

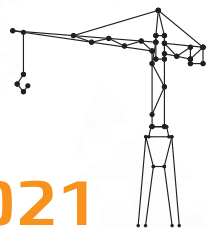


Build King

Build King Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 00240)



2021
INTERIM
REPORT



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Interim Financial Highlights

The board of directors (the “Board”) of Build King Holdings Limited (the “Company”) announces the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021.

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	2%
Equity	HK\$1,611 million
Equity per share	HK\$1.30
Group revenue	HK\$4,678 million
Profit attributable to owners of the Company	HK\$147 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 2021.





Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Operating Results

Following the record-high successful tenders in 2020, these projects started off and progressed smoothly as planned and hence the Group's turnover for the six months ended 30 June 2021 increased by 26% to HK\$4,678 million. The construction market was becoming more competitive than ever before, tender gross margin was invariably on a decreasing trend. For the first half of 2020, the Group managed to achieve the gross margin at 11% mainly because several major projects were finalized with significant profit. For the current period, the gross margin decreased to 7% because most recently awarded projects generated minimal profit at their early stage. Hence the gross profit dropped by HK\$73 million. The decrease in the gross profit was partially offset by increase of other income and decrease of corporate administrative expenses, and the profit after tax decreased by HK\$61 million from HK\$208 million to HK\$147 million.

During the six months ended 30 June 2021, we successfully bid five projects of a total contract sum of HK\$5.2 billion, of which the largest one is the HK\$4 billion infrastructure works in Tung Chung East under Tung Chung New Town Extension project which need to be completed in 2026. As at the date of this report, the total outstanding works was at HK\$27 billion, the similar level as at the end of 2020.

With the current satisfactory progress of construction projects, we expect the financial performance for the second half of this year will be comparable to the first half of this year, and therefore, for the whole year of 2021, the financial performance would be comparable to 2020 if the one-off government subsidy of HK\$116 million under Employment Support Scheme in 2020 had not been received.

The infrastructure investment projects in the PRC recorded the turnover of HK\$76 million and segmental profit of HK\$11 million. Though these results fell short of our expectation, it was significant improvement as compared with the turnover of HK\$22 million and a loss of HK\$2 million for the corresponding period of 2020.

For the sewage treatment plant in Wuxi City, the operation after the equipment being upgraded in 2020 runs smoothly; the sewage fee income was doubled; and operation profit exceeded the budget.

For the centralized provision of steam to factories in industrial parks, the operation of two steam plants, one in Gao Tai County and one in Yumen City, lagged behind our expectation. The demand of steam fuel by factories was lower than the budget because the factory production was slowed down by the tightened environmental and safety requirements. Currently, these two steam plants were operating at breakeven level only. We expect once the factories fully comply with the new requirements and more new factories move into the industrial parks, the demand of steam will rise quickly. Ongoing construction of steam plants in other four sites in Gansu Province and Hebei Province are planned to be completed in the second half of 2021. By end of 2021, the six steam plants will be in operation and are expected to make significant contribution to the profit of the Group in years ahead.

Employees and Remuneration Policies

At 30 June 2021, the Group had a total of 3,153 employees and total remuneration for the six months ended 30 June 2021 was approximately HK\$636 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 2021, the Group had liquid assets of HK\$2,267 million (at 31 December 2020: HK\$2,085 million) comprising financial assets at FVTPL of HK\$470 million (at 31 December 2020: HK\$490 million), time deposits with original maturity of not less than three months of HK\$263 million (at 31 December 2020: HK\$80 million) and bank balances and cash of HK\$1,534 million (at 31 December 2020: HK\$1,515 million).

At 30 June 2021, the Group had a total of interest bearing borrowings of HK\$780 million (at 31 December 2020: HK\$520 million) comprising bank loans of HK\$746 million (at 31 December 2020: HK\$483 million) and the Bonds of HK\$11 million (at 31 December 2020: HK\$14 million) and other creditors of HK\$23 million (as at 31 December 2020: HK\$23 million) with following maturity profile:

	At 30 June 2021 HK\$ million	At 31 December 2020 HK\$ million
Within one year	550	378
In the second year	141	101
In the third to fifth year inclusive	89	41
	780	520

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 2021, total borrowings of HK\$62 million (at 31 December 2020: HK\$52 million) carried interest at fixed rate.

Capital Structure and Gearing

At 30 June 2021, total equity was HK\$1,653 million (at 31 December 2020: HK\$1,589 million) comprising ordinary share capital of HK\$124 million (at 31 December 2020: HK\$124 million), reserves of HK\$1,487 million (at 31 December 2020: HK\$1,457 million) and non-controlling interests of HK\$42 million (at 31 December 2020: HK\$8 million).

At 30 June 2021, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 47% (at 31 December 2020: 33%).

Pledge of Assets

At 30 June 2021, bank deposits of the Group amounting to HK\$75 million (at 31 December 2020: HK\$40 million) were pledged to banks for securing the banking facilities granted to the Group.

At 30 June 2021, quoted debt securities of the Group amounting to HK\$426 million (as at 31 December 2020: HK\$447 million) were pledged to a bank for securing the banking facility granted to the Group.



DIRECTORS' INTERESTS

As at 30 June 2021, the interests and short positions of the directors (the "Directors") and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(I) The Company

Interests in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held		Percentage of shareholding (%)
		Long position (Note)	Short position	
Zen Wei Peu, Derek	Personal	123,725,228	–	9.96
Chang Kam Chuen, Desmond	Personal	1,500,000	–	0.12
David Howard Gem	Personal	900,000	–	0.07

Note:

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

(II) Associated Corporations

Interests in Shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of shareholding (%)
			Long position (Note 1)	Short position	
Zen Wei Peu, Derek	Wai Kee Holdings Limited	Personal	249,424,078	–	31.45
	("Wai Kee")	Securities interest	45,567,000	–	5.75
	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
	WK Growth Fund Limited	Personal	3,800	–	16.66 (Note 3)

Notes:

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.
3. As at 30 June 2021, WK Growth Fund Limited had issued 22,809.90 non-voting participating shares. Accordingly, the percentage has been adjusted.



Disclosure of Interests

DIRECTORS' INTERESTS (Continued)

Save as disclosed above, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded 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.

Save as disclosed above, none of the Directors nor their spouses 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 2021, 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 is a direct wholly-owned subsidiary of Wai Kee (Zens). Mr. Zen Wei Peu, Derek is a director of Top Horizon.
3. Wai Kee (Zens) is deemed to be interested in the Shares through its interests in Top Horizon. Mr. Zen Wei Peu, Derek is a director of Wai Kee (Zens).
4. Wai Kee (Zens) is a direct wholly-owned subsidiary of Wai Kee. Accordingly, Wai Kee is deemed to be interested in the Shares through its interests in Wai Kee (Zens). Mr. Zen Wei Peu, Derek is the Vice Chairman, the Chief Executive Officer and an executive director of Wai Kee.

Save as disclosed above, as at 30 June 2021, 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 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 2021, 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 2021.



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 2021.

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 2021.

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

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

Name of Director	Details of changes
Zen Wei Peu, Derek	Mr. Zen's annual salary has been revised from HK\$3 million to HK\$8 million with effect from 1 January 2021.
Ng Cheuk Hei, Shirley	Ms. Ng has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company with effect from 24 March 2021.

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, 18 August 2021





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 10 to 31, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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 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

18 August 2021



Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	NOTES	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue from services	3	4,677,801	3,719,131
Cost of sales		(4,335,401)	(3,303,947)
Gross profit		342,400	415,184
Investments and other income	5	30,864	18,931
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		(21,402)	(14,600)
Administrative expenses		(159,076)	(185,936)
Finance costs	6	(8,484)	(9,555)
Share of results of joint ventures		2,299	(1,574)
Share of results of associates		(268)	(878)
Profit before tax	7	186,333	221,572
Income tax expense	8	(39,476)	(13,185)
Profit for the period		146,857	208,387
Profit (loss) for the period attributable to:			
Owners of the Company		147,389	209,130
Non-controlling interests		(532)	(743)
		146,857	208,387
Earnings per share	9	HK cents	HK cents
– Basic		11.9	16.8





Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Profit for the period	146,857	208,387
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	3,836	(5,268)
Share of reserves of joint ventures	84	(267)
Total comprehensive income for the period	150,777	202,852
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	150,873	204,128
Non-controlling interests	(96)	(1,276)
	150,777	202,852





Condensed Consolidated Statement of Financial Position

At 30 June 2021

	NOTES	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	407,811	364,326
Right-of-use assets	11	48,623	50,812
Intangible assets		294,485	268,945
Goodwill		30,554	30,554
Interests in joint ventures	12	184,027	176,815
Interests in associates	13	3,787	4,188
Loan to an associate		2,700	2,700
Other financial asset at amortised cost		36,431	36,955
		1,008,418	935,295
Current assets			
Inventories		18,886	12,750
Debtors, deposits and prepayments	14	461,691	472,643
Contract assets	15	1,931,199	1,793,164
Amount due from a joint venture		707	701
Amounts due from associates		7,758	7,786
Amounts due from other partners of joint operations		30,689	61,373
Financial assets at FVTPL	16	470,374	490,137
Tax recoverable		28,366	35,018
Pledged bank deposits	21	74,821	39,683
Time deposits with original maturity of not less than three months		263,028	79,540
Bank balances and cash		1,534,044	1,515,154
		4,821,563	4,507,949
Current liabilities			
Creditors and accrued charges	17	2,867,274	2,616,149
Contract liabilities		366,358	568,706
Lease liabilities		20,419	23,043
Amount due to an intermediate holding company		18,322	16,945
Amounts due to fellow subsidiaries		5,057	1,530
Amounts due to other partners of joint operations		1,148	1,176
Amounts due to non-controlling interests		3,094	3,094
Amount due to an associate		21,002	19,896
Tax payable		49,935	32,541
Bank loans - due within one year	18	746,087	482,762
Bonds		10,990	13,965
		4,109,686	3,779,807
Net current assets		711,877	728,142
Total assets less current liabilities		1,720,295	1,663,437





Condensed Consolidated Statement of Financial Position

At 30 June 2021

	NOTES	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Capital and reserves			
Ordinary share capital	19	124,188	124,188
Reserves		1,487,045	1,456,715
Equity attributable to owners of the Company		1,611,233	1,580,903
Non-controlling interests		41,891	8,391
Total equity		1,653,124	1,589,294
Non-current liabilities			
Deferred tax liabilities	20	5,750	5,750
Obligations in excess of interests in joint ventures	12	116	106
Obligations in excess of interests in associates	13	14,138	14,432
Amount due to an associate		1,490	2,258
Lease liabilities		22,677	28,597
Other creditors		23,000	23,000
		67,171	74,143
		1,720,295	1,663,437





Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	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	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020 (audited)	124,188	14,186	917	(1,701)	(63,141)	4,290	1,099,546	1,178,285	6,649	1,184,934
Profit (loss) for the period	—	—	—	—	—	—	209,130	209,130	(743)	208,387
Exchange differences arising										
on translation of foreign operations	—	—	(4,735)	—	—	—	—	(4,735)	(533)	(5,268)
Share of reserves of joint ventures	—	—	(267)	—	—	—	—	(267)	—	(267)
Total comprehensive (expense) income for the period	—	—	(5,002)	—	—	—	209,130	204,128	(1,276)	202,852
Dividend paid	—	—	—	—	—	—	(59,610)	(59,610)	—	(59,610)
At 30 June 2020 (unaudited)	124,188	14,186	(4,085)	(1,701)	(63,141)	4,290	1,249,066	1,322,803	5,373	1,328,176
At 1 January 2021 (audited)	124,188	14,186	22,238	(1,701)	(63,141)	4,290	1,480,843	1,580,903	8,391	1,589,294
Profit (loss) for the period	—	—	—	—	—	—	147,389	147,389	(532)	146,857
Exchange differences arising										
on translation of foreign operations	—	—	3,400	—	—	—	—	3,400	436	3,836
Share of reserves of joint ventures	—	—	84	—	—	—	—	84	—	84
Total comprehensive income (expense) for the period	—	—	3,484	—	—	—	147,389	150,873	(96)	150,777
Capital contribution paid on behalf of the non-controlling interest	—	—	—	(33,612)	—	—	—	(33,612)	33,612	—
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(16)	(16)
Dividend paid	—	—	—	—	—	—	(86,931)	(86,931)	—	(86,931)
At 30 June 2021 (unaudited)	124,188	14,186	25,722	(35,313)	(63,141)	4,290	1,541,301	1,611,233	41,891	1,653,124

Notes:

- The other reserve represents (i) the excess of the consideration paid over the additional interests in net assets of respective acquired subsidiaries and (ii) the capital contribution paid on behalf of the non-controlling interest.
- 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 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Net cash from (used in) operating activities	209,291	(52,950)
Investing activities		
Placement of time deposits	(262,414)	(284)
Purchases of property, plant and equipment	(82,611)	(152,529)
Placement of pledged bank deposits	(35,138)	(508)
Additions of service concession arrangement	(27,125)	—
Payments for right-of-use assets	(5,604)	(664)
Loans to a joint venture	(4,819)	(17,098)
Net cash outflow arising on disposal of a subsidiary	(4,141)	—
Withdrawal of time deposits	78,931	76,782
Proceeds from disposal of property, plant and equipment	803	4,397
Repayments from associates	28	442
Capital contribution to a joint venture	—	(12)
Repayments from other partners of joint operations	—	130,672
Dividends received from a joint venture	—	3,352
Dividends from financial assets at FVTPL	—	2,640
Interest on other receivables received	—	49
Net cash (used in) from investing activities	(342,090)	47,239
Financing activities		
New bank loans raised	395,908	59,045
Advance from an intermediate holding company	1,377	559
Repayments of bank loans	(133,342)	(45,760)
Dividend paid	(86,931)	(59,610)
Repayments of lease liabilities	(14,414)	(12,316)
Interest paid	(7,621)	(8,972)
Repayments of bonds	(3,000)	(77,000)
Net cash from (used in) financing activities	151,977	(144,054)
Net increase (decrease) in cash and cash equivalents	19,178	(149,765)
Cash and cash equivalents at beginning of the period	1,515,154	1,687,720
Effect of foreign exchange rate changes, net	(288)	(2,749)
Cash and cash equivalents at end of the period	1,534,044	1,535,206
Represented by		
Bank balances and cash	1,534,044	1,535,206



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. GENERAL INFORMATION

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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance 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 2021

3. REVENUE FROM SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30 June 2021		
	Hong Kong HK\$'000	The People's Republic of China (the "PRC") HK\$'000	Consolidated HK\$'000
Types of service			
Construction contract	4,602,176	28,481	4,630,657
Sewage treatment plant operation	—	27,352	27,352
Steam fuel plant operation	—	19,792	19,792
Total revenue	4,602,176	75,625	4,677,801
Timing of revenue recognition			
Over time	4,602,176	75,625	4,677,801

	Six months ended 30 June 2020		
	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
Types of service			
Construction contract	3,697,531	—	3,697,531
Sewage treatment plant operation	—	13,367	13,367
Steam fuel plant operation	—	8,233	8,233
Total revenue	3,697,531	21,600	3,719,131
Timing of revenue recognition			
Over time	3,697,531	21,600	3,719,131



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 and the PRC. The Group's reportable segments under HKFRS 8 "Operating Segments" are as follows:

	Six months ended 30 June 2021		
	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
Results			
Segment revenue	4,602,176	75,625	4,677,801
Segment profit	193,413	11,488	204,901
Unallocated expenses			(4,554)
Investments income			13,841
Decrease in fair value of financial assets at FVTPL			(21,402)
Share of results of joint ventures			2,299
Share of results of associates			(268)
Finance costs			(8,484)
Profit before tax			186,333

Other segment information:

	Six months ended 30 June 2021		
	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss:			
Gain on disposal of property, plant and equipment	695	—	695





Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. SEGMENTAL INFORMATION (Continued)

	Six months ended 30 June 2020		
	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
Results			
Segment revenue	3,697,531	21,600	3,719,131
Segment profit (loss)	248,943	(2,107)	246,836
Unallocated expenses			(2,220)
Investments income			3,563
Decrease in fair value of financial assets at FVTPL			(14,600)
Share of results of joint ventures			(1,574)
Share of results of associates			(878)
Finance costs			(9,555)
Profit before tax			221,572

Other segment information:

	Six months ended 30 June 2020		
	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000

Amounts included in the measure of segment profit or loss:

Gain on disposal of property, plant and equipment	285	—	285
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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, interest on 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 2021

5. INVESTMENTS AND OTHER INCOME

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Investments and other income include:		
Dividends from financial assets at FVTPL	1,650	2,640
Interest on bank deposits	1,173	6,597
Interest on other receivables	3,741	3,447
Interest on other financial asset at amortised cost	470	454
Interest on financial assets at FVTPL	12,191	923
Interest on loan to an associate	37	—
Gain on disposal of property, plant and equipment	695	285
Government subsidy for the PRC project	7,868	—

6. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Interests on:		
Bank borrowings	6,718	6,228
Bonds	472	2,900
Other borrowings	456	—
Lease liabilities	500	101
Imputed interest expense on non-current interest-free amount due to an associate	338	326
	8,484	9,555





Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	5,096	1,523
Depreciation of right-of-use assets	13,183	12,428
Depreciation of property, plant and equipment	40,397	25,434
Impairment loss recognised on amount due from other partner of a joint operation	—	7,010
Loss on disposal of a subsidiary	628	—

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Current tax:		
Hong Kong	39,925	13,454
(Over)underprovision in prior years:		
Hong Kong	(1,205)	(269)
The PRC	756	—
	(449)	(269)
	39,476	13,185

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 2020: 16.5%) for the six months ended 30 June 2021.

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 2021

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	
	2021 HK\$'000	2020 HK\$'000
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share	147,389	209,130
	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	
	2021 HK\$'000	2020 HK\$'000
Dividend paid and recognised as distribution during the period:		
2020 final dividend - HK7.0 cents per share (six months ended 30 June 2020: 2019 final dividend - HK4.8 cents per share)	86,931	59,610



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the period, the Group spent HK\$88,215,000 (six months ended 30 June 2020: HK\$153,193,000) on additions to property, plant and equipment and right-of-use assets.

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Cost of investments in unlisted joint ventures	40,968	40,968
Share of post-acquisition profits and other comprehensive income, net of dividends received	47,567	45,184
Loans to joint ventures (Note)	88,535 95,376	86,152 90,557
	183,911	176,709
Included in:		
Non-current assets	184,027	176,815
Non-current liabilities	(116)	(106)
	183,911	176,709

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 2021, the Group has contractual obligations to share the net liabilities of certain joint ventures amounting to HK\$116,000 (31 December 2020: HK\$106,000).



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Cost of investments in unlisted associates	10,491	10,330
Share of post-acquisition losses and other comprehensive expenses	(20,842)	(20,574)
	(10,351)	(10,244)
Included in:		
Non-current assets	3,787	4,188
Non-current liabilities	(14,138)	(14,432)
	(10,351)	(10,244)

Note: At 30 June 2021, the Group has contractual obligations to share the net liabilities of certain associates amounting to HK\$14,138,000 (31 December 2020: HK\$14,432,000).

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:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	190,491	231,232
61 to 90 days	256	748
Over 90 days	35,883	16,401
	226,630	248,381
Bills receivables	6,574	10,537
Other debtors, deposits and prepayments	228,487	213,725
	461,691	472,643

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 2021. 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 2021

15. CONTRACT ASSETS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts (Note (a))	1,424,354	1,295,164
Retention receivables of construction contracts (Note (b))	506,845	498,000
	1,931,199	1,793,164
Retention receivables of construction contracts		
Due within one year	91,400	148,699
Due more than one year	415,445	349,301
	506,845	498,000

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

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 2021. 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 2021

16. FINANCIAL ASSETS AT FVTPL

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities in Hong Kong (Note (a))	38,751	38,519
Quoted equity securities in the United States of America ("USA") (Note (b))	5,755	4,976
Financial assets designated at FVTPL:		
Quoted debt securities (Note (c))	425,868	446,642
	470,374	490,137
Analysed for reporting purposes as:		
Current assets	470,374	490,137

Notes:

- (a) The listed securities in Hong Kong are measured at fair value at recurring basis, by reference to market bid price in an active market.
- (b) The quoted equity securities represent investment in quoted 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 quoted equity securities are available for trading at the USA's Over-The-Counter ("OTC") market. The quoted equity securities are revalued according to the available quoted OTC price at 30 June 2021 and 31 December 2020.
- (c) The quoted debt securities represent investment in unlisted bonds issued by listed entity. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The quoted debt securities were pledged to a bank for securing the banking facility granted to the Group.





Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	326,127	251,572
61 to 90 days	56,047	27,869
Over 90 days	18,608	35,092
	400,782	314,533
Retention payables	505,666	471,869
Accrued project costs	1,901,537	1,736,502
Other creditors and accrued charges	59,289	93,245
	2,867,274	2,616,149
Retention payables:		
Repayable within one year	108,178	163,973
Repayable more than one year	397,488	307,896
	505,666	471,869

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 2021

18. BANK LOANS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
The maturity of bank loans that based on repayment schedule of respective loan agreements is as follows:		
Within one year	539,377	363,003
In the second year	140,959	101,441
In the third to fifth year inclusive	65,751	18,318
	746,087	482,762
Less: Amount due within one year shown under current liabilities	(746,087)	(482,762)
Amounts shown under non-current liabilities	—	—
Secured bank loans	394,864	350,644
Unsecured bank loans	351,223	132,118
	746,087	482,762

As at 30 June 2021, the Group has bank loans in the amount of HK\$746,087,000 (31 December 2020: HK\$482,762,000) contain a repayable on demand clause and accordingly related bank loans that are repayable more than one year after the end of reporting period with aggregate carrying amount of HK\$206,710,000 (31 December 2020: HK\$119,759,000) have been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK\$722,033,000 (31 December 2020: HK\$839,641,000).





Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 1 January 2020, 31 December 2020 and 30 June 2021	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 1 January 2020, 31 December 2020 and 30 June 2021	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 2021, bank deposits amounting to HK\$74,821,000 (31 December 2020: HK\$39,683,000) of the Group were pledged to banks for securing the banking facilities granted to the Group.

As at 30 June 2021, quoted debt securities amounting to HK\$425,868,000 (31 December 2020: HK\$446,642,000) of the Group were pledged to a bank for securing the banking facility granted to the Group.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

22. FAIR VALUE MEASUREMENTS 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 inputs 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 based on 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 2021 HK\$'000	31 December 2020 HK\$'000		
1)	Listed equity securities in Hong Kong	38,751	38,519	Level 1	Quoted bid price in an active market
2)	Quoted equity securities in the USA	5,755	4,976	Level 1	Quoted price in over-the-counter market
3)	Quoted debt securities	425,868	446,642	Level 1	Quoted 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.





Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

23. CAPITAL COMMITMENTS

	30 June 2021 HK\$'000	31 December 2020 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	86,473	2,560

24. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
<u>Fellow subsidiaries</u>		
Purchase of construction materials	70,684	31,240
Land plant hire income	—	4
Construction contract revenue	41,389	29,881
<u>An associate of ultimate holding company</u>		
Construction contract revenue	29,146	289,258
<u>Compensation of key management personnel</u>		
Short-term employee benefits	53,452	62,601
Post-employment benefits	1,569	1,136
	55,021	63,737





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
Ng Cheuk Hei, Shirley

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Ling Lee Ching Man, Eleanor *(Chairwoman)*
Ho Tai Wai, David
Lo Yiu Ching, Dantes
Ng Cheuk Hei, Shirley
Zen Wei Peu, Derek

COMPANY SECRETARY

Chang Kam Chuen, Desmond

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

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Hang Seng Bank Limited

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Hong Kong

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