<u>56,460</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><b>1,241,878</b></u>	<u>1,241,878</u>

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

10. **DIVIDEND**

**Six months ended 30 June**  
**2017**                      2016  
**HK\$'000**                    HK\$'000

Dividend paid and recognised as distribution during the period:

2016 final dividend - HK2.5 cents per share (six months ended 30 June 2016: 2015 final dividend - HK1.5 cents per share)	<b>31,047</b>	18,628
	<u>          </u>	<u>          </u>

11. **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:

	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Trade receivables analysed by age:		
0 to 60 days	<b>999,591</b>	819,370
61 to 90 days	<b>866</b>	884
Over 90 days	<b>8,931</b>	9,603
	<u>1,009,388</u>	<u>829,857</u>
 Bills receivables	 <b>2,657</b>	 11,013
Retention receivables	<b>367,267</b>	331,752
Other debtors, deposits and prepayments	<b>161,434</b>	115,121
	<u>1,540,746</u>	<u>1,287,743</u>
 Retention receivables:		
Due within one year	<b>144,754</b>	61,618
Due more than one year	<b>222,513</b>	270,134
	<u>367,267</u>	<u>331,752</u>

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.

Bills receivables of the Group normally mature within 90 days from the bills receipt date.

Included in other debtors is a loan advanced to an independent third party amounting to HK\$23,054,000 (2016: HK\$22,226,000) by 惠記環保工程(上海)有限公司, a wholly owned subsidiary of the Company in 2015. The loan is secured by 51% equity interest in a PRC company, interest bearing at 4.5% fixed rate per annum and will be fully repaid before 30 November 2017.

## 12. 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:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	<b>164,089</b>	168,822
61 to 90 days	<b>10,976</b>	10,069
Over 90 days	<b>30,443</b>	14,677
	<hr/> <b>205,508</b>	<hr/> 193,568
Retention payables	<b>328,383</b>	306,376
Accrued project costs	<b>1,199,664</b>	835,951
Other creditors and accrued charges	<b>17,379</b>	35,355
	<hr/> <b>1,750,934</b> <hr/>	<hr/> 1,371,250 <hr/>
Retention payables:		
Repayable within one year	<b>154,969</b>	89,769
Repayable more than one year	<b>173,414</b>	216,607
	<hr/> <b>328,383</b> <hr/>	<hr/> 306,376 <hr/>

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

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

#### Operating Results

For the six months ended 30 June 2017, the Group recorded an increase in turnover of 21% to HK\$2,730 million and an increase in net profit of 45% to HK\$82 million. The significant increase of turnover was in line with the management's forecast as the contract on hand had been increasing for the past three years; the improvement of the net profit was derived from not only the increasing turnover but also the gross margin maintained at approximately 8% which was comparable with the last year, and growth of the administrative expenses controlled at approximately 5%.

The total outstanding values of contract-on-hand are HK\$10.2 billion as at the date of this announcement, reducing from HK\$12 billion as reported in 2016 Annual Report even though we successfully secured 8 medium size projects of total value of HK\$901 million in the first half of this year. As we have anticipated, with the several railways of MTRC and major works for Hong Kong Government approaching completion, the industry is now suffering from the lack of sizable projects. We observed some competitors bidding with extremely low margin. Despite the fierce competition, we will participate in tendering for projects of Central-Kowloon Route, Hospital Redevelopment Programme, and for Hong Kong International Airport. However, the cut-throat pricing is not our strategy. We are maintaining our competitiveness without sacrificing the margin through tightening cost controls, improving operation efficiency and providing cost-effective engineering solutions to our clients.

On current civil engineering projects, the projects approaching completion include three joint venture packages of Shatin Central Link for MTR (Kai Tak Station, Diamond Hill Station and Hung Hom North Approach Tunnels), Central Wanchai Bypass Contract 3 at West Wanchai; we expect to finalize these accounts and able to report the profits in 2017 and 2018 financial years. The projects in full speed progressing well on programs are Northern Connecting Plaza for Tuen Mun-Chek Lap Kok Link which has completed over 70%, and Liangtang/Heung Yuen Wai boundary control point which half of works were done. For major projects awarded last year, including improvement works at the new Admiralty Station, Deep Cement Mixing project for the third runway at Hong Kong International Airport, and dual lane road work for Tseung Kwan O-Lam Tin Tunnel, they were in set up stage during the reporting period, planning for solutions to critical issues lying ahead and we expect them to gain momentum soon.

For building division, our first design and build joint venture project, Kowloon Eastern Regional Headquarter for Hong Kong Police, started off with its detailed design and foundation works smoothly, and the whole project takes three years to complete. The other ongoing projects were also progressing within budget and time.

The sewage treatment plant at Wuxi City maintained its average volume of treated sewage at 40,000 tons per day and continued to contribute steady income and profit to the Group. Our investment in the heat supply company in Dezhou also generated a satisfactory return as budgeted.

### **Employees and Remuneration Policies**

At 30 June 2017, the Group had a total of 2,052 employees and total remuneration for the six months ended 30 June 2017 was approximately HK\$454 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 2017, the Group had liquid assets of HK\$800 million (at 31 December 2016: HK\$851 million) comprising held-for-trading investments of HK\$35 million (at 31 December 2016: HK\$25 million) and bank balances and cash of HK\$765 million (at 31 December 2016: HK\$826 million).

At 30 June 2017, the Group had a total of interest bearing borrowings of HK\$423 million (at 31 December 2016: HK\$371 million) comprising bank loans of HK\$295 million (at 31 December 2016: HK\$243 million) and the Bonds of HK\$128 million (at 31 December 2016: HK\$128 million) with following maturity profile:

	<b>At 30 June 2017 HK\$ million</b>	At 31 December 2016 HK\$ million
Borrowings due on demand or within one year	<b>254</b>	192
Borrowings due in the second year	<b>30</b>	27
Borrowings due in the third to fifth year inclusive	<b>139</b>	152
	<b>423</b>	371

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 2017, total borrowings of HK\$128 million (at 31 December 2016: HK\$128 million) carried interest at fixed rate.

### Capital Structure and Gearing

At 30 June 2017, total equity was HK\$602 million (at 31 December 2016: HK\$547 million) comprising ordinary share capital of HK\$124 million (at 31 December 2016: HK\$124 million), reserves of HK\$477 million (at 31 December 2016: HK\$423 million) and non-controlling interests of HK\$893,000 (at 31 December 2016: (HK\$251,000)).

At 30 June 2017, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 70% (at 31 December 2016: 68%).

### **Pledge of Assets**

At 30 June 2017, bank deposits of the Group amounting to HK\$71,000 (at 31 December 2016: HK\$101,000) were pledged to banks for securing the banking facilities granted to the Group.

At 30 June 2017, the Group had pledged certain vessels and vessels under construction with carrying value in aggregate of HK\$196 million to secure a bank loan.

### **Contingent Liabilities**

	<b>At 30 June 2017 HK\$ million</b>	At 31 December 2016 HK\$ million
Outstanding tender/performance/retention bonds in respect of construction contracts	<b>647</b>	<b>602</b>

### **CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the six months ended 30 June 2017, 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 for Securities Transactions by Directors of Listed Issuers (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 2017.

## **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 2017.

## **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 2017.

## **PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the Company's website ([www.buildking.hk](http://www.buildking.hk)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The Interim Report 2017 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange, and despatched to the shareholders of the Company in due course.

## **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, 18 August 2017

*As at the date hereof, the Board comprises two executive Directors, namely Mr. Zen Wei Peu, Derek and Mr. Chang Kam Chuen, Desmond, two non-executive Directors, namely Mr. David Howard Gem and Mr. Chan Chi Hung, Anthony, and three independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Ho Tai Wai, David and Mrs. Ling Lee Ching Man, Eleanor.*