



Build King Holdings Limited

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

2023

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 2023.

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	5%
Equity	HK\$2,197 million
Equity per share	HK\$1.77
Group revenue	HK\$5,974 million
Profit attributable to owners of the Company	HK\$250 million
Interim dividend per share	HK4 cents

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

INTERIM DIVIDEND

The Board declared an interim dividend of HK4 cents (six months ended 30 June 2022: nil) per ordinary share for the six months ended 30 June 2023.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Operating Results

The Group's turnover increased mildly by 2.4% to HK\$5.9 billion whereas the profit after tax increased by 26% to HK\$247 million, as compared with the same period of 2022.

During the period, all major projects were running well on track as budget. Having turnover grown almost 200% for the past five years, we would expect future increase of turnover to be moderate and be driven by gradual increase of the government's expenditure on infrastructure.

The gross margin for the half year increased from 8.4% to 11.3% on year-over-year basis, increasing the profit by HK\$190 million. The improved margin was a combination of two factors: significant contribution from a few almost completed projects which variation works were concluded with the client during the period and reducing losses from several difficult projects as mentioned in Chairman's Letter of Annual Report 2022 of the Company. The increase of gross profit was partially offset by the increase of head office overheads which increased from HK\$197 million to HK\$272 million. As a result, the profit after tax increased from HK\$196 million to HK\$247 million.

During the period, newly awarded contracts were HK\$8.1 billion comprising 7 building contracts and 6 civil engineering contracts. We are optimistic a few more major projects will be awarded in the second half of this year, achieving the annual target of new contracts of HK\$10 billion. As of the date of this report, the total outstanding contract works increase to HK\$27 billion.

The infrastructure investment projects in the PRC continued to incur a loss of HK\$27 million. Although the sewage treatment operation in Wuxi City run smoothly with stable income and profit, the steam plants in four industrial parks in Gansu Province have been operating at very low output since the production of factories in the industrial parks were hard hit by slumping export as well as stringent safety and environmental requirements. We are expecting the steam plants will turn around when the general economy starts recovery.

Employees and Remuneration Policies

At 30 June 2023, the Group had a total of 3,510 employees and total remuneration for the six months ended 30 June 2023 was approximately HK\$832 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 2023, the Group had liquid assets of HK\$1,784 million (at 31 December 2022: HK\$2,391 million) comprising financial assets at FVTPL of HK\$509 million (at 31 December 2022: HK\$119 million), time deposits with original maturity of not less than three months of HK\$34 million (at 31 December 2022: HK\$235 million) and bank balances and cash of HK\$1,241 million (at 31 December 2022: HK\$2,037 million).

At 30 June 2023, the Group had a total of interest bearing borrowings of HK\$358 million (at 31 December 2022: HK\$313 million) comprising bank loans of HK\$335 million (at 31 December 2022: HK\$290 million) and other creditors of HK\$23 million (as at 31 December 2022: HK\$23 million) with following maturity profile:

	At 30 June 2023 HK\$ million	At 31 December 2022 HK\$ million
Within one year	288	176
In the second year	47	114
In the third to fifth year inclusive	23	23
	358	313

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 2023, total borrowings of HK\$41 million (at 31 December 2022: HK\$44 million) carried interest at fixed rate.

Capital Structure and Gearing

At 30 June 2023, total equity was HK\$2,224 million (at 31 December 2022: HK\$ 2,126 million) comprising ordinary share capital of HK\$124 million (at 31 December 2022: HK\$124 million), reserves of HK\$2,072 million (at 31 December 2022: HK\$1,969 million) and non-controlling interests of HK\$28 million (at 31 December 2022: HK\$33 million).

At 30 June 2023, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 16% (at 31 December 2022: 15%).

Pledge of Assets

At 30 June 2023, bank deposits of the Group amounting to approximately HK\$69 million (at 31 December 2022: approximately HK\$74 million) were pledged to banks for securing the banking facilities granted to the Group.

At 31 December 2022, quoted debt securities of the Group amounting to approximately HK\$103 million (at 30 June 2023: nil) were pledged to a bank for securing the banking facility granted to the Group.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK4 cents (six months ended 30 June 2022: nil) per ordinary share for the six months ended 30 June 2023 to the shareholders of the Company whose names appear in the register of members of the Company on Tuesday, 12 September 2023.

It is expected that the payment of the interim dividend will be made on Thursday, 28 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11 September 2023 to Tuesday, 12 September 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Friday, 8 September 2023.

Disclosure of Interests

DIRECTORS' INTERESTS

As at 30 June 2023, 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	122,775,228	—	9.89
Chang Kam Chuen, Desmond	Personal	1,500,000	—	0.12
Lui Yau Chun, Paul	Personal	1,683,092	—	0.14
Tsui Wai Tim	Personal	1,150,000	—	0.09
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	252,540,078	—	31.84
	("Wai Kee")	Securities interest	42,337,000	—	5.34
	Wai Kee (Zens) Construction & Transportation Company Limited (Note 2)	Personal	2,000,000	—	10.00
Lui Yau Chun, Paul	Wai Luen Stone Products Limited	Personal	30,000	—	37.50
	Wai Kee	Personal	200,000	—	0.03

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.

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 2023, 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	724,435,033	58.33	—	—
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 3)	Corporate	724,435,033	58.33	—	—
Wai Kee (Note 4)	Corporate	724,435,033	58.33	—	—

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 2023, 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 in Part 2 of Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2023, except for code provision C.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 2023.

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 2023.

AUDIT COMMITTEE

The Audit Committee of the Company 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 2023.

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
Chang Kam Chuen, Desmond	Mr. Chang has entered into a service agreement with the Company for a term of three years commencing from 1 June 2023 to 31 May 2026.
David Howard Gem	Mr. Gem's emolument for acting as a Non-executive Director of the Company has been revised from HK\$240,000 to HK\$300,000 per annum with effect from 1 September 2023.
Chan Chi Hung, Anthony	Mr. Chan's emolument for acting as a Non-executive Director of the Company has been revised from HK\$240,000 to HK\$300,000 per annum with effect from 1 September 2023.
Ho Tai Wai, David	Mr. Ho's emolument for acting as an Independent Non-executive Director of the Company has been revised from HK\$240,000 to HK\$300,000 per annum with effect from 1 September 2023. The additional fee of HK\$120,000 per annum for his acting as the Chairman of the Audit Committee of the Company remained unchanged.
Ling Lee Ching Man, Eleanor	Mrs. Ling's emolument for acting as an Independent Non-executive Director of the Company has been revised from HK\$240,000 to HK\$300,000 per annum with effect from 1 September 2023. The additional fee of HK\$48,000 per annum for her acting as the Chairwoman of the Remuneration Committee of the Company remained unchanged.
Lo Yiu Ching, Dantes	<p>Mr. Lo has resigned as an independent non-executive director of China Overseas Grand Oceans Group Ltd. (Stock Code: 81) with effect from 27 March 2023.</p> <p>Mr. Lo's emolument for acting as an Independent Non-executive Director of the Company has been revised from HK\$240,000 to HK\$300,000 per annum with effect from 1 September 2023. The additional fee of HK\$48,000 per annum for his acting as the Chairman of the Nomination Committee of the Company remained unchanged.</p>
Ng Cheuk Hei, Shirley	Ms. Ng's emolument for acting as an Independent Non-executive Director of the Company has been revised from HK\$240,000 to HK\$300,000 per annum with effect from 1 September 2023.

Other Information

APPRECIATION

I would like to take this opportunity to express my hearty gratitude to our shareholders, our business partners, directors and loyal and dedicated colleagues.

By Order of the Board
Build King Holdings Limited
Zen Wei Peu, Derek
Chairman

Hong Kong, 23 August 2023

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 12 to 35, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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

23 August 2023

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue from services	3	5,973,534	5,833,020
Cost of sales		(5,296,229)	(5,345,939)
Gross profit		677,305	487,081
Investments and other income	5	15,926	38,843
Decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")		(76,814)	(68,840)
Administrative expenses		(271,609)	(196,863)
Finance costs	6	(15,386)	(8,882)
Share of results of joint ventures		(2,060)	10,777
Share of results of associates		2,124	(63)
Profit before tax	7	329,486	262,053
Income tax expense	8	(82,527)	(66,008)
Profit for the period		246,959	196,045
Profit (loss) for the period attributable to:			
Owners of the Company		250,252	199,217
Non-controlling interests		(3,293)	(3,172)
		246,959	196,045
		HK cents	HK cents
Earnings per share	9		
– Basic		20.2	16.0

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Profit for the period	246,959	196,045
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(18,070)	(20,306)
Share of reserves of joint ventures	—	52
	(18,070)	(20,254)
Total comprehensive income for the period	228,889	175,791
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	234,050	181,184
Non-controlling interests	(5,161)	(5,393)
	228,889	175,791

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	NOTES	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	442,143	467,391
Right-of-use assets	11	66,730	80,682
Intangible assets		312,044	331,304
Goodwill		30,554	30,554
Interests in joint ventures	12	62,553	64,613
Interests in associates	13	5,402	4,131
Loan to an associate		2,331	2,700
Other financial asset at amortised cost		30,291	32,507
Financial assets at FVTPL	14	343,616	1,220
		1,295,664	1,015,102
Current assets			
Inventories	15	468,670	114,502
Debtors, deposits and prepayments	16	775,949	705,039
Contract assets	17	3,151,594	2,964,937
Amounts due from fellow subsidiaries		2,045	1,812
Amount due from a joint venture		634	663
Amounts due from associates		8,003	8,120
Amounts due from other partners of joint operations		16,279	23,885
Financial assets at FVTPL	14	508,586	118,740
Tax recoverable		21,683	21,489
Pledged bank deposits		68,573	74,019
Time deposits with original maturity of not less than three months		33,768	235,101
Bank balances and cash		1,240,896	2,037,124
		6,296,680	6,305,431
Current liabilities			
Creditors and accrued charges	18	3,852,881	3,988,095
Contract liabilities		581,093	512,747
Lease liabilities		25,360	27,052
Amount due to an intermediate holding company		19,088	18,810
Amounts due to fellow subsidiaries		8,819	7,859
Amounts due to other partners of joint operations		2,591	9,063
Amounts due to non-controlling interests		1,098	1,098
Amount due to an associate		23,212	22,107
Tax payable		110,918	230,902
Bank loans - due within one year	19	335,031	289,753
		4,960,091	5,107,486
Net current assets		1,336,589	1,197,945
Total assets less current liabilities		2,632,253	2,213,047

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	NOTES	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Capital and reserves			
Ordinary share capital	20	124,188	124,188
Reserves		2,072,384	1,968,731
Equity attributable to owners of the Company		2,196,572	2,092,919
Non-controlling interests		27,864	33,025
Total equity		2,224,436	2,125,944
Non-current liabilities			
Deferred tax liabilities	21	5,750	5,750
Obligations in excess of interests in associates	13	12,837	14,075
Amount due to an associate		675	1,420
Lease liabilities		33,439	42,858
Other creditors	22	355,116	23,000
		407,817	87,103
		2,632,253	2,213,047

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Ordinary	Share	Translation	Other	Special	Asset	Retained		Non-	Total
	share	Share	reserve	reserve	reserve	revaluation	profits	Sub-total	controlling	equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note a)	(Note b)					
At 1 January 2022 (audited)	124,188	14,186	33,245	(35,313)	(63,141)	4,290	1,688,451	1,765,906	40,721	1,806,627
Profit (loss) for the period	–	–	–	–	–	–	199,217	199,217	(3,172)	196,045
Exchange differences arising on translation of foreign operations	–	–	(18,085)	–	–	–	–	(18,085)	(2,221)	(20,306)
Share of reserves of joint ventures	–	–	52	–	–	–	–	52	–	52
Total comprehensive (expense) income for the period	–	–	(18,033)	–	–	–	199,217	181,184	(5,393)	175,791
Acquisition of a subsidiary (Note 27)	–	–	–	–	–	–	–	–	1,498	1,498
Dividend paid	–	–	–	–	–	–	(74,513)	(74,513)	–	(74,513)
At 30 June 2022 (unaudited)	124,188	14,186	15,212	(35,313)	(63,141)	4,290	1,813,155	1,872,577	36,826	1,909,403
At 1 January 2023 (audited)	124,188	14,186	444	(35,313)	(63,141)	4,290	2,048,265	2,092,919	33,025	2,125,944
Profit (loss) for the period	–	–	–	–	–	–	250,252	250,252	(3,293)	246,959
Exchange differences arising on translation of foreign operations	–	–	(16,202)	–	–	–	–	(16,202)	(1,868)	(18,070)
Total comprehensive (expense) income for the period	–	–	(16,202)	–	–	–	250,252	234,050	(5,161)	228,889
Dividend paid	–	–	–	–	–	–	(130,397)	(130,397)	–	(130,397)
At 30 June 2023 (unaudited)	124,188	14,186	(15,758)	(35,313)	(63,141)	4,290	2,168,120	2,196,572	27,864	2,224,436

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 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Net cash (used in) from operating activities	(35,882)	591,219
Investing activities		
Placement of time deposits	(693)	(74,513)
Purchases of property, plant and equipment	(26,287)	(41,712)
Repayments from (advances to) associates	117	(10)
Proceeds from disposal of property, plant and equipment	412	20,755
Withdrawal of pledged bank deposits	5,446	1,929
Net cash outflow arising on acquisition of subsidiaries	(36,901)	—
Capital investment in an associate	(16)	—
Shareholder loan to an associate with redemption right	(800,000)	—
Withdrawal of time deposits	202,000	—
Additions of service concession arrangement	—	(22,172)
Payments for right-of-use assets	—	(2,321)
Net cash inflow arising on acquisition of a subsidiary	—	333
Net cash used in investing activities	(655,922)	(117,711)
Financing activities		
New bank loans raised	129,580	49,708
Advance from an intermediate holding company	278	13
Repayments of bank loans	(79,140)	(458,235)
Dividend paid	(130,397)	(74,513)
Repayments of lease liabilities	(14,353)	(14,738)
Interest paid	(14,448)	(8,136)
Interest paid on lease liabilities	(578)	(397)
Net cash used in financing activities	(109,058)	(506,298)
Net decrease in cash and cash equivalents	(800,862)	(32,790)
Cash and cash equivalents at beginning of the period	2,037,124	1,755,478
Effect of foreign exchange rate changes, net	4,634	(798)
Cash and cash equivalents at end of the period	1,240,896	1,721,890
Represented by		
Bank balances and cash	1,240,896	1,721,890

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 (“Wai Kee”), 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 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 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 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules

The application of the new and 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 2023

3. REVENUE FROM SERVICES

Disaggregation of revenue from contracts with customers

	Hong Kong HK\$'000	The People's Republic of China (the "PRC") HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2023			
Types of service			
Construction contract	5,870,216	—	5,870,216
Sewage treatment plant operation	—	24,179	24,179
Steam fuel plant operation	—	79,139	79,139
Total revenue	5,870,216	103,318	5,973,534
Timing of revenue recognition			
Over time	5,870,216	103,318	5,973,534

	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2022			
Types of service			
Construction contract	5,727,088	23,281	5,750,369
Sewage treatment plant operation	—	27,482	27,482
Steam fuel plant operation	—	55,169	55,169
Total revenue	5,727,088	105,932	5,833,020
Timing of revenue recognition			
Over time	5,727,088	105,932	5,833,020

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. SEGMENTAL INFORMATION

The Group is mainly engaged in construction 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. No operating segment have been aggregated in arriving at the reporting segment of the Group. The Group's reportable segments under HKFRS 8 "Operating Segments" are as follows:

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
Six months ended 30 June 2023			
Results			
Segment revenue	5,870,216	103,318	5,973,534
Segment profit (loss)	451,782	(26,745)	425,037
Unallocated expenses			(5,954)
Investments income			2,539
Decrease in fair value of financial assets at FVTPL			(76,814)
Share of results of joint ventures			(2,060)
Share of results of associates			2,124
Finance costs			(15,386)
Profit before tax			329,486

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
Six months ended 30 June 2022			
Results			
Segment revenue	5,727,088	105,932	5,833,020
Segment profit (loss)	337,177	(16,397)	320,780
Unallocated expenses			(4,372)
Investments income			6,515
Decrease in fair value of financial assets at FVTPL			(68,840)
Remeasurement gain on interest previously held in a joint venture			6,138
Share of results of joint ventures			10,777
Share of results of associates			(63)
Finance costs			(8,882)
Profit before tax			262,053

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. SEGMENTAL INFORMATION (Continued)

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, remeasurement gain on interest previously held in a joint venture, share of results of joint ventures and associates, finance costs and unallocated expenses.

5. INVESTMENTS AND OTHER INCOME

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Investments and other income include:		
Interest on bank deposits	6,569	1,043
Interest on other receivables	4,206	4,625
Interest on other financial asset at amortised cost	370	434
Interest on financial assets at FVTPL	2,539	5,811
Interest on loan to an associate	32	37
Gain on disposal of property, plant and equipment	412	3,498
Employment Support Scheme	—	15,444
Remeasurement gain on interest previously held in a joint venture	—	6,138
Dividends from financial assets at FVTPL	—	704

6. FINANCE COSTS

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Interests on:		
Bank borrowings	13,937	7,662
Other borrowings	511	474
Lease liabilities	578	397
Imputed interest expense on non-current amount due to an associate	360	349
	15,386	8,882

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	35,027	39,724
Depreciation of right-of-use assets	16,672	13,947
Amortisation of intangible assets	6,772	83,606
Net foreign exchange losses	21,599	16,338

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Current tax:		
Hong Kong	80,200	73,858
The PRC	—	1,602
	80,200	75,460
Under (over) provision in prior years:		
Hong Kong	1,944	(42)
The PRC	383	3,308
	2,327	3,266
Deferred tax	—	(12,718)
	82,527	66,008

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% for both periods.

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 2023

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	
	2023 HK\$'000	2022 HK\$'000
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share	250,252	199,217

	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	
	2023 HK\$'000	2022 HK\$'000
Dividend paid and recognised as distribution during the period:		
2022 final dividend - HK10.5 cents per share (six months ended 30 June 2022: 2021 final dividend - HK6.0 cents per share)	130,397	74,513

An interim dividend of HK4 cents (six months ended 30 June 2022: nil) per ordinary share, totalling approximately HK\$49,675,000 (six months ended 30 June 2022: nil) was declared by the Board on 23 August 2023. The interim dividend has not been included as a liability in these condensed consolidated financial statements as it was declared after the end of the reporting period.

The amount of the interim dividend was calculated on the basis of 1,241,877,992 shares in issue as at 23 August 2023.

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

During the period, the Group has additions of HK\$26,287,000 (six months ended 30 June 2022: HK\$41,712,000) and HK\$3,312,000 (six months ended 30 June 2022: HK\$12,401,000) on property, plant and equipment and right-of-use assets respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. INTERESTS IN JOINT VENTURES

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Cost of investments in unlisted joint ventures	40,956	40,956
Less: Impairment loss recognised	(34,265)	(34,265)
	6,691	6,691
Share of post-acquisition profits and other comprehensive income, net of dividends received	55,862	57,922
	62,553	64,613

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Cost of investments in unlisted associates	10,876	10,491
Share of post-acquisition losses and other comprehensive expenses	(18,311)	(20,435)
	(7,435)	(9,944)
Included in:		
Non-current assets	5,402	4,131
Non-current liabilities	(12,837)	(14,075)
	(7,435)	(9,944)

Note: At 30 June 2023, the Group has contractual obligations to share the net liabilities of certain associates amounting to HK\$12,837,000 (31 December 2022: HK\$14,075,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

14. FINANCIAL ASSETS AT FVTPL

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities in Hong Kong (Note (a))	11,037	14,844
Quoted equity securities in the United States of America ("USA") (Note (b))	940	1,059
Unlisted equity investment in Hong Kong (Note (c))	1,220	1,220
Quoted debt securities (Note (d))	36,747	102,837
Unlisted investment fund (Note (e))	43,259	—
Shareholder loan to an associate with redemption right (Note (f))	758,999	—
	852,202	119,960
Analysed for reporting purposes as:		
Non-current assets	343,616	1,220
Current assets	508,586	118,740
	852,202	119,960

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 2023 and 31 December 2022.
- (c) The unlisted equity investment represents investment in a private entity incorporated in Hong Kong. The fair value of the investment is measured with reference to the net asset value of the private entity.
- (d) The quoted debt securities represent investment in listed bonds issued by listed entities. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading.
- (e) The unlisted investment fund represents investment in equity investment fund issued by a private entity incorporated in Hong Kong. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The fair value of the investment is measured with reference to the net asset value of the investment fund.
- (f) During the period, the Group has acquired 20% of the issued shares of Rainbow Triumph Limited ("RTL") at the price of HK\$15,700 and the shareholder loan due from RTL in the principal amount at face value of HK\$800,000,000 at a consideration of HK\$800,015,700. RTL is an investment holding company incorporated in the British Virgin Islands, and is a subsidiary of Road King Infrastructure Limited ("Road King"), a company incorporated in Bermuda as an exempted company with its shares listed on the Stock Exchange. Road King is an associate of Wai Kee. The Group has the right to require RTL to repay (i) up to 50% of the shareholder loan due to the Group on the first anniversary of the acquisition's completion date; and (ii) up to the balance of shareholder loan due to the Group on 28 February 2025, at the redemption price based on adjustments related to the market value of properties held by RTL. The current portion of the financial asset of approximately HK\$416,603,000 represents the amount expected to be realised within twelve months after the reporting period. The fair value of the redemption right as at 30 June 2023 has been arrived on the basis of a valuation carried out on the date by an independent and qualified property valuer not connected to the Group.

The Directors consider that the redemption right is a derivative embedded in the shareholder loan. The entire shareholder loan including principal, interest and redemption right are accounted for as financial assets at FVTPL.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. INVENTORIES

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Properties under development for sale (Note)	425,686	50,350
Uninstalled construction materials	42,984	64,152
	468,670	114,502

Note: The carrying amount of properties under development for sale is stated at lower of cost and net realisable value. No depreciation charge is made on the leasehold lands taking into account the estimated residual values at reporting dates. During the period, the Group has an addition of approximately HK\$369,017,000 through acquisition of subsidiaries. For details of the acquisition, please refer to Note 27.

16. 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 2023 HK\$'000	31 December 2022 HK\$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	380,409	368,254
61 to 90 days	—	1,236
Over 90 days	40,257	16,187
	420,666	385,677
Bills receivables	14,847	19,295
Other debtors, deposits and prepayments	340,436	300,067
	775,949	705,039

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 2023. 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 2023

17. CONTRACT ASSETS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts (Note (a))	2,390,319	2,232,187
Retention receivables of construction contracts (Note (b))	761,275	732,750
	3,151,594	2,964,937
Retention receivables of construction contracts		
Due within one year	104,842	105,903
Due more than one year	656,433	626,847
	761,275	732,750

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 2023. 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 2023

18. 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 2023 HK\$'000	31 December 2022 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	309,672	440,186
61 to 90 days	70,439	105,730
Over 90 days	16,200	32,880
	396,311	578,796
Retention payables	925,236	879,476
Accrued project costs	2,425,120	2,336,027
Other creditors and accrued charges	106,214	193,796
	3,852,881	3,988,095
Retention payables:		
Repayable within one year	167,034	145,317
Repayable more than one year	758,202	734,159
	925,236	879,476

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

19. BANK LOANS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
The maturity of bank loans that based on repayment schedule of respective loan agreements is as follows:		
Within one year	287,831	175,918
In the second year	47,200	113,835
	335,031	289,753
Less: Amounts due within one year or contain a repayable on demand clause shown under current liabilities	(335,031)	(289,753)
Amounts shown under non-current liabilities	—	—
Secured bank loans	78,489	117,156
Unsecured bank loans	256,542	172,597
	335,031	289,753

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. BANK LOANS (Continued)

As at 30 June 2023, the Group has bank loans in the amount of HK\$335,031,000 (31 December 2022: HK\$289,753,000) 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\$47,200,000 (31 December 2022: HK\$113,835,000) have been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK\$1,357,175,000 (31 December 2022: HK\$1,513,669,000).

20. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 1 January 2022, 31 December 2022 and 30 June 2023	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 1 January 2022, 31 December 2022 and 30 June 2023	1,241,877,992	124,188

21. DEFERRED TAX LIABILITIES

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Deferred tax liabilities	5,750	5,750

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 and acquisition of a business during the year ended 31 December 2021. There was no movement on deferred tax liabilities during the period ended 30 June 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

22. OTHER CREDITORS

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Consideration payable on acquisition of subsidiaries (note)	332,116	—
Other creditors	23,000	23,000
	355,116	23,000

Note: During the period, the Group acquired several subsidiaries and for transaction details, please refer to note 27. According to the sales and purchase agreement, the remaining 90% of the consideration is payable in several stages and the management of the Group expect the full amounts will be fully paid in 2025. Therefore, the amounts are classified as non-current as at 30 June 2023.

23. PLEDGE OF ASSETS

As at 30 June 2023, bank deposits amounting to approximately HK\$69 million (31 December 2022: approximately HK\$74 million) of the Group were pledged to banks for securing the banking facilities granted to the Group.

As at 31 December 2022, quoted debt securities amounting to approximately HK\$103 million (30 June 2023: nil) of the Group were pledged to a bank for securing the banking facility granted to the Group.

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets 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).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs for fair value
	30 June 2023 HK\$'000	31 December 2022 HK\$'000				
i) Listed equity securities in Hong Kong	11,037	14,844	Level 1	Quoted bid price in an active market	N/A	N/A
ii) Quoted equity securities in the USA	940	1,059	Level 1	Quoted price in over-the-counter market	N/A	N/A
iii) Unlisted equity investment in Hong Kong	1,220	1,220	Level 3	Net asset value of the private entity	N/A	N/A
iv) Quoted debt securities	36,747	102,837	Level 1	Quoted price in an active market	N/A	N/A
v) Unlisted investment fund	43,259	—	Level 3	Net asset value of the investment fund	N/A	N/A
vi) Shareholder loan to an associate with redemption right	758,999	—	Level 3	<p>Monte Carlo methods</p> <p>The fair value is determined based on valuation provided by an independent professional valuer which is measured using Monte Carlo simulation based on the current property prices, China risk-free rate, the expected volatility of the property prices and expected return</p> <p>The key inputs are:</p> <ul style="list-style-type: none"> (i) China risk-free rate; (ii) Expected volatility of the property prices; and (iii) Expected return 	<p>The discounted China risk-free rate of 2.259% (31 December 2022: N/A)</p> <p>The expected volatility of 10% (31 December 2022: N/A)</p> <p>The discounted expected return of 11.8% (31 December 2022: N/A)</p>	<p>The increase in China risk-free rate would result in a decrease in fair value.</p> <p>The increase expected volatility of the property prices would result in an increase in fair value.</p> <p>The increase expected return would result in a decrease in fair value.</p>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Shareholder loan to an associate with redemption right HK\$'000	Unlisted equity investment in Hong Kong HK\$'000	Unlisted investment fund HK\$'000	Total HK\$'000
At 1 January and 30 June 2022	—	6,000	—	6,000
At 1 January 2023	—	1,220	—	1,220
Addition	800,000	—	58,741	858,741
Fair value loss in profit or loss	(41,001)	—	(15,637)	(56,638)
Exchange gain	—	—	155	155
At 30 June 2023	758,999	1,220	43,259	803,478

Fair value measurements and valuation processes

The directors of the Company have closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages independent professional valuer to perform the valuation. Management of the Group works closely with the independent professional valuer to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of the financial instrument.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors 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.

25. CAPITAL COMMITMENTS

	30 June 2023 HK\$'000	31 December 2022 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	34,433	56,586

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

26. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
<u>Fellow subsidiaries</u>		
Purchase of construction materials	136,360	68,159
Land plant hire income	9	10
Supply of rock	439	—
Construction contract revenue	24,333	27,125
<u>An associate of ultimate holding company</u>		
Construction contract revenue	55,345	2,065
<u>Compensation of key management personnel</u>		
Short-term employee benefits	69,215	61,635
Post-employment benefits	1,974	1,847
	71,189	63,482

27. ACQUISITIONS OF SUBSIDIARIES

For the period ended 30 June 2023

On 28 April 2023, the Group acquired 100% interest in and shareholder loans owed by Sky Grant Investment Limited (“Sky Grant”) and its subsidiary (collectively referred to as “Sky Grant Group”) from independent third parties at a total consideration of approximately HK\$136,532,000. On the same date, the Group also acquired 100% interest in and shareholder loan owed by Real Best Development Limited (“Real Best”) and its subsidiaries (collectively referred to as “Real Best Group”) from an independent third party at a total consideration of approximately HK\$232,485,000.

Both acquisitions have been accounted for as acquisition of assets and liabilities.

As at 30 June 2023, acquisition-related costs were insignificant and recognised as cost of acquisition of inventories.

Assets and liabilities recognised at the date of acquisition are as follows:

	Sky Grant Group HK\$'000	Real Best Group HK\$'000
Inventories	136,532	232,485
Other creditors	(136,532)	(232,485)
	—	—

The fair value of Sky Grant Group’s and Real Best Group’s identifiable assets and liabilities has been assessed by the management of the Group and it considered that the fair value of the inventory at the date of acquisition amounted to HK\$136,532,000 and HK\$232,485,000, respectively. The other creditors of HK\$136,532,000 and HK\$232,485,000 are the shareholder loans assigned to the Group in accordance with the respective sale and purchase agreements which are settled through the consideration as follows:

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

27. ACQUISITIONS OF SUBSIDIARIES (Continued)

For the period ended 30 June 2023 (Continued)

Consideration transferred, satisfied by:

	Sky Grant Group HK\$'000	Real Best Group HK\$'000
Cash	13,653	23,248
Consideration payable	122,879	209,237
	136,532	232,485

Net cash outflow on acquisition

	Sky Grant Group HK\$'000	Real Best Group HK\$'000
Cash consideration paid	13,653	23,248

Impacts of acquisition on the results of the Group

The impact arising from the acquisition of Sky Grant Group and Real Best Group to the Group's profit for the period and the revenue for the period is immaterial.

For the period ended 30 June 2022

On 14 March 2022, the Group further acquired 20% attributable interest in Ruyi Residence Development Sdn. Bhd. ("Ruyi Residence") from an independent joint venture partner at a cash consideration of Malaysian ringgit ("MYR") 1,000,000 (equivalent to HK\$1,873,000). Before the acquisition, the Group and other two independent third parties jointly controlled Ruyi Residence because unanimous consent from all joint venture partners was required to make decisions in the board of directors meeting under the constitution of Ruyi Residence. After the acquisition, pursuant to the amended Memorandum and Articles of Association, all of the relevant activities required approval by simple majority of the board of directors, the Group controls more than 50% of the voting powers in the board of directors of Ruyi Residence which give the Group the current ability to direct the relevant activities. The interest previously held by the Group in Ruyi Residence is deemed to be disposed with a remeasurement gain amounting to HK\$6,138,000 at the acquisition date. Ruyi Residence becomes a non-wholly owned subsidiary of the Group under HKFRS 10 "Consolidated Financial Statements" and their results, assets and liabilities are consolidated with those of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

27. ACQUISITIONS OF SUBSIDIARIES (Continued)

For the period ended 30 June 2022 (Continued)

Acquisition-related costs had been excluded from the consideration transferred. The costs were insignificant and recognised as an expense within the administrative expenses line item in the condensed consolidated statement of profit or loss.

Assets and liabilities recognised at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	9
Inventory	52,554
Other debtors, deposits and prepayments	35
Bank balances and cash	2,206
Other creditor	(18,154)
Amount due to the Group	(23,507)
Amount due to non-controlling interest	(3,781)
	<hr/>
	9,362

The fair value of Ruyi Residence's identifiable assets and liabilities has been assessed by the management of the Group and it considered that the fair value of the other debtors, deposits and prepayments at the date of acquisition amounted to HK\$35,000, 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 contractual cash flows not expected to be collected was insignificant.

	HK\$'000
Cash	1,873
Add: Fair value of interest in a joint venture	5,991
Add: non-controlling interests (Note)	1,498
Less: net assets acquired	(9,362)
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Note: The non-controlling interests of 16% in Ruyi Residence recognised at the acquisition date was measured by reference to the proportionate shares of respective recognised amounts of net assets of relevant subsidiary and amounted to HK\$1,498,000.

Net cash inflow on acquisition of Ruyi Residence

	HK\$'000
Bank balance and cash acquired	2,206
Less: cash consideration paid	(1,873)
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	333

Impacts of acquisition on the results of the Group

The impact arising from the acquisition of Ruyi Residence to the Group's profit for the period and the revenue for the period is immaterial.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zen Wei Peu, Derek
(Chairman, Chief Executive Officer and Managing Director)
Chang Kam Chuen, Desmond
Lui Yau Chun, Paul
Tsui Wai Tim

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

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
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

00240

WEBSITE

www.buildking.hk

