Build King Holdings Limited

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

Interim Report 2018

Contents

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 2018.

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	8%
Equity	HK$765 million
Equity per share	HK62 cents
Group revenue	HK$3,129 million
Profit attributable to owners of the Company	HK$231 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 2018.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the six months ended 30 June 2018, the Group recorded an increase in turnover of 15% to HK$3,129 million. The increase of turnover was in line with the management's forecast progress of the contracts on hand. The Group's profit after tax increased from HK$82 million to HK$233 million. The drastic increase was mainly attributable to the change of accounting policies. In accordance with the Hong Kong Accounting Standards, the Group applied with effect from 1 January 2018 the new accounting standard HKFRS 15 "Revenue from Contracts with Customers", without restating the financial information for the same period of 2017. As the profits for the two periods were determined by applying different standards, certain information may not be directly comparable. As detailed in Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" under Note 2 to the Condensed Consolidated Financial Statements of this report, had the new accounting standard not been applied, the net profit for the current period would have been HK$91 million, representing an increase of 11% over the net profit of HK$82 million for the corresponding period in 2017.

The total outstanding values of contract-on-hand dropped from HK$18 billion as reported in Annual Report 2017 to HK$14.4 billion as at the date of this report. As anticipated, the civil engineering division would face significant decline in new tenders but the building market was much healthier and there were many new tenders from both public and private sectors. Since the issue of Annual Report 2017, the Group has secured four contracts of total contract sum of HK$1.7 billion, mainly building work.

On current civil engineering projects, the majority were progressing in accordance with budget. All of the three projects for Shatin Central Link including Diamond Hill Station, Hung Hom North Approach Tunnel and Kai Tak Station were substantially completed. Both the Northern Connection Plaza for Tuen Mun-Chek Lap Kok Link and the infrastructural works of Liangtang/Heung Yuen Wai boundary control point were completed 80% on time and within budget. The Deep Cement Mixing project at Hong Kong International Airport, despite delay due to the technical problems at the start, was returning to normal efficiency and aiming at completing works in 2018. On two projects in Central Wanchai Bypass, their accounts were being prepared and likely to be finalized in the remainder of this year. The projects awarded early this year, like Tung Chung Reclamation and Yau Ma Tei East of Kowloon Central Route, both of them lasting for seven years, were still in planning and setting up stage.

For building division, our first design and build joint venture project, Kowloon Eastern Regional Headquarter for Hong Kong Police, has completed its foundation work and started the building works, aiming to complete in 2020. The construction of two 28-storey towers in Shum Shui Po for a private developer commenced in January 2018 was also progressing well within the budget. The recently awarded project was building work for 9 towers and 29 houses in Au Tau, Yuen Long which are targeted to complete in 2020.

The two investments in the PRC continued to generate a steady profit similar to the corresponding period in 2017. The operation of sewage treatment plant in Wuxi City maintained daily treated volume at 42,000 tonnes per day. The heat supply operation at Dezhou was running smoothly as planned.

Employees and Remuneration Policies

At 30 June 2018, the Group had a total of 2,195 employees and total remuneration for the six months ended 30 June 2018 was approximately HK$500 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 2018, the Group had liquid assets of HK$1,181 million (at 31 December 2017: HK$994 million) comprising held-for-trading investments of HK$46 million (at 31 December 2017: HK$45 million) and bank balances and cash of HK$1,135 million (at 31 December 2017: HK$949 million).

At 30 June 2018, the Group had a total of interest bearing borrowings of HK$392 million (at 31 December 2017: HK$364 million) comprising bank loans of HK$264 million (at 31 December 2017: HK$236 million) and the Bonds of HK$128 million (at 31 December 2017: HK$128 million) with following maturity profile:

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
On demand or within one year	**175**	181
In the second year	**165**	55
In the third to fifth year inclusive	**52**	128
	392	364

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 2018, total borrowings of HK$128 million (at 31 December 2017: HK$128 million) carried interest at fixed rate.

Capital Structure and Gearing

At 30 June 2018, total equity was HK$769 million (at 31 December 2017: HK$713 million) comprising ordinary share capital of HK$124 million (at 31 December 2017: HK$124 million), reserves of HK$641 million (at 31 December 2017: HK$586 million) and non-controlling interests of HK$4 million (at 31 December 2017: HK$3 million).

At 30 June 2018, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 51% (at 31 December 2017: 51%).

Pledge of Assets

At 30 June 2018, bank deposits of the Group amounting to HK$37,000 (at 31 December 2017: HK$37,000) were pledged to banks for securing the banking facilities granted to the Group.

At 31 December 2017, the Group had pledged certain vessels with carrying value in aggregate of HK$139,787,000 (at 30 June 2018: Nil) to secure a bank loan.

Contingent Liabilities

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
Outstanding tender/performance/retention bonds in respect of construction contracts	**853**	709

DIRECTORS' INTERESTS

As at 30 June 2018, 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 Long position (Note)	Short position	Percentage of shareholding (%)
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 Long position (Note 1)	Short position	Percentage of shareholding (%)
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:

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

2. 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.

DIRECTORS' INTERESTS (Continued)

Save as disclosed above, as at 30 June 2018, 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 2018, 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:

		Number of Shares held and percentage of shareholding			
		Long position (Note 1)		**Short position**	
Name of substantial Shareholder	**Capacity/ Nature of interest**	**Number of Shares**	**%**	**Number of Shares**	**%**
Top Horizon Holdings Limited ("Top Horizon") (Note 2)	Beneficial owner	699,545,033	56.33	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 3)	Corporate	699,545,033	56.33	–	–
Wai Kee (Note 4)	Corporate	699,545,033	56.33	–	–

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 2018, 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 2018, 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 2018.

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 2018.

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 2018.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

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

On 7 September 2015, Build King Construction Limited ("BKCL", a wholly-owned subsidiary of the Company) confirmed its acceptance of a facility letter (the "Facility Letter") issued by a 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.

(2) Term loan facility of up to HK$69.61 million

On 14 November 2016, Build King Civil Engineering Limited ("Build King Civil", a wholly-owned subsidiary of the Company) confirmed its acceptance of the revised banking facilities (the "Banking Facilities") under the terms and conditions of a facility letter dated 2 November 2016 (the "Facility Letter") issued by a bank (the "Bank"). The Banking Facilities comprise four instalment loans up to an aggregate maximum amount of approximately HK$69.61 million with details as follows:

(i) an outstanding loan facility of approximately HK$2.76 million, of which the original loan amount granted to Build King Civil under a facility letter dated 11 December 2013 was HK$8 million repayable by 48 monthly instalments, is to be repaid by 16 monthly instalments each inclusive of interest;

(ii) an outstanding loan facility of approximately HK$2.57 million, of which the original loan amount granted to Build King Civil under a facility letter dated 11 December 2013 was HK$7 million repayable by 48 monthly instalments, is to be repaid by 17 monthly instalments each inclusive of interest;

(iii) an outstanding loan facility of approximately HK$9.28 million, of which the original loan amount granted to Build King Civil under a facility letter dated 2 February 2015 was HK$15 million repayable by 48 monthly instalments each inclusive of interest, is to be repaid by 29 monthly instalments each inclusive of interest; and

(iv) a new loan facility of up to HK$55 million (the "New Loan Facility") to be granted to Build King Civil and repayable by 30 monthly instalments each inclusive of interest, commencing on the date falling seven months from the first drawdown date. The New Loan Facility is available for drawdown within six months from the date of accepting the Facility Letter.

Throughout the life of the Banking Facilities, Wai Kee shall beneficially hold not less than 30% interest (directly or indirectly) in the issued share capital of the Company.

(3) Banking facilities for HK$65 million

On 29 May 2017, BKCL and Build King Interior & Construction Limited ("BK Interior", an indirect non-wholly owned subsidiary of the Company) confirmed the acceptance of a facility letter (the "Facility Letter") issued by a bank. Pursuant to the Facility Letter, the bank agreed to offer the following banking facilities for HK$65 million (collectively the "Banking Facilities"), of which:

(i) Facilities of HK$5 million in aggregate (comprising (i) Trade Facility of HK$5 million; (ii) Overdraft Facility of HK$4 million; and (iii) Revolving Short Term Advance Facility of HK$4 million, aggregate outstanding for the facilities (i) to (iii) not to exceed HK$5 million) made available to BK Interior; and

(ii) Revolving Short Term Advance Facility of HK$60 million made available to BKCL.

The life of the Banking Facilities is not specified and the repayment is on demand. The Banking Facilities are subject to annual review by the bank. Wai Kee shall beneficially hold not less than 50% interest (directly or indirectly) in the issued share capital of the Company.

(4) Term loan facility of up to HK$30 million

On 11 August 2017, Build King Civil confirmed its acceptance of a facility letter (the "Facility Letter") issued by a bank. Pursuant to the Facility Letter, the bank agreed to offer a term loan facility of up to HK$30 million (the "Banking Facility") to Build King Civil. The final maturity date of the Banking Facility is 24 months from the date of the first drawdown date. Throughout the life of the Banking Facility, the Company shall remain directly or indirectly at least 50% owned by Wai Kee.

(5) General banking facility of up to HK$50 million

On 11 August 2017, Build King Civil, BKCL and Build King (Zens) Engineering Limited ("Build King (Zens)", which is an indirect wholly owned subsidiary of the Company) (collectively the "Borrowers I") confirmed their acceptance of a facility letter (the "Facility Letter") issued by a bank. Pursuant to the Facility Letter, the bank agreed to offer general banking facilities comprising the following facilities up to an overall limit of HK$50 million (the "Banking Facility") to the Borrowers I:

(i) Revolving Term Loan Facility of up to HK$10 million ("1st RTL Facility") for general operation use, with a sub-limit of HK$10 million for (i) Letter of Credit; (ii) Trust Receipt(s); (iii) Import Loan/Account Payable Financing; and (iv) Letter of Guarantee. The life of the 1st RTL Facility is not specified, which is subject to the bank's overriding right of repayment on demand; and

(ii) Revolving Term Loan Facility of up to HK$40 million ("2nd RTL Facility") for financing specific construction projects with loan period of 36 months from the date of the 2nd RTL Facility being available or expiry date of the relevant project contract, whichever is earlier, subject to the bank's overriding right of repayment on demand.

Throughout the life of the Banking Facility, the Company shall at all times remain directly or indirectly at least 50.1% beneficially owned by Wai Kee.

Save as disclosed above, as at 30 June 2018, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

Other Information

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

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

Name of Director	**Details of changes**
Chan Chi Hung, Anthony	Mr. Chan has resigned as an independent non-executive director of China Minsheng Drawin Technology Group Limited (now known as China Minsheng DIT Group Limited) (Stock Code: 726) with effect from 14 June 2018.

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, 17 August 2018

Deloitte. 德勤

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 12 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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.

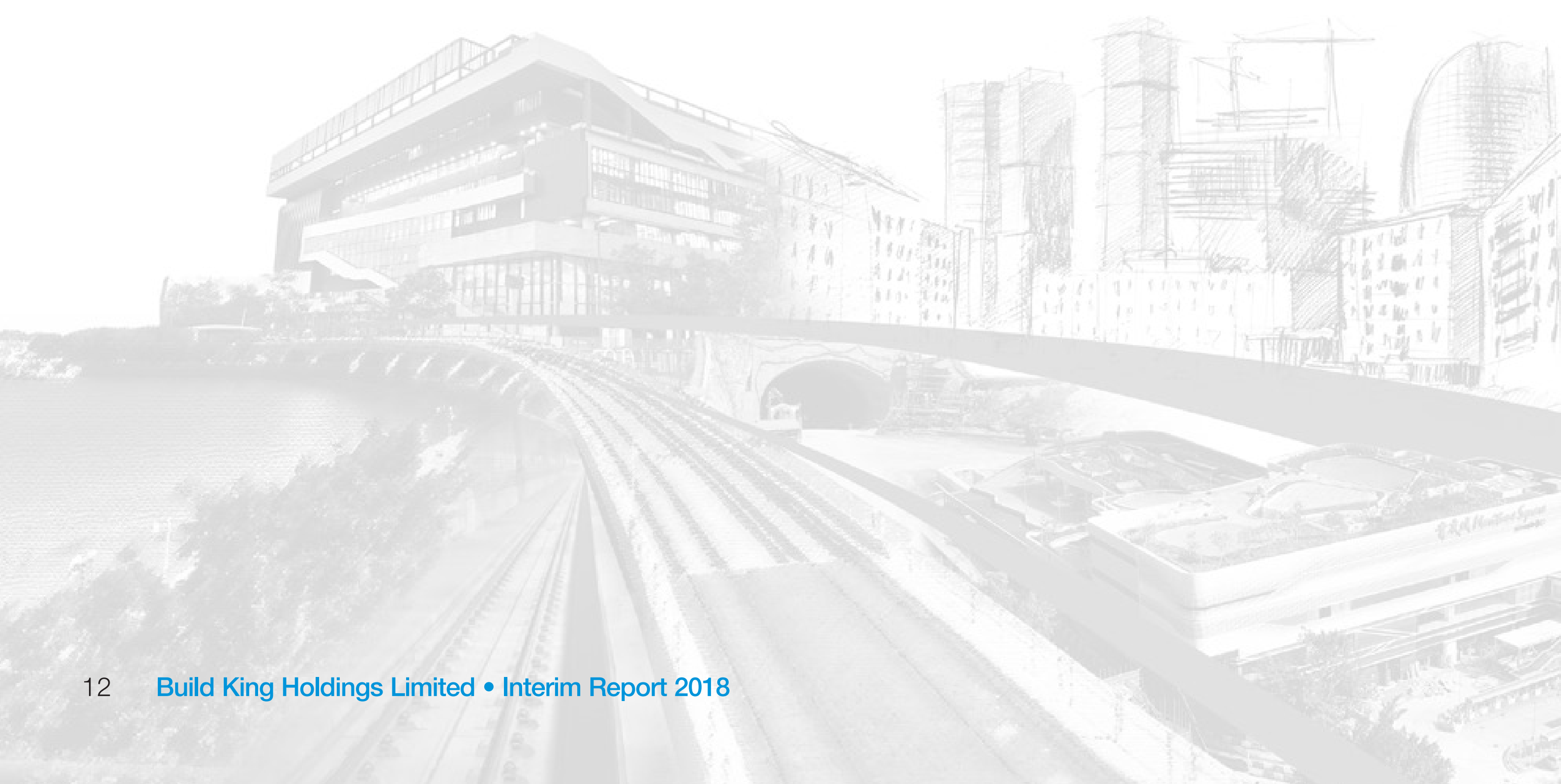
Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17 August 2018

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue from services	3	**3,129,087**	2,730,358
Cost of sales		**(2,698,111)**	(2,514,917)
Gross profit		**430,976**	215,441
Investments and other income	5	**9,092**	4,562
Increase in fair value of held-for-trading investments		**374**	10,431
Administrative expenses		**(146,480)**	(128,747)
Finance costs	6	**(9,857)**	(7,827)
Share of results of joint ventures		**2,435**	2,703
Share of results of associates		**(902)**	543
Profit before tax	7	**285,638**	97,106
Income tax expense	8	**(52,543)**	(15,184)
Profit for the period		**233,095**	81,922
Profit for the period attributable to:			
Owners of the Company		**231,272**	80,926
Non-controlling interests		**1,823**	996
		233,095	81,922
		HK cents	HK cents
Earnings per share	9		
– Basic		**18.6**	6.5



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**233,095**	81,922
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(1,914)**	4,539
Total comprehensive income for the period	**231,181**	86,461
Total comprehensive income for the period attributable to:		
Owners of the Company	**229,421**	85,317
Non-controlling interests	**1,760**	1,144
	231,181	86,461

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	11	**305,072**	385,899
Intangible assets		**61,714**	62,851
Goodwill		**30,554**	30,554
Interests in joint ventures		**128,605**	129,519
Interests in associates	12	**8,518**	7,968
Other financial asset at amortised cost		**41,262**	42,909
		575,725	659,700
Current assets			
Inventories		**32,276**	–
Amounts due from customers for contract work		**–**	253,443
Debtors, deposits and prepayments	13	**285,158**	1,681,032
Contract assets	14	**1,532,574**	–
Amounts due from fellow subsidiaries		**–**	1,149
Amounts due from associates		**8,032**	7,719
Amounts due from other partners of joint operations		**138,283**	134,934
Held-for-trading investments	15	**45,793**	45,419
Tax recoverable		**10,769**	7,338
Pledged bank deposits	20	**37**	37
Bank balances and cash		**1,134,836**	949,029
		3,187,758	3,080,100
Current liabilities			
Amounts due to customers for contract work		**–**	410,053
Creditors and accrued charges	16	**1,870,046**	2,068,963
Contract liabilities		**528,337**	–
Amount due to an intermediate holding company		**17,708**	16,466
Amounts due to fellow subsidiaries		**2,275**	–
Amount due to a joint venture		**1,142**	1,142
Amounts due to other partners of joint operations		**58,593**	61,710
Amounts due to non-controlling interests		**3,094**	3,094
Amount due to an associate		**17,686**	16,580
Tax payable		**80,275**	60,733
Bank loans – due within one year	17	**263,476**	235,821
		2,842,632	2,874,562
Net current assets		**345,126**	205,538
Total assets less current liabilities		**920,851**	865,238

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	**30 June 2018 (Unaudited) HK$'000**	31 December 2017 (Audited) HK$'000
Capital and reserves			
Ordinary share capital	18	**124,188**	124,188
Reserves		**640,516**	585,367
Equity attributable to owners of the Company		**764,704**	709,555
Non-controlling interests		**4,367**	3,005
Total equity		**769,071**	712,560
Non-current liabilities			
Deferred tax liabilities	19	**5,750**	5,750
Obligations in excess of interests in associates	12	**14,179**	14,527
Amount due to an associate		**2,894**	3,701
Bonds		**128,957**	128,700
		151,780	152,678
		920,851	865,238

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Ordinary share capital	Share premium	Translation reserve	Other reserve	Special reserve	Asset revaluation reserve	Retained profits	Total	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 2017 (audited)	124,188	14,186	1,830	(943)	(63,141)	4,290	466,671	547,081	(251)	546,830
Profit for the period	–	–	–	–	–	–	80,926	80,926	996	81,922
Exchange differences arising on translation of foreign operations	–	–	4,391	–	–	–	–	4,391	148	4,539
Total comprehensive income for the period	–	–	4,391	–	–	–	80,926	85,317	1,144	86,461
Dividend paid	–	–	–	–	–	–	(31,047)	(31,047)	–	(31,047)
At 30 June 2017 (unaudited)	124,188	14,186	6,221	(943)	(63,141)	4,290	516,550	601,351	893	602,244
At 31 December 2017 (audited)	124,188	14,186	11,121	(943)	(63,141)	4,290	619,854	709,555	3,005	712,560
Adjustments (Note 2)	–	–	–	–	–	–	(137,016)	(137,016)	(398)	(137,414)
At 1 January 2018 (restated)	124,188	14,186	11,121	(943)	(63,141)	4,290	482,838	572,539	2,607	575,146
Profit for the period	–	–	–	–	–	–	231,272	231,272	1,823	233,095
Exchange differences arising on translation of foreign operations	–	–	(1,851)	–	–	–	–	(1,851)	(63)	(1,914)
Total comprehensive (expense) income for the period	–	–	(1,851)	–	–	–	231,272	229,421	1,760	231,181
Dividend paid	–	–	–	–	–	–	(37,256)	(37,256)	–	(37,256)
At 30 June 2018 (unaudited)	**124,188**	**14,186**	**9,270**	**(943)**	**(63,141)**	**4,290**	**676,854**	**764,704**	**4,367**	**769,071**

Notes:

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

b. 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 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash from operating activities	**220,958**	104,562
Investing activities		
Dividends received from a joint venture	**3,349**	–
Dividends from held-for-trading investments	**2,340**	1,806
Advances to other partners of joint operations	**(6,466)**	(33,266)
Advances to associates	**(313)**	(120)
Decrease in pledged bank deposits	**–**	30
Purchase of property, plant and equipment	**(13,582)**	(135,913)
Proceeds from disposal of property, plant and equipment	**475**	1,295
Capital injection to a joint venture	**–**	(13,547)
Capital injection to an associate	**(1,800)**	–
Net cash used in investing activities	**(15,997)**	(179,715)
Financing activities		
Repayments to fellow subsidiaries	**–**	(4,315)
Advance from an intermediate holding company	**1,242**	1,247
Repayment of bank loans	**(90,784)**	(53,387)
Interest paid	**(9,301)**	(7,286)
New bank loans raised	**118,439**	105,222
Dividend paid	**(37,256)**	(31,047)
Net cash (used in) from financing activities	**(17,660)**	10,434
Net increase (decrease) in cash and cash equivalents	**187,301**	(64,719)
Cash and cash equivalents at beginning of the period	**949,029**	826,230
Effect of foreign exchange rate changes, net	**(1,494)**	2,614
Cash and cash equivalents at end of the period	**1,134,836**	764,125
Represented by		
Bank balances and cash	**1,134,836**	764,555
Bank overdraft	**–**	(430)
	1,134,836	764,125

1. GENERAL

Build King Holdings Limited (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, a company incorporated in the British Virgin Islands with limited liability. 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 Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited (the "Listing Rule").

2. SIGNIFICANT 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Construction contracts; and
- Sewage treatment plant operation.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduce a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15

The revenue from construction contracts is recognised over time under output method. The progress towards complete satisfaction of a performance obligation of construction contracts is measured with reference to the certificates issued by the internal or external surveyors on the performance or work completed to date. Costs incurred at the initial stage that generate or enhance resources to be utilised subsequently in fulfilling the performance obligation will be recognised as contract costs to be amortised on a systematic basis with the transfer to the customer of the services to which assets relates, while contract costs that related to satisfy performance obligations are expensed as incurred.

The revenue from sewage treatment plant is recognised over time when the related services are rendered.

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1 January 2018.

	Note	**Impact of adopting HKFRS 15 at 1 January 2018** HK$'000
Retained profits		
Adjustments of amounts due from customers for contract work and creditors and accrued charges	(a)	(153,879)
Tax effect	(a)	16,465
		(137,414)
Non-controlling interests	(a)	398
Impact at 1 January 2018		(137,016)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Remeasurement	Carrying amounts under HKFRS 15 at 1 January 2018*
		HK$'000	HK$'000	HK$'000	HK$'000
Current assets					
Inventories	(a)	–	38,064	–	38,064
Amounts due from customers for contract work	(a)	253,443	(38,064)	(215,379)	–
Debtors, deposits and prepayments	(b) & (c)	1,681,032	(1,342,656)	–	338,376
Contract assets	(b) & (c)	–	1,342,656	–	1,342,656
Current liabilities					
Amounts due to customers for contract work	(d)	410,053	(410,053)	–	–
Creditors and accrued charges	(a)	2,068,963	–	(61,500)	2,007,463
Contract liabilities	(d)	–	410,053	–	410,053
Tax payable	(a)	60,733	–	(16,465)	44,268
Capital and reserves					
Retained profits	(a)	619,854	–	(137,016)	482,838
Non-controlling interests	(a)	3,005	–	(398)	2,607

* *The amounts in this column are before the adjustments from the application of HKFRS 9.*

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Deferred materials of HK$38,064,000 were reclassified from amounts due from customers for contract work to inventories. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured by reference to the estimated total revenue for contracts entered into by the Group that have been performed to date. Under HKFRS 15, costs that related to satisfy performance obligations are expensed as incurred. Construction costs of HK$215,379,000 that have been incurred but deferred to be recognised in profit or loss under HKAS 11 included in amounts due from customers for contract work were charged to retained profits and non-controlling interests. Construction costs of HK$61,500,000 that have not yet incurred but accelerated to be recognised in profit or loss under HKAS 11 and included in creditors and accrued charges were credited to retained profits and non-controlling interests. The related tax effect of HK$16,465,000 was recognised in tax payable and included in adjustment to retained profits.

(b) At the date of initial application, unbilled revenue of HK$887,735,000 arising from the construction contracts are conditional on the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers, and such balance was reclassified from trade and other receivables to contract assets.

(c) At the date of initial application, retention receivables of HK$454,921,000, arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.

(d) The reclassification of HK$410,053,000 from amounts due to customers for contract work to contract liabilities under HKFRS 15 represented the Group's obligation to transfer to the customers of the services to which the assets relate and the Group has received consideration from the customers.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position as at 30 June 2018

	Notes	**As reported**	**Reclassification**	**Remeasurement**	**Amounts without application of HKFRS 15**
		HK$'000	HK$'000	HK$'000	HK$'000
Current assets					
Inventories	(a)	32,276	(32,276)	–	–
Amounts due from customers for contract work	(a)	–	32,276	1,084	33,360
Debtors, deposits and prepayments	(b) & (c)	285,158	1,532,574	–	1,817,732
Contract assets	(b) & (c)	1,532,574	(1,532,574)	–	–
Tax recoverable	(a)	10,769	–	797	11,566
Current liabilities					
Amounts due to customers for contract work	(d)	–	528,337	–	528,337
Creditors and accrued charges	(a)	1,870,046	–	7,140	1,877,186
Contract liabilities	(d)	528,337	(528,337)	–	–
Tax payable	(a)	80,275	–	(640)	79,635
Capital and reserves					
Retained profits	(a)	676,854	–	(4,620)	672,234
Non-controlling interests	(a)	4,367	–	1	4,368

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the condensed consolidated statement of profit or loss for the six months ended 30 June 2018

	Notes	**As reported**	**Adjustments**	**Amounts without application of HKFRS 15**
		HK$'000	HK$'000	HK$'000
Revenue		3,129,087	–	3,129,087
Cost of sales	(a)	(2,698,111)	(159,935)	(2,858,046)
Gross profit		430,976	(159,935)	271,041
Profit before tax		285,638	(159,935)	125,703
Income tax expense	(a)	(52,543)	17,902	(34,641)
Profit for the period		233,095	(142,033)	91,062
Profit for the period attributable to:				
Owners of the Company		231,272	(141,636)	89,636
Non-controlling interests		1,823	(397)	1,426
		233,095	(142,033)	91,062
		HK cents		HK cents
Earnings per share				
– Basic	(e)	18.6		7.2

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Notes:

(a) Prior to application of HKFRS 15, deferred materials of HK$32,276,000 at 30 June 2018 should be included in amounts due from customers for contract work. It was reclassified to inventories under HKFRS 15. Prior to application of HKFRS 15, the difference between the actual construction costs incurred and the amount calculated based on the stage of completion of the contract activity, which is by reference to the estimated total revenue for contracts entered into by the Group that have been performed to date, was included in amounts due from customers for contract work or creditors and accrued charges. The accumulated difference in the recognition of the construction costs under HKAS 11 and HKFRS 15 at 30 June 2018 was HK$6,056,000 and including in such difference HK$1,084,000 would be recognised as amounts due from customers for contract work and HK$7,140,000 would be recognised as creditors and accrued charges prior to application of HKFRS 15. Upon application of HKFRS 15, for the accumulated difference in the recognition of the construction costs to profit or loss under HKAS 11 and HKFRS 15, HK$153,879,000 has been charged to retained profits and HK$159,935,000 has been credited to cost of sales for the current period. The accumulated tax effect at 30 June 2018 was HK$1,437,000 in which HK$16,465,000 was credited to retained profits and HK$17,902,000 was charged to income tax expenses for the current period upon application of HKFRS 15.

(b) Prior to application of HKFRS 15, unbilled revenue of HK$1,036,092,000 at 30 June 2018 was included in debtors, deposits and prepayments. Such amount was reclassified to contract assets upon application of HKFRS 15.

(c) Prior to application of HKFRS 15, retention receivables of HK$496,482,000 at 30 June 2018 was included in debtors, deposits and prepayments. Such amount was reclassified to contract assets upon application of HKFRS 15.

(d) Prior to application of HKFRS 15, the Group’s obligation to transfer of control of goods and construction services to the customers for which the Group has received consideration from the customers amounting to HK$528,337,000 at 30 June 2018 would be recognised as amounts due to customers for contract work. Such amount was reclassified to contract liabilities upon application of HKFRS 15.

(e) Without applying HKFRS 15, the profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share is HK$89,636,000.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. The Directors considered that the changes in classification and measurement of the financial assets under HKFRS 9 have no significant impact to the Group.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including bank deposits, trade and other receivables, other financial asset at amortised costs, amounts due from fellow subsidiaries, associates and other partners of joint operations and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents that ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The Directors considered that the impairment under ECL model has no significant impact to the Group.

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	1 January 2018 (Restated) HK$'000
Non-current assets			
Items with no adjustments	659,700	–	659,700
Current assets			
Inventories	–	38,064	38,064
Amounts due from customers for contract work	253,443	(253,443)	–
Debtors, deposits and prepayments	1,681,032	(1,342,656)	338,376
Contract assets	–	1,342,656	1,342,656
Others with no adjustments	1,145,625	–	1,145,625
	3,080,100	(215,379)	2,864,721
Current liabilities			
Amounts due to customers for contract work	410,053	(410,053)	–
Creditors and accrued charges	2,068,963	(61,500)	2,007,463
Contract liabilities	–	410,053	410,053
Tax payable	60,733	(16,465)	44,268
Others with no adjustments	334,813	–	334,813
	2,874,562	(77,965)	2,796,597
Net current assets	205,538	(137,414)	68,124
Total assets less current liabilities	865,238	(137,414)	727,824
Capital and reserves			
Retained profits	619,854	(137,016)	482,838
Non-controlling interests	3,005	(398)	2,607
Others with no adjustments	89,701	–	89,701
Total equity	712,560	(137,414)	575,146
Non-current liabilities			
Items with no adjustments	152,678	–	152,678
	865,238	(137,414)	727,824

3. REVENUE FROM SERVICES

Disaggregation of revenue

	Six months ended 30 June 2018	
	Hong Kong	**PRC**
	HK$'000	**HK$'000**
Type of services		
Construction contracts	**3,117,887**	**–**
Sewage treatment plant operation	**–**	**11,200**
	3,117,887	**11,200**
Timing of revenue recognition		
Over time	**3,117,887**	**11,200**

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 2018

	Hong Kong	**The PRC**	**Middle East**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Results				
Segment revenue	**3,117,887**	**11,200**	**–**	**3,129,087**
Segment profit (loss)	**290,141**	**3,075**	**(453)**	**292,763**
Unallocated expenses				**(1,515)**
Investments income				**2,340**
Increase in fair value of held-for-trading investments				**374**
Share of results of joint ventures				**2,435**
Share of results of associates				**(902)**
Finance costs				**(9,857)**
Profit before tax				**285,638**

4. SEGMENTAL INFORMATION (Continued)

Other segment information:

Six months ended 30 June 2018

	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	**400**	**–**	**–**	**400**

Six months ended 30 June 2017

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results				
Segment revenue	2,720,680	9,678	–	2,730,358
Segment profit (loss)	89,263	2,723	(693)	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 ventures				2,703
Share of results of associates				543
Finance costs				(7,827)
Profit before tax				97,106

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	
	2018	2017
	HK$'000	HK$'000
Investments and other income include:		
Gain on disposal of property, plant and equipment	**400**	–
Dividends from held-for-trading investments	**2,340**	1,806
Interest on bank deposits	**1,037**	252
Interest on other receivable	**10**	514
Interest on other financial asset at amortised cost	**541**	552
PRC Value-Added Tax refund	**951**	865
Insurance claim on loss of plant and machinery	**–**	339

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Interests on:		
Bank borrowings	**4,788**	2,773
Bonds	**4,770**	4,770
Imputed interest expense on non-current interest-free amount due to an associate	**299**	284
	9,857	7,827

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	**719**	702
Depreciation of property, plant and equipment	**94,335**	21,631
Less: amount attributable to construction contracts and included in amounts due from customers from contract work	**–**	(2,083)
	94,335	19,548

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current tax:		
Hong Kong	**52,482**	14,971
Other jurisdictions	**–**	3
	52,482	14,974
Underprovision (overprovision) in prior years:		
Hong Kong	**52**	(20)
Other jurisdictions	**9**	230
	61	210
	52,543	15,184

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 2017: 16.5%) for the six months ended 30 June 2018.

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:

	Six months ended 30 June	
	2018	2017
	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	**231,272**	80,926

	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.

10. DIVIDEND

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Dividend paid and recognised as distribution during the period:		
2017 final dividend – HK3 cents per share (six months ended 30 June 2017: 2016 final dividend – HK2.5 cents per share)	**37,256**	31,047

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK$13,582,000 (six months ended 30 June 2017: HK$135,913,000) on additions to property, plant and equipment.

At 31 December 2017, the Group had pledged certain vessels with carrying value in aggregate of HK$139,787,000 (30 June 2018: Nil) to secure a bank loan.

12. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	30 June 2018 HK$'000	31 December 2017 HK$'000
Cost of investments in unlisted associates	**10,330**	8,530
Share of post-acquisition losses and other comprehensive income	**(15,991)**	(15,089)
	(5,661)	(6,559)
Represented by:		
Interests in associates	**8,518**	7,968
Obligations in excess of interests in associates (Note)	**(14,179)**	(14,527)
	(5,661)	(6,559)

Note: At 30 June 2018, the Group has contractual obligations to share the net liabilities of certain associates amounting to HK$14,179,000 (31 December 2017: HK$14,527,000).

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 2018 HK$'000	31 December 2017 HK$'000
Trade receivables analysed by age:		
0 to 60 days	**144,581**	201,615
61 to 90 days	**1,840**	200
Over 90 days	**14,277**	12,780
	160,698	214,595
Unbilled revenue (Note)	**–**	887,735
Bills receivables	**15,214**	2,130
Retention receivables (Note)	**–**	454,921
Other debtors, deposits and prepayments	**109,246**	121,651
	285,158	1,681,032
Retention receivables:		
Due within one year	**–**	129,691
Due more than one year	**–**	325,230
	–	454,921

Note: Unbilled revenue and retention receivables were reclassified to contract assets upon initial application of HKFRS 15 on 1 January 2018. Details are set out in Note 14.

13. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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.

As part of the internal credit risk management, the Group applies internal credit rating for its customers in relation to construction contracts. The exposure to credit risk and ECL for trade receivables are assessed collectively based on provision matrix as at 30 June 2018. After the assessment of the Group, the impairment allowance on trade receivables based on the provision matrix is insignificant to the Group for the current interim period.

14. CONTRACT ASSETS

	Notes	**30 June 2018 HK$'000**	31 December 2017 HK$'000
Unbilled revenue	(a)	**1,036,092**	–
Retention receivables	(b)	**496,482**	–
		1,532,574	–

(a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables included in contract assets represents the Group's right to consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

As part of the internal credit risk management, the Group applies internal credit rating for its customers in relation to construction contracts. The exposure to credit risk and ECL for contract assets are assessed collectively based on provision matrix as at 30 June 2018. After the assessment of the Group, the impairment allowance on contract assets based on the provision matrix is insignificant to the Group for the current interim period.

15. HELD-FOR-TRADING INVESTMENTS

	30 June 2018 HK$'000	31 December 2017 HK$'000
Held-for-trading investments stated at fair value:		
– Equity securities listed in Hong Kong	**45,793**	45,419

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 2018 HK$'000	31 December 2017 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**167,387**	232,484
61 to 90 days	**17,658**	11,856
Over 90 days	**35,838**	41,680
	220,883	286,020
Retention payables	**345,808**	365,023
Accrued project costs	**1,264,989**	1,376,389
Other creditors and accrued charges	**38,366**	41,531
	1,870,046	2,068,963
Retention payables:		
Repayable within one year	**125,191**	124,257
Repayable more than one year	**220,617**	240,766
	345,808	365,023

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

17. BANK LOANS

	30 June 2018 HK$'000	31 December 2017 HK$'000
The maturity of bank loans is as follows:		
Within one year	**174,801**	180,960
In the second year	**88,675**	54,861
	263,476	235,821
Less: Amount due within one year shown under current liabilities	**(263,476)**	(235,821)
Amount due after one year	**–**	–
Secured	**74,000**	125,154
Unsecured	**189,476**	110,667
	263,476	235,821

As at 30 June 2018, 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$88,675,000 (31 December 2017: HK$54,861,000) have been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK$485,856,000 (31 December 2017: HK$400,851,000).

18. ORDINARY SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2017, 31 December 2017 and 30 June 2018	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2017, 31 December 2017 and 30 June 2018	1,241,877,992	124,188

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. PLEDGE OF ASSETS

As at 30 June 2018, bank deposits amounting to HK$37,000 (31 December 2017: HK$37,000) of the Group were pledged to banks for securing the banking facilities granted to the Group.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30 June 2018	31 December 2017	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Listed equity investments	**Listed equity securities in Hong Kong – HK$45,793,000**	Listed equity securities in Hong Kong – HK$45,419,000	Level 1	Quoted bid price in an active market.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated statement of financial position approximate to their fair values.

22. CAPITAL COMMITMENTS

	30 June 2018 HK$'000	31 December 2017 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment, contracted for but not provided in the condensed consolidated financial statements	**–**	2,154

23. CONTINGENT LIABILITIES

	30 June 2018 HK$'000	31 December 2017 HK$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	**853,322**	708,694

24. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Fellow subsidiaries		
Purchase of construction materials	**39,550**	48,165
Marine plant hire income	**–**	983
Construction contract revenue	**32,792**	24,034
An associate of ultimate holding company		
Construction contract revenue	**75,844**	–
Compensation of key management personnel		
Short-term employee benefits	**27,000**	22,483
Post-employment benefits	**956**	936
	27,956	23,419

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

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PRINCIPAL PLACE OF BUSINESS

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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