



# Build King Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 00240)



Interim Report **2019**



# CONTENTS

	PAGE
Interim Financial Highlights	2
Management Discussion and Analysis	3
Disclosure of Interests	5
Corporate Governance	7
Other Information	8
Report on Review of Condensed Consolidated Financial Statements	10
Condensed Consolidated Statement of Profit or Loss	11
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Condensed Consolidated Statement of Financial Position	13
Condensed Consolidated Statement of Changes in Equity	15
Condensed Consolidated Statement of Cash Flows	16
Notes to the Condensed Consolidated Financial Statements	17
Corporate Information	40

## 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 2019.

### FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	12%
Equity	HK\$1,050 million
Equity per share	HK85 cents
Group revenue	HK\$3,569 million
Profit attributable to owners of the Company	HK\$164 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 2019.

# Management Discussion and Analysis

## BUSINESS REVIEW AND PROSPECTS

### Operating Results

For the six months ended 30 June 2019, the Group recorded an increase in turnover of 14% to HK\$3,569 million while the profit after tax decreased by 32% to HK\$159 million. The increase of turnover was in line with the management's forecast progress of the contracts on hand. Last year, the record-high profit was the combined result of adopting a new accounting standard and satisfactory final accounts of several major projects. As indicated in the Annual Report 2018 of the Company ("Annual Report 2018"), the profit of 2018 was exceptional, but the management did expect such profitability would not sustain. Despite deteriorating economy and ever competitive market, the Group still achieved gross profit margin of 9.9% and net profit margin of 4.5% which could be considered very healthy in construction sector.

During 2019, our competitors were bidding at an extreme low margin or in some cases bidding at loss prices which are not our strategy. The tendering results in the first half of 2019 were disappointing. Since the issue of the Annual Report 2018, the Group has secured seven contracts of total contract sum of less than HK\$1 billion. The total outstanding values of contract-on-hand dropped slightly from HK\$18 billion as reported in Annual Report 2018 to HK\$17 billion as at the date of this report.

On current projects, the major engineering projects commenced in 2018, namely Tung Chung New Town Extension - Reclamation and Advance Works, Central Kowloon Route - Yau Ma Tei West and Central Kowloon Route - Yau Ma Tei East, all of them lasting for seven years, were progressing in accordance with budget. In the joint venture project, namely Kowloon East Regional Headquarters and Operational Base cum Ngau Tau Kok Divisional Police Station, the Group had successfully excluded the insolvent partner from further participation and taken full control in accordance with the joint venture agreement. Despite the change of the partnership structure, its physical work had not been disrupted and was in full swing toward its target substantial completion in early 2020. Other major building projects for private developers commenced in 2018, such as the residential development work in Au Tau, Yuen Long and the property development in Shum Shui Po, have already completed over 50% in line with the budget.

The current operation of sewage treatment plant in Wuxi and heat supply in Dezhou were running smoothly. There are new developments in the investments in the PRC environmental infrastructure projects. First, for the operation of sewage treatment plant in Wuxi City currently maintaining treated volume at 42,500 tonnes per day, we plan to upgrade the equipment to meet the higher standards for discharge effluent in compliance with new regulations. We are in the final stage of the negotiation with local authorities to raise the sewage treatment fees significantly. Second, Tianjin Wai Kee Earth New Energy Co., Ltd., a joint venture of which the Group acquired 46% equity interest in 2018, had started construction of steam providing facilities in two sites, namely Gaotai County and Yumen City, both in Gansu Province. The initial investment in each site by the joint venture was approximate RMB40 million. Both sites will start production of steam to nearby factories in the second half of this year. With these two new investments, the management hopes the PRC operation can progressively increase the profit contribution to the Group.

### Employees and Remuneration Policies

At 30 June 2019, the Group had a total of 2,373 employees and total remuneration for the six months ended 30 June 2019 was approximately HK\$594 million. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as that of the individual.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Liquidity and Financial Resources

At 30 June 2019, the Group had liquid assets of HK\$1,921 million (at 31 December 2018: HK\$1,432 million) comprising financial assets at FVTPL of HK\$59 million (at 31 December 2018: HK\$55 million), time deposits with original maturity of not less than three months of HK\$320 million (at 31 December 2018: HK\$284 million) and bank balances and cash of HK\$1,542 million (at 31 December 2018: HK\$1,093 million).

At 30 June 2019, the Group had a total of interest bearing borrowings of HK\$285 million (at 31 December 2018: HK\$382 million) comprising bank loans of HK\$156 million (at 31 December 2018: HK\$253 million) and the Bonds of HK\$129 million (at 31 December 2018: HK\$129 million) with following maturity profile:

	<b>At 30 June 2019 HK\$ million</b>	At 31 December 2018 HK\$ million
Within one year	<b>190</b>	198
In the second year	<b>84</b>	168
In the third to fifth year inclusive	<b>11</b>	16
	<b>285</b>	382

The Group's borrowings, bank balances and cash and financial assets at FVTPL 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 2019, total borrowings of HK\$129 million (at 31 December 2018: HK\$129 million) carried interest at fixed rate.

### Capital Structure and Gearing

At 30 June 2019, total equity was HK\$1,048 million (at 31 December 2018: HK\$944 million) comprising ordinary share capital of HK\$124 million (at 31 December 2018: HK\$124 million), reserves of HK\$925 million (at 31 December 2018: HK\$816 million) and non-controlling interests of (HK\$1 million) (at 31 December 2018: HK\$4 million).

At 30 June 2019, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 27% (at 31 December 2018: 40%).

### Pledge of Assets

At 30 June 2019, bank deposits of the Group amounting to HK\$65,317,000 (at 31 December 2018: HK\$2,336,000) were pledged to banks for securing the banking facilities granted to the Group.

# Disclosure of Interests

## DIRECTORS' INTERESTS

As at 30 June 2019, the interests (including short positions) of the directors (the "Directors") and chief executive of the Company (including their respective spouses, infant children, related trusts and companies controlled by them) in the Shares, convertible securities, warrants, options or derivatives in respect of securities which carried voting rights of the Company and its associated corporations (within the meaning of the Securities & Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

### (I) The Company

#### *Interests in Shares*

Name of Director	Capacity/ Nature of interest	Number of Shares held		Percentage of shareholding (%)
		Long position (Note)	Short position	
Zen Wei Peu, Derek	Personal	123,755,228	–	9.97
Chang Kam Chuen, Desmond	Personal	1,500,000	–	0.12
David Howard Gem	Personal	900,000	–	0.07

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

### (II) Associated Corporations

#### *Interests in shares*

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of shareholding (%)
			Long position (Note 1)	Short position	
Zen Wei Peu, Derek	Wai Kee Holdings Limited ("Wai Kee")	Personal	195,957,078	–	24.71
	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.

## Disclosure of Interests

### DIRECTORS' INTERESTS (Continued)

Save as disclosed above, as at 30 June 2019, 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 2019, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial Shareholder	Capacity/ Nature of interest	Number of Shares held and percentage of shareholding			
		Long position (Note 1)		Short position	
		Number of Shares	%	Number of Shares	%
Top Horizon Holdings Limited ("Top Horizon") (Note 2)	Beneficial owner	704,945,033	56.76	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 3)	Corporate	704,945,033	56.76	–	–
Wai Kee (Note 4)	Corporate	704,945,033	56.76	–	–

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 2019, 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 2019, 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 2019.



## Other Information

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2019.

### **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 2019.

### **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\$30 million**

On 11 August 2017, Build King Civil Engineering Limited ("Build King Civil", 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 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.

#### **(3) General banking facility of up to HK\$50 million**

On 11 August 2017, Build King Civil, BKCL and Build King (Zens) Engineering Limited (a 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 2019, 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:

<b>Name of Director</b>	<b>Details of changes</b>
Zen Wei Peu, Derek	<p>Mr. Zen has entered into a service agreement with the Company for a term of three years commencing from 1 May 2019 to 30 April 2022.</p> <p>He is a director of Emmaus Life Sciences, Inc., whose shares began trading on the Nasdaq Capital Market on 18 July 2019.</p>

### 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  
**Build King Holdings Limited**  
**Zen Wei Peu, Derek**  
*Chairman*

Hong Kong, 19 August 2019

# Report on Review of Condensed Consolidated Financial Statements

# 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 11 to 39, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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 “HKICPA”). 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 HKICPA. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

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

### Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

19 August 2019



# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue from services	3	3,569,361	3,129,087
Cost of sales		(3,215,930)	(2,698,111)
Gross profit		353,431	430,976
Investments and other income	5	21,140	9,092
Increase in fair value of financial assets at fair value through profit or loss ("FVTPL")		4,031	374
Administrative expenses		(163,795)	(146,480)
Finance costs	6	(9,183)	(9,857)
Share of results of joint ventures		369	2,435
Share of results of associates		(1,736)	(902)
Profit before tax	7	204,257	285,638
Income tax expense	8	(45,205)	(52,543)
Profit for the period		159,052	233,095
Profit for the period attributable to:			
Owners of the Company		164,040	231,272
Non-controlling interests		(4,988)	1,823
		159,052	233,095
		HK cents	HK cents
Earnings per share	9		
– Basic		13.2	18.6

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit for the period	159,052	233,095
<b>Other comprehensive expense</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(238)	(1,914)
Share of reserves of joint ventures	(112)	—
<b>Total comprehensive income for the period</b>	<b>158,702</b>	<b>231,181</b>
Total comprehensive income for the period attributable to:		
Owners of the Company	163,695	229,421
Non-controlling interests	(4,993)	1,760
	<b>158,702</b>	<b>231,181</b>

# Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTES	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	138,265	219,922
Right-of-use assets		34,930	—
Intangible assets		59,220	59,958
Goodwill		30,554	30,554
Interests in joint ventures	12	150,943	151,926
Interests in associates	13	6,313	7,245
Other financial asset at amortised cost		38,025	38,654
		<b>458,250</b>	<b>508,259</b>
<b>Current assets</b>			
Inventories		72,230	58,146
Debtors, deposits and prepayments	14	323,887	371,043
Contract assets	15	1,631,161	1,672,750
Amounts due from associates		8,000	7,699
Amounts due from other partners of joint operations		246,315	212,994
Amount due from a joint venture		2,027	—
Loans to joint ventures		19,777	22,020
Financial assets at FVTPL	16	58,654	54,623
Tax recoverable		2,825	9,415
Pledged bank deposits	21	65,317	2,336
Time deposits with original maturity of not less than three months		320,000	284,400
Bank balances and cash		1,541,746	1,092,545
		<b>4,291,939</b>	<b>3,787,971</b>
<b>Current liabilities</b>			
Creditors and accrued charges	17	2,246,938	2,194,569
Contract liabilities		917,619	566,355
Lease liabilities		20,331	—
Amount due to an intermediate holding company		15,329	18,891
Amounts due to fellow subsidiaries		3,823	8,839
Amount due to a joint venture		1,142	1,142
Amounts due to other partners of joint operations		2,011	2,691
Amounts due to non-controlling interests		3,094	3,094
Amount due to an associate		18,791	17,686
Tax payable		142,495	128,170
Bank loans - due within one year	18	156,314	253,400
Bonds		76,794	—
		<b>3,604,681</b>	<b>3,194,837</b>
<b>Net current assets</b>		<b>687,258</b>	<b>593,134</b>
<b>Total assets less current liabilities</b>		<b>1,145,508</b>	<b>1,101,393</b>



# Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTES	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
<b>Capital and reserves</b>			
Ordinary share capital	19	124,188	124,188
Reserves		925,498	816,446
Equity attributable to owners of the Company		1,049,686	940,634
Non-controlling interests		(1,042)	3,951
<b>Total equity</b>		<b>1,048,644</b>	<b>944,585</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	5,750	5,750
Obligations in excess of interests in joint ventures	12	6,460	4,853
Obligations in excess of interests in associates	13	14,598	13,794
Amount due to an associate		2,399	3,192
Lease liabilities		14,975	—
Bonds		52,682	129,219
		96,864	156,808
		1,145,508	1,101,393

# Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Ordinary share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (Note a)	Special reserve HK\$'000 (Note b)	Asset revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2018 (audited)	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
As at 1 January 2019 (audited)	<b>124,188</b>	<b>14,186</b>	<b>4,284</b>	<b>(943)</b>	<b>(63,141)</b>	<b>4,290</b>	<b>857,770</b>	<b>940,634</b>	<b>3,951</b>	<b>944,585</b>
Profit for the period	—	—	—	—	—	—	164,040	164,040	(4,988)	159,052
Exchange differences arising on translation of foreign operations	—	—	(233)	—	—	—	—	(233)	(5)	(238)
Share of reserves of joint ventures	—	—	(112)	—	—	—	—	(112)	—	(112)
Total comprehensive (expense) income for the period	—	—	(345)	—	—	—	164,040	163,695	(4,993)	158,702
Dividend paid	—	—	—	—	—	—	(54,643)	(54,643)	—	(54,643)
At 30 June 2019 (unaudited)	<b>124,188</b>	<b>14,186</b>	<b>3,939</b>	<b>(943)</b>	<b>(63,141)</b>	<b>4,290</b>	<b>967,167</b>	<b>1,049,686</b>	<b>(1,042)</b>	<b>1,048,644</b>

Notes:

- The other reserve represents the excess of the consideration paid over the additional interests in net assets of respective acquired subsidiaries.
- The special reserve represents adjustment in share capital on the reverse acquisition of the Company in 2004.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	NOTE	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Net cash from operating activities</b>		<b>622,795</b>	220,958
<b>Investing activities</b>			
Dividends received from a joint venture		2,847	3,349
Dividends from financial assets at FVTPL		2,640	2,340
Advances to other partners of joint operations		(34,001)	(6,466)
Loans repayment from joint ventures		2,243	—
Advance to a joint venture		(2,027)	—
Advances to associates		(301)	(313)
Placement of pledged bank deposits		(62,981)	—
Placement of time deposits		(290,000)	—
Withdrawal of time deposits		254,400	—
Purchases of property, plant and equipment		(7,700)	(13,582)
Proceeds from disposal of property, plant and equipment		1,151	475
Capital injection to an associate		—	(1,800)
Net cash inflow arising on acquisition of a subsidiary	25	133,161	—
<b>Net cash used in investing activities</b>		<b>(568)</b>	(15,997)
<b>Financing activities</b>			
(Repayment to) advance from an intermediate holding company		(3,562)	1,242
Repayments of bank loans		(152,735)	(90,784)
Repayments of lease liabilities		(9,146)	—
Interest paid		(8,397)	(9,301)
New bank loans raised		55,649	118,439
Dividend paid		(54,643)	(37,256)
<b>Net cash used in financing activities</b>		<b>(172,834)</b>	(17,660)
<b>Net increase in cash and cash equivalents</b>		<b>449,393</b>	187,301
<b>Cash and cash equivalents at beginning of the period</b>		<b>1,092,545</b>	949,029
Effect of foreign exchange rate changes, net		(192)	(1,494)
<b>Cash and cash equivalents at end of the period</b>		<b>1,541,746</b>	1,134,836
Represented by			
Bank balances and cash		1,541,746	1,134,836



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 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. 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.

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 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

### 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 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations.

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### As a lessee

###### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

###### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

##### **As a lessee (Continued)**

##### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

##### **As a lessee (Continued)**

###### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

##### **As a lessor**

###### Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

###### Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

###### Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

##### **Definition of a lease**

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

##### As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$36,004,000 and right-of-use assets of HK\$36,004,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.5%.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

##### As a lessee (Continued)

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	53,275
Lease liabilities discounted at relevant incremental borrowing rates	51,695
Less: Recognition exemption - short-term leases	15,691
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	36,004
Analysed as	
Current	15,516
Non-current	20,488
	36,004

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of- use assets HK\$'000
Right-of-use assets relating to operating leases of office premises recognised upon application of HKFRS 16	36,004
By class:	
Land and buildings	36,004

##### As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

##### As a lessor (Continued)

- (b) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS16 at 1 January 2019 HK\$'000
<b>Non-current assets</b>			
Right-of-use assets	—	36,004	<b>36,004</b>
<b>Current liabilities</b>			
Lease liabilities	—	15,516	<b>15,516</b>
<b>Non-current liabilities</b>			
Lease liabilities	—	20,488	<b>20,488</b>

No adjustments have been made, in the application of HKFRS 16 as a lessor, on the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the current interim period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 3. REVENUE FROM SERVICES

### Disaggregation of revenue

	Six months ended 30 June 2019	
	Hong Kong HK\$'000	PRC HK\$'000
<b>Type of services</b>		
Construction services	3,557,893	—
Sewage treatment plant operation	—	11,468
Revenue from contracts with customers	3,557,893	11,468
<b>Timing of revenue recognition</b>		
Over time	3,557,893	11,468

	Six months ended 30 June 2018	
	Hong Kong HK\$'000	PRC HK\$'000
<b>Type of services</b>		
Construction services	3,117,887	—
Sewage treatment plant operation	—	11,200
Revenue from contracts with customers	3,117,887	11,200
<b>Timing of revenue recognition</b>		
Over time	3,117,887	11,200

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 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 2019

	Hong Kong HK\$'000	The PRC HK\$'000	Middle East HK\$'000	Total HK\$'000
Results				
Segment revenue	3,557,893	11,468	—	3,569,361
Segment profit (loss)	209,057	1,437	(369)	210,125
Unallocated expenses				(1,989)
Investments income				2,640
Increase in fair value of financial assets at FVTPL				4,031
Share of results of joint ventures				369
Share of results of associates				(1,736)
Finance costs				(9,183)
Profit before tax				204,257

Other segment information:

### Six months ended 30 June 2019

	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:				
Loss on disposal of property, plant and equipment	2,602	—	—	2,602

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 4. SEGMENTAL INFORMATION (Continued)

Six months ended 30 June 2018

	Hong Kong HK\$'000	The PRC HK\$'000	Middle East HK\$'000	Total 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 financial assets at FVTPL				374
Share of results of joint ventures				2,435
Share of results of associates				(902)
Finance costs				(9,857)
Profit before tax				285,638

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

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 financial assets at FVTPL, change in fair value of financial assets at FVTPL, share of results of joint ventures and associates, finance costs and unallocated expenses.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 5. INVESTMENTS AND OTHER INCOME

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Investments and other income include:		
Dividends from financial assets at FVTPL	2,640	2,340
Gain on disposal of property, plant and equipment	—	400
Interest on bank deposits	5,970	1,037
Interest on loans to a joint venture	1,576	—
Interest on other receivable	85	10
Interest on other financial asset at amortised cost	496	541
PRC Value-Added Tax refund	851	951
Government subsidy	12	—
Bargain purchase gain on acquisition of a subsidiary	368	—

## 6. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Interests on:		
Bank borrowings	3,884	4,788
Bonds	4,770	4,770
Imputed interest expense on non-current interest-free amount due to an associate	312	299
Interest expense on lease liabilities	217	—
	<b>9,183</b>	9,857

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	692	719
Depreciation of right-of-use assets	8,912	—
Depreciation of property, plant and equipment	86,529	94,335
Loss on disposal of property, plant and equipment	2,602	—

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Current tax:		
Hong Kong	45,207	52,482
(Overprovision) underprovision in prior years:		
Hong Kong	(40)	52
The PRC	38	9
	(2)	61
	45,205	52,543

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 2018: 16.5%) for the six months ended 30 June 2019.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% for both periods.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 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	
	2019 HK\$'000	2018 HK\$'000
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share	164,040	231,272
	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	
	2019 HK\$'000	2018 HK\$'000
Dividend paid and recognised as distribution during the period:		
2018 final dividend - HK4.4 cents per share (six months ended 30 June 2018: 2017 final dividend - HK3 cents per share)	54,643	37,256

## 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$7,700,000 (six months ended 30 June 2018: HK\$13,582,000) on additions to property, plant and equipment.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 12. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES

	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
Cost of investments in unlisted joint ventures	<b>46,176</b>	46,176
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>25,910</b>	28,500
Loans to joint ventures (note)	<b>72,086</b> <b>72,397</b>	74,676 72,397
	<b>144,483</b>	147,073
Included in:		
Non-current assets	<b>150,943</b>	151,926
Non-current liabilities	<b>(6,460)</b>	(4,853)
	<b>144,483</b>	147,073

Note: The loans to joint ventures are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the loans are considered as part of the Group's net investments in the joint ventures.

At 30 June 2019, the Group has contractual obligations to share the net liabilities of certain joint ventures amounting to HK\$6,460,000 (31 December 2018: HK\$4,853,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 13. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
Cost of investments in unlisted associates	<b>10,330</b>	10,330
Share of post-acquisition losses and other comprehensive income	<b>(18,615)</b>	(16,879)
	<b>(8,285)</b>	(6,549)
Included in:		
Non-current assets	<b>6,313</b>	7,245
Non-current liabilities	<b>(14,598)</b>	(13,794)
	<b>(8,285)</b>	(6,549)

Note: At 30 June 2019, the Group has contractual obligations to share the net liabilities of certain associates amounting to HK\$14,598,000 (31 December 2018: HK\$13,794,000).

## 14. DEBTORS, DEPOSITS AND PREPAYMENTS

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

	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	<b>184,871</b>	236,903
61 to 90 days	<b>2</b>	845
Over 90 days	<b>22,392</b>	18,321
	<b>207,265</b>	256,069
Bills receivables	<b>5,592</b>	6,773
Other debtors, deposits and prepayments	<b>111,030</b>	108,201
	<b>323,887</b>	371,043

The Group allows an average credit period of 60 days to its trade customers.

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 expected credit losses ("ECL") for trade receivables are assessed individually as at 30 June 2019. After the assessment of the Group, the impairment allowance on trade receivables is insignificant to the Group for the current interim period.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 15. CONTRACT ASSETS

	Notes	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Analysed as current:			
Unbilled revenue of construction contracts	(a)	1,117,894	1,171,490
Retention receivables of construction contracts	(b)	513,267	501,260
		<b>1,631,161</b>	1,672,750
Retention receivables of construction contracts			
Due within one year		162,407	303,200
Due more than one year		350,860	198,060
		<b>513,267</b>	501,260

Notes:

- (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 receive 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 individually as at 30 June 2019. After the assessment of the Group, the impairment allowance on contract assets is insignificant to the Group for the current interim period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 16. FINANCIAL ASSETS AT FVTPL

	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
Financial assets mandatorily measured at FVTPL:		
– Listed securities in Hong Kong	<b>52,371</b>	46,790
Financial assets designated at FVTPL:		
– Unlisted securities in the United States (the “USA”)	<b>6,283</b>	7,833
Analysed for reporting purpose as:		
Current assets	<b>58,654</b>	54,623
Non-current assets	<b>–</b>	–
	<b>58,654</b>	54,623

The listed securities in Hong Kong are measured at fair value at recurring basis, by reference to market bid price in active market and classified under Level 1.

The unlisted securities represent investment in unlisted equity securities issued by a private entity incorporated in the USA. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The details of fair value measurement are disclosed in note 22.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 17. 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 2019 HK\$'000</b>	31 December 2018 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	<b>133,167</b>	130,116
61 to 90 days	<b>81,973</b>	18,035
Over 90 days	<b>56,213</b>	42,933
	<b>271,353</b>	191,084
Retention payables	<b>402,456</b>	368,066
Accrued project costs	<b>1,510,058</b>	1,545,509
Other creditors and accrued charges	<b>63,071</b>	89,910
	<b>2,246,938</b>	2,194,569
Retention payables:		
Repayable within one year	<b>164,409</b>	207,503
Repayable more than one year	<b>238,047</b>	160,563
	<b>402,456</b>	368,066

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 18. BANK LOANS

	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
The maturity of bank loans is as follows:		
Within one year	<b>114,484</b>	197,927
In the second year	<b>41,830</b>	53,473
In the third to fifth year inclusive	—	2,000
	<b>156,314</b>	253,400
Less: Amount due within one year shown under current liabilities	<b>(156,314)</b>	(253,400)
Amount due after one year	—	—
Secured	<b>16,500</b>	71,000
Unsecured	<b>139,814</b>	182,400
	<b>156,314</b>	253,400

All the Group's bank loans contain a repayable on demand clause and accordingly as at 30 June 2019, bank loans that are repayable more than one year after the end of the reporting period with aggregate carrying amount of HK\$41,830,000 (31 December 2018: HK\$55,473,000) have been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK\$828,215,000 (31 December 2018: HK\$553,007,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 19. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each At 1 January 2018, 31 December 2018 and 30 June 2019	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each At 1 January 2018, 31 December 2018 and 30 June 2019	1,241,877,992	124,188

## 20. 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.

## 21. PLEDGE OF ASSETS

As at 30 June 2019, bank deposits amounting to HK\$65,317,000 (31 December 2018: HK\$2,336,000) of the Group were pledged to banks for securing the banking facilities granted to the Group.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 22. 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).

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2019 HK\$'000	31 December 2018 HK\$'000		
<b>Financial assets</b>				
1) Listed equity securities in Hong Kong	52,371	46,790	Level 1	Quoted bid price in an active market.
2) Unlisted equity securities in USA	6,283	7,833	Level 3	Quoted volume - weighted bid price of securities 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 23. CAPITAL COMMITMENTS

	<b>30 June 2019 HK\$'000</b>	31 December 2018 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	<b>4,386</b>	3,370

## 24. RELATED PARTY TRANSACTIONS

	<b>Six months ended 30 June</b>	
	<b>2019 HK\$'000</b>	2018 HK\$'000
<u>Fellow subsidiaries</u>		
Purchase of construction materials	<b>45,330</b>	39,550
Service income	<b>18</b>	—
Construction contract revenue	<b>28,398</b>	32,792
<u>An associate of ultimate holding company</u>		
Construction contract revenue	<b>447,273</b>	75,844
<u>Compensation of key management personnel</u>		
Short-term employee benefits	<b>34,297</b>	27,000
Post-employment benefits	<b>979</b>	956
	<b>35,276</b>	27,956

## 25. ACQUISITION OF A SUBSIDIARY

As one of the partner for Hsin Chong- Build King Joint Venture (the Joint Venture), Hsin Chong Construction Company Limited (Hsin Chong) was in financial difficulties, pursuant to the joint venture agreement between Hsin Chong and the Group, the Group exercised their right on 13 December 2018, of which subsequently be upheld by court order dated 13 June 2019, to exclude Hsin Chong from further participation and management of the Joint Venture and took over Hsin Chong interests in the Joint Venture. As the Group has taken over the 65% interests in the Joint Venture previously held by Hsin Chong and has control over all the relevant activities of the Joint Venture, the Joint Venture accordingly become wholly-owned subsidiary on the date of exclusion.

The acquisition was accounted for using the purchase method. Acquisition-related costs had been excluded from the cost of the above acquisition. The costs were insignificant and recognised as an expense within the administrative expense in the condensed consolidated statement of profit or loss.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 25. ACQUISITION OF A SUBSIDIARY (Continued)

### Assets acquired and liabilities assumed at the acquisition date:

	HK\$'000
Property, plant and equipment	925
Contract assets	4,605
Debtors, deposits and prepayments	2,443
Tax recoverable	4,507
Bank balances and cash	133,161
Contract liabilities	(109,366)
Creditors and accrued charges	(35,907)
Net assets	368

### Gain on bargain purchase arising from the acquisition:

	HK\$'000
Cash consideration paid	—
Less: net assets acquired by the Group at the acquisition date	(368)
Gain on bargain purchase arising from the acquisitions	(368)

The fair value of the Joint Venture's identifiable assets and liabilities had been assessed by the management of the Group and it considered that the fair value of debtors, deposits and prepayments and creditors and accrued charges, at the date of acquisition amounted to HK\$2,443,000 and HK\$35,907,000 respectively, approximated to gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considered that the contractual cash flows not expected to be collected was insignificant and the gain on bargain purchase arising from acquisition of HK\$368,000 was credited to the Group as other income.

### Net cash inflow on acquisition:

	HK\$'000
Cash consideration paid	—
Less: cash and cash equivalent balances acquired	(133,161)
	(133,161)

Included in the profit for the period ended 30 June 2019 was profit of HK\$59,663,000 attributable to the additional business generated by the Joint Venture. Revenue for the period ended 30 June 2019 contributed by the Joint Venture was HK\$522,270,000.

# 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

Ho Tai Wai, David  
Ling Lee Ching Man, Eleanor  
Lo Yiu Ching, Dantes

## AUDIT COMMITTEE

Ho Tai Wai, David *(Chairman)*  
Ling Lee Ching Man, Eleanor  
Lo Yiu Ching, Dantes

## NOMINATION COMMITTEE

Lo Yiu Ching, Dantes *(Chairman)*  
Ho Tai Wai, David  
Ling Lee Ching Man, Eleanor  
Zen Wei Peu, Derek

## REMUNERATION COMMITTEE

Ling Lee Ching Man, Eleanor *(Chairwoman)*  
Ho Tai Wai, David  
Lo Yiu Ching, Dantes  
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  
Hang Seng Bank Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor  
North Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Progressive Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## STOCK CODE

00240

## WEBSITE

[www.buildking.hk](http://www.buildking.hk)

