



Build King

Build King Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 00240)



2024
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 2024.

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	2%
Equity	HK\$2,417 million
Equity per share	HK\$1.95
Group revenue	HK\$6,472 million
Profit attributable to owners of the Company	HK\$148 million
Interim dividend per share	HK3 cents

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

INTERIM DIVIDEND

The Board declared an interim dividend of HK3 cents (six months ended 30 June 2023: HK4 cents) per ordinary share for the six months ended 30 June 2024.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

RESULTS

During the six months ended 30 June 2024 (the “Period”), the Group recorded revenue of HK\$6.5 billion, representing an increase of 8% from HK\$6.0 billion of the same period last year. The increase was mainly due to an increase in turnover of the Building Division from HK\$1.8 billion to HK\$2.6 billion during the Period.

Profit attributable to the owners of the Company for the Period was HK\$148 million, a decrease of 41% as compared to the profit of HK\$250 million in the same period last year. The decrease was mainly due to a decrease in the gross profit of the Group. The tailing off in turnover and profit contribution from one of the Group’s civil projects as it approaches project completion in July 2024 has lowered the pre-tax profit margin of the Group from 11% to 8% in the Period.

OPERATIONAL REVIEW

Hong Kong

The Group provides a full spectrum of construction services from building construction and civil engineering to foundation, electrical and mechanical, interior refurbishments and fitting out works in Hong Kong. Total revenue from construction contracts amounted to HK\$6.4 billion for the Period (2023: HK\$5.9 billion). After deducting directly attributable expenses, segment profit decreased to HK\$207 million (2023: HK\$452 million). The decrease in segment profit was mainly due to a drop in profitability of the Civil Division and provision for losses of HK\$36 million arising from unwinding the Project Land Sharing Transaction (as defined below).

Since the beginning of the year, the Group has secured new construction contracts with an attributable contract value of approximately HK\$8.2 billion. The value of outstanding contracts to be completed as of the date hereof was approximately HK\$33 billion, comprising HK\$22 billion from the Civil Division and HK\$11 billion from the Building Division.

It is hoped that the value of contracts on hand, which has now accumulated to HK\$33 billion, will securely ensure the Group’s revenue for one or even two years and provide a cushion to navigate any challenges arising from the ongoing slowdown of the global economy and the increasing competition in the local construction industry.

Management Discussion and Analysis

Mainland China

The Group operates a sewage treatment plant in Wuxi for treating household and industrial wastewater and steam supply plants in Gansu and Hubei for providing steam to factories in industrial parks. Total revenue generated from our environmental projects in Mainland China was HK\$109 million for the Period (2023: HK\$103 million). The increase in revenue was primarily attributable to an improved performance of the Group's steam plant operation. During the Period, the Group's four operating plants supplied an average of 91 tons/hour of steam, 15% higher than 79 tons/hour of steam in the same period last year. After deducting directly attributable expenses, segment loss narrowed to HK\$14 million (2023: HK\$27 million). The improvement arose mainly from increased revenue and deceleration in the depreciation of RMB, partially offset by a provision for impairment of HK\$7 million in the Group's cost of investment in the Dezhou JV.

Major investments

- (i) As disclosed in the Company's announcement dated 30 April 2024, the Group unwound the sale and purchase agreements dated 28 April 2023 (as amended and supplemented) (the "Amended Agreements") regarding the acquisition of two parcels of land located at Pak Shing Kok Road in Tseung Kwan O, New Territories, Hong Kong (the "Project Land Sharing Transaction"), which was intended to be rezoned for development under the Land Sharing Pilot Scheme.

According to the Amended Agreements, the vendors shall procure the return of the part payments of HK\$31.1 million made by the Group, which are currently held in escrow by the vendors' solicitors. The Group currently anticipates a loss of HK\$36 million arising from the unwinding of the Amended Agreements and has provided the loss in full in the Period.

The Group is negotiating with the vendors and their solicitors on the unwinding documents and shall keep the shareholders informed once the unwinding transaction has been completed.

- (ii) The Group holds a 20% interest in an urban renewal project referred to as Haitao Garden, which was built in the 1980s and is located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the People's Republic of China. This project is to be redeveloped for residential and commercial use (the "Shenzhen Project"). As of the date hereof, the developer of the Shenzhen Project, which is a 20% owned associate of the Group, has entered into contracts with over 98% of the 1,281 owners on the site, covering over 98% of the gross floor area, for resettlement purposes. The demolition of Haitao Garden and the cancellation of the ownership rights and land title associated with the demolished properties are currently in progress. Barring unforeseen circumstances, it is expected that the acquisition of the remaining interest in the site could soon be completed, paving the way for the commencement of construction in the second quarter of 2025. The remaining 80% interest of the associate is held by Road King Infrastructure Limited, a connected person to the Company under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As provided under the investment agreement dated 6 October 2022, the Group has a right to require the associate to repay the shareholder loan due by the associate to the Group on 28 February 2025. The right constitutes a financial asset to the Group, which is measured at fair value through profit or loss. At 30 June 2024, the asset was professionally valued at HK\$772 million resulting in a fair value gain of HK\$37 million (2023: fair value loss of HK\$41 million) in the Period.

Management Discussion and Analysis

- (iii) As disclosed in the FY2021 Annual Report, the Group ceased its 49% joint venture operation (the “Dezhou JV”) of supplying heat to the Dezhou District due to a contractual dispute with its heat supplier. The Group has been pursuing legal action against the heat supplier to recover the RMB34 million deposit paid under the heat supply agreement (the “Deposit”) and to seek damages for breach of the agreement. The legal process is ongoing. Given the heat supplier appears to be in significant financial difficulty, the Group made a full provision on the recoverability of the Deposit and reflected the loss as “Share of Results of Joint Ventures” in the Period.

The assets of the Dezhou JV were handed over to the District Management of Dezhou in 2021, and the Group is seeking compensation of RMB50 million for the value of the assets handed over. Discussions with the District Management are ongoing. Given the uncertain outcome, the Group assessed a high likelihood that the Group’s interest in the joint venture would be fully impaired and made a full provision on the Group’s residual interests in Dezhou JV. The portion of loss relating to the Group’s cost of investment was taken up as “Other Losses” and the portion of loss relating to the residual assets in the joint venture was taken up as “Share of Results of Joint Ventures” in the Period.

Employees and Remuneration Policies

At 30 June 2024, the Group had a total of 3,693 employees (at 31 December 2023: 3,601 employees). Total staff costs comprising directors’ remuneration, other staff costs, and retirement benefit scheme contributions amounted to HK\$939 million (2023: HK\$832 million) for the Period.

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 2024, the Group had liquid assets of HK\$1,950 million (at 31 December 2023: HK\$1,390 million) comprising financial assets at FVTPL of HK\$818 million (at 31 December 2023: HK\$54 million), time deposits with an original maturity of not less than three months of HK\$1 million (at 31 December 2023: HK\$36 million) and bank balances and cash of HK\$1,131 million (at 31 December 2023: HK\$1,300 million).

At 30 June 2024, the Group had total interest-bearing borrowings of HK\$178 million (at 31 December 2023: HK\$238 million) comprising bank loans of HK\$155 million (at 31 December 2023: HK\$215 million) and other creditors of HK\$23 million (as at 31 December 2023: HK\$23 million). The maturity profile of the interest-bearing debts for both periods is as below.

	At 30 June 2024 HK\$ million	At 31 December 2023 HK\$ million
On demand or within one year	143	215
In the second year	24	23
In the third to fifth year inclusive	11	—
	178	238

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 did not enter any financial instrument for hedging purposes. At 30 June 2024, total borrowings of HK\$13 million (at 31 December 2023: HK\$41 million) carried interest at a fixed rate.

Management Discussion and Analysis

Capital Structure and Gearing

At 30 June 2024, total equity was HK\$2,439 million (at 31 December 2023: HK\$2,402 million) comprising ordinary share capital of HK\$124 million (at 31 December 2023: HK\$124 million), reserves of HK\$2,293 million (at 31 December 2023: HK\$2,252 million) and non-controlling interests of HK\$22 million (at 31 December 2023: HK\$26 million).

The final dividend of HK8.0 cents per ordinary share for the year ended 31 December 2023 totalling approximately HK\$99 million was approved by the shareholders of the Company on 21 May 2024 and reflected as an appropriation of reserves during the Period. Apart from the aforesaid dividend payment and the reported interim profit, there was no other significant movement in the reserves of the Group during the Period.

At 30 June 2024, the gearing ratio, representing total interest-bearing borrowings as a percentage of total equity, was 7% (at 31 December 2023: 10%).

Pledge of Assets

At 30 June 2024, bank deposits of the Group amounting to HK\$82 million (at 31 December 2023: HK\$70 million) were pledged to banks for securing banking facilities granted to the Group.



Dividend

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3 cents (six months ended 30 June 2023: HK4 cents) per ordinary share for the six months ended 30 June 2024 to the shareholders of the Company whose names appear in the register of members of the Company on Tuesday, 10 September 2024.

It is expected that the payment of the interim dividend will be made on Thursday, 26 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 9 September 2024 to Tuesday, 10 September 2024, 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, 6 September 2024.

Disclosure of Interests

DIRECTORS' INTERESTS

As at 30 June 2024, the interests and short positions of the directors (the “Directors”) and chief executive of the Company in the shares of the Company (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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 of the Listing Rules, were as follows:

(I) The Company

Interests in Shares

Name of Director	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
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
Chang Kam Chuen, Desmond	Personal	1,500,000	—	0.12

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	Nature of interest	Number of shares held		Percentage of shareholding (%)
			Long position (Note 1)	Short position	
Zen Wei Peu, Derek	Wai Kee Holdings Limited (“Wai Kee”)	Personal	254,680,078	—	32.11
		Securities interest	40,127,000	—	5.06
	Build King (Zens) Engineering Limited (Note 2)	Personal	2,000,000	—	10.00
	Wai Luen Stone Products Limited	Personal	30,000	—	37.50
Lui Yau Chun, Paul	Wai Kee	Personal	200,000	—	0.03

Notes:

- Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
- Formerly known as Wai Kee (Zens) Construction & Transportation Company Limited.

Disclosure of Interests

DIRECTORS' INTERESTS (Continued)

Save as disclosed above, none of the Directors or chief executive of the Company 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 2024, 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	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)	Interest in a controlled corporation	724,435,033	58.33	—	—
Wai Kee (Note 4)	Interest in a controlled corporation	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 2024, 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 in Part 2 of Corporate Governance Code set out in Appendix C1 of the Listing Rules throughout the six months ended 30 June 2024, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 of the Listing Rules as its own code of conduct regarding Directors' Securities Transactions. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the six months ended 30 June 2024.

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 (including sale of treasury shares) for the six months ended 30 June 2024.

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 2024.

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 been re-designated from an executive director to a non-executive director of the Company with effect from 21 May 2024 and entered into a service agreement with the Company for a term of three years commencing from 21 May 2024 to 20 May 2027.
Ho Tai Wai, David	Mr. Ho has been appointed as an independent non-executive director, the Chairman of the Audit Committee, and a member of the Audit Committee of Road King Infrastructure Limited (Stock Code: 1098) with effect from 21 May 2024.

APPRECIATION

I would like to take this opportunity to express my hearty gratitude to our shareholders, clients, business partners, directors and, not least, our staff for their hard work and loyalty.

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

Hong Kong, 22 August 2024

Report on Review of Condensed Consolidated Financial Statements



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 14 to 39, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. 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

22 August 2024

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue from services	3	6,472,335	5,973,534
Cost of sales		(5,945,007)	(5,296,229)
Gross profit		527,328	677,305
Investments and other income	5	15,373	15,926
Increase (decrease) in fair value of financial assets at fair value through profit or loss ("FVTPL")		29,650	(76,814)
Administrative expenses		(311,611)	(271,609)
Other losses	6	(42,730)	—
Finance costs	7	(11,908)	(15,386)
Share of results of joint ventures		(46,485)	(2,060)
Share of results of associates		8,271	2,124
Profit before tax	8	167,888	329,486
Income tax expense	9	(22,253)	(82,527)
Profit for the period		145,635	246,959
Profit (loss) for the period attributable to:			
Owners of the Company		148,198	250,252
Non-controlling interests		(2,563)	(3,293)
		145,635	246,959
Earnings per share	10	HK cents	HK cents
– Basic		11.9	20.2

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Profit for the period	145,635	246,959
Other comprehensive expense		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(9,327)	(18,070)
Total comprehensive income for the period	136,308	228,889
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	139,747	234,050
Non-controlling interests	(3,439)	(5,161)
	136,308	228,889

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	NOTES	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	12	441,653	440,438
Right-of-use assets	12	63,649	75,921
Intangible assets		300,667	313,829
Goodwill		30,554	30,554
Interests in joint ventures	13	7,389	60,565
Interests in associates	14	11,934	5,394
Other financial asset at amortised cost		27,973	29,799
Financial assets at FVTPL	15	1,220	735,954
		885,039	1,692,454
Current assets			
Inventories	16	450,893	480,705
Loan to an associate		2,331	2,331
Debtors, deposits and prepayments	17	874,030	962,189
Contract assets	18	3,450,491	3,658,732
Amounts due from fellow subsidiaries		1,972	1,932
Amount due from a joint venture		317	647
Amounts due from associates		8,023	8,001
Amounts due from other partners of joint operations		9,976	28,950
Financial assets at FVTPL	15	818,425	54,161
Tax recoverable		17,601	22,701
Pledged bank deposits		81,889	69,593
Time deposits with original maturity of not less than three months		1,096	35,697
Bank balances and cash		1,131,248	1,299,649
		6,848,292	6,625,288
Current liabilities			
Creditors and accrued charges	19	4,190,572	4,421,965
Contract liabilities		715,518	555,144
Lease liabilities		28,174	29,216
Amount due to an intermediate holding company		19,884	19,594
Amounts due to fellow subsidiaries		8,606	370
Amounts due to other partners of joint operations		3,993	32,545
Amounts due to non-controlling interests		1,098	1,098
Amount due to an associate		24,317	23,212
Tax payable		77,886	201,524
Bank loans - due within one year	20	155,059	215,471
		5,225,107	5,500,139
Net current assets		1,623,185	1,125,149
Total assets less current liabilities		2,508,224	2,817,603

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	NOTES	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Capital and reserves			
Ordinary share capital	21	124,188	124,188
Reserves		2,292,679	2,252,282
Equity attributable to owners of the Company		2,416,867	2,376,470
Non-controlling interests		22,319	25,758
Total equity		2,439,186	2,402,228
Non-current liabilities			
Deferred tax liabilities	22	5,750	5,750
Obligations in excess of interests in associates	14	12,168	13,899
Amount due to an associate		301	1,035
Lease liabilities		27,819	39,575
Other creditors	23	23,000	355,116
		69,038	415,375
		2,508,224	2,817,603

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Ordinary		Translation reserve	Other reserve	Special reserve	Asset		Sub-total		
	share capital	Share premium				revaluation reserve	Retained profits			
	HK\$'000	HK\$'000				HK\$'000	HK\$'000			
						(Note a)	(Note b)			
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
At 1 January 2024 (audited)	124,188	14,186	(9,451)	(35,313)	(63,141)	4,290	2,341,711	2,376,470	25,758	2,402,228
Profit (loss) for the period	—	—	—	—	—	—	148,198	148,198	(2,563)	145,635
Exchange differences arising on translation of foreign operations	—	—	(8,451)	—	—	—	—	(8,451)	(876)	(9,327)
Total comprehensive (expense) income for the period	—	—	(8,451)	—	—	—	148,198	139,747	(3,439)	136,308
Dividend paid	—	—	—	—	—	—	(99,350)	(99,350)	—	(99,350)
At 30 June 2024 (unaudited)	124,188	14,186	(17,902)	(35,313)	(63,141)	4,290	2,390,559	2,416,867	22,319	2,439,186

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 2024

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Net cash from (used in) operating activities	33,068	(35,882)
Investing activities		
Placement of time deposits	(513)	(693)
Withdrawal of time deposits	35,100	202,000
Purchases of property, plant and equipment	(42,807)	(26,287)
(Advances to) repayments from associates	(22)	117
Proceeds from disposal of property, plant and equipment	1,206	412
Repayment from a joint venture	318	—
Placement of pledged bank deposits	(12,296)	—
Withdrawal of pledged bank deposits	—	5,446
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)
Net cash used in investing activities	(19,014)	(655,922)
Financing activities		
New bank loans raised	100,057	129,580
Advance from an intermediate holding company	290	278
Repayments of bank loans	(158,379)	(79,140)
Dividend paid	(99,350)	(130,397)
Repayments of lease liabilities	(16,641)	(14,353)
Interest paid	(10,802)	(14,448)
Interest paid on lease liabilities	(735)	(578)
Net cash used in financing activities	(185,560)	(109,058)
Net decrease in cash and cash equivalents	(171,506)	(800,862)
Cash and cash equivalents at beginning of the period	1,299,649	2,037,124
Effect of foreign exchange rate changes, net	3,105	4,634
Cash and cash equivalents at end of the period	1,131,248	1,240,896
Represented by		
Bank balances and cash	1,131,248	1,240,896

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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 D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

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 Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 2024

3. REVENUE FROM SERVICES

Disaggregation of revenue from contracts with customers

Segments	Other regions in the People's Republic of China		
	Hong Kong HK\$'000	(the "PRC") HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2024			
Types of service			
Construction contract	6,363,753	—	6,363,753
Sewage treatment plant operation	—	24,455	24,455
Steam fuel plant operation	—	84,127	84,127
Total revenue	6,363,753	108,582	6,472,335
Timing of revenue recognition			
Over time	6,363,753	108,582	6,472,335
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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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 segments 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:

Six months ended 30 June 2024

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
Results			
Segment revenue	6,363,753	108,582	6,472,335
Segment profit (loss)	206,636	(13,906)	192,730
Unallocated expenses			(4,993)
Investments income			623
Increase in fair value of financial assets at FVTPL			29,650
Share of results of joint ventures			(46,485)
Share of results of associates			8,271
Finance costs			(11,908)
Profit before tax			167,888

Six months ended 30 June 2023

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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, share of results of joint ventures and associates, finance costs and unallocated expenses.

5. INVESTMENTS AND OTHER INCOME

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Investments and other income include:		
Interest on bank deposits	7,389	6,569
Interest on other receivables	1,447	4,206
Interest on other financial asset at amortised cost	341	370
Interest on financial assets at FVTPL	519	2,539
Interest on loan to an associate	32	32
Gain on disposal of property, plant and equipment	1,130	412
Dividends from financial assets at FVTPL	104	—

6. OTHER LOSSES

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Impairment loss recognised on interest in a joint venture	6,691	—
Written down to net realisable value of inventory	36,039	—
	42,730	—

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

7. FINANCE COSTS

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Interests on:		
Bank borrowings	10,123	13,937
Other borrowings	679	511
Lease liabilities	735	578
Imputed interest expense on non-current amount due to an associate	371	360
	11,908	15,386

8. PROFIT BEFORE TAX

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	32,998	35,027
Depreciation of right-of-use assets	15,840	16,672
Amortisation of intangible assets	6,802	6,772
Net foreign exchange losses	10,793	21,599

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Current tax:		
Hong Kong	18,016	80,200
The PRC	1,928	—
	19,944	80,200
(Over) under provision in prior years:		
Hong Kong	(15)	1,944
The PRC	2,324	383
	2,309	2,327
	22,253	82,527

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

9. INCOME TAX EXPENSE (Continued)

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.

10. 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	
	2024 HK\$'000	2023 HK\$'000
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share	148,198	250,252

	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.

11. DIVIDEND

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Dividend paid and recognised as distribution during the period:		
2023 final dividend - HK8.0 cents per share (six months ended 30 June 2023: 2022 final dividend - HK10.5 cents per share)	99,350	130,397

An interim dividend of HK3 cents (six months ended 30 June 2023: HK4 cents) per ordinary share, totalling approximately HK\$37,256,000 (six months ended 30 June 2023: HK\$49,675,000) was declared by the Board on 22 August 2024. 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 22 August 2024.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

During the period, the Group has additions of HK\$42,807,000 (six months ended 30 June 2023: HK\$26,287,000) and HK\$3,843,000 (six months ended 30 June 2023: HK\$3,312,000) on property, plant and equipment and right-of-use assets respectively.

13. INTERESTS IN JOINT VENTURES

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Cost of investments in unlisted joint ventures	40,956	40,956
Less: Impairment loss recognised	(40,956)	(34,265)
	—	6,691
Share of post-acquisition profits and other comprehensive income, net of dividends received	7,389	53,874
	7,389	60,565

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

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Cost of investments in unlisted associates	10,715	10,715
Share of post-acquisition losses and other comprehensive expenses	(10,949)	(19,220)
	(234)	(8,505)
Included in:		
Non-current assets	11,934	5,394
Non-current liabilities	(12,168)	(13,899)
	(234)	(8,505)

Note: At 30 June 2024, the Group has contractual obligations to share the net liabilities of certain associates amounting to HK\$12,168,000 (31 December 2023: HK\$13,899,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

15. FINANCIAL ASSETS AT FVTPL

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities in Hong Kong (Note (a))	4,909	6,528
Quoted equity securities in the United States of America ("USA") (Note (b))	—	408
Unlisted equity investment in Hong Kong (Note (c))	1,220	1,220
Quoted debt securities (Note (d))	11,055	10,410
Unlisted convertible bond in the USA (Note (e))	—	7,811
Unlisted investment fund (Note (f))	30,902	29,004
Shareholder loan to an associate with redemption right (Note (g))	771,559	734,734
	819,645	790,115
Analysed for reporting purposes as:		
Non-current assets	1,220	735,954
Current assets	818,425	54,161
	819,645	790,115

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.
- (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 unlisted 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 convertible bond was issued by a private entity incorporated in the USA.
- (f) The unlisted investment fund represents investment in equity investment fund issued by a private entity incorporated in Hong Kong. The fair value of the investment is measured with reference to the net asset value of the investment fund.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

15. FINANCIAL ASSETS AT FVTPL (Continued)

Notes: (Continued)

- (g) In 2023, the Group acquired 20% of the issued shares of Rainbow Triumph Limited ("RTL") at a price of HK\$15,700 and the shareholder loan due from RTL in the principal amount of HK\$800,000,000 at a total 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 fair value of the redemption right 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 Group did not exercise the right on the first anniversary of the completion date within the timeframe as stated in the agreement. The whole amount is accounted for in accordance with the maturity date of the loan redemption right as non-current asset at 31 December 2023. At 30 June 2024, the whole amount of approximately HK\$771,559,000 is accounted for in accordance with the maturity date of the loan redemption right as current asset.

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.

16. INVENTORIES

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Property under development		
Freehold land in Malaysia (Note a)	47,641	48,657
Leasehold lands in Hong Kong (Note b)	334,147	385,059
Uninstalled construction materials	69,105	46,989
	450,893	480,705

Note a: The carrying amount of freehold land is stated at lower of cost and net realisable value.

Note b: The leasehold lands were originally acquired for the purpose of redevelopment under the Land Sharing Pilot Scheme ("LSPS"). As disclosed in the Company's announcement dated 2 February 2024, amongst other things was the reduction of purchase consideration of the leasehold lands by HK\$16,072,000. During the period, the Group incurred additional development costs of HK\$1,199,000 on the leasehold lands. However, the Group received a letter from the Land Sharing Office in March 2024 stating that it was not satisfied with the eligibility of the LSPS Application and would not process further the LSPS Application. On 30 April 2024, the Group decided not to make any submission of revised or new LSPS Application before the LSPS deadline of 5 May 2024, the original sale and purchase agreements as amended and supplemented (collectively the "Amended Sale and Purchase Agreements") were terminated with immediate effect. Pursuant to the Amended Sale and Purchase Agreements, following the termination thereof, the acquisitions of subsidiaries as disclosed in note 28 shall be unwound (the "Unwinding"). The Unwinding is still in progress and upon completion of the Unwinding, the Group will cease to have any interest in these leasehold lands. The leasehold lands are stated at net realisable values as at 30 June 2024, which will be derecognised upon completion of the Unwinding. No depreciation charge is made on the leasehold land taking into account the estimated residual values at reporting dates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

17. 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 2024 HK\$'000	31 December 2023 HK\$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	513,040	585,456
Over 90 days	16,656	19,022
	529,696	604,478
Bills receivables	8,771	3,735
Other debtors	221,282	234,342
Deposits	112,014	116,440
Prepayment	2,267	3,194
	874,030	962,189

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 2024. 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 2024

18. CONTRACT ASSETS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts (Note (a))	2,621,307	2,926,605
Retention receivables of construction contracts (Note (b))	829,184	732,127
	3,450,491	3,658,732
Retention receivables of construction contracts		
Due within one year	285,213	310,406
Due more than one year	543,971	421,721
	829,184	732,127

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 2024. 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 2024

19. 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 2024 HK\$'000	31 December 2023 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	200,455	343,278
61 to 90 days	68,992	63,755
Over 90 days	16,391	14,479
	285,838	421,512
Retention payables	1,042,520	972,682
Accrued project costs	2,396,055	2,813,585
Other creditors and accrued charges	466,159	214,186
	4,190,572	4,421,965
Retention payables:		
Repayable within one year	337,514	342,930
Repayable more than one year	705,006	629,752
	1,042,520	972,682

For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction work and are expected to be settled within the Group's normal operating cycle.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

20. BANK LOANS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
The maturity of bank loans that based on repayment schedule of respective loan agreements is as follows:		
Within one year	142,968	215,471
In the second year	1,070	—
In the third to fifth year inclusive	11,021	—
	155,059	215,471
Less: Amounts due within one year or contain a repayable on demand clause shown under current liabilities	(155,059)	(215,471)
Amounts shown under non-current liabilities	—	—
Secured bank loans	42,439	87,417
Unsecured bank loans	112,620	128,054
	155,059	215,471

As at 30 June 2024, the Group has bank loans in the amount of HK\$155,059,000 (31 December 2023: HK\$215,471,000) 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\$12,091,000 (31 December 2023: HK\$nil) have been classified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK\$1,202,321,000 (31 December 2023: HK\$1,185,931,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

21. ORDINARY SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 1 January 2023, 31 December 2023 and 30 June 2024	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 1 January 2023, 31 December 2023 and 30 June 2024	1,241,877,992	124,188

22. DEFERRED TAX LIABILITIES

	30 June 2024 HK\$'000	31 December 2023 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 business in 2005. There was no movement on deferred tax liabilities during the period ended 30 June 2024.

23. OTHER CREDITORS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Consideration payable on acquisition of subsidiaries (note)	—	332,116
Other creditors	23,000	23,000
	23,000	355,116

Note: In 2023, the Group acquired several subsidiaries and for transaction details, please refer to note 28. According to the Amended Sale and Purchase Agreements, the remaining 90% of the consideration was payable in several stages and the management of the Group originally expected the full amounts to be payable in 2025. Therefore, the amounts were classified as non-current as at 31 December 2023. On 30 April 2024, the Group terminated the transaction and the Unwinding is still in progress, accordingly the amounts are classified as current and recorded as other creditors and accrued charges as at 30 June 2024, which will be derecognised upon completion of the Unwinding.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

24. PLEDGE OF ASSETS

As at 30 June 2024, bank deposits amounting to approximately HK\$82 million (31 December 2023: approximately HK\$70 million) of the Group were pledged to banks for securing the banking facilities granted to the Group.

25. 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 2024

25. 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)

Material 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 2024 HK\$'000	31 December 2023 HK\$'000				
i) Listed equity securities in Hong Kong	4,909	6,528	Level 1	Quoted bid price in an active market	N/A	N/A
ii) Unlisted equity investment in Hong Kong	1,220	1,220	Level 3	Net asset value of the private entity	N/A	N/A
iii) Quoted debt securities	11,055	10,410	Level 1	Quoted price in an active market	N/A	N/A
iv) Unlisted investment fund	30,902	29,004	Level 3	Net asset value of the investment fund	N/A	N/A
v) Shareholder loan to an associate with redemption right	771,559	734,734	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> <p>(i) China risk-free rate;</p> <p>(ii) Expected volatility of the property prices; and</p> <p>(iii) Expected return</p>	<p>The discounted China risk-free rate of 1.854% (31 December 2023: 2.363%)</p> <p>The expected volatility of 8.0% (31 December 2023: 10.5%)</p> <p>The discounted expected return of 11.2% (31 December 2023: 11.8%)</p>	<p>The decrease in China risk-free rate would result in a increase in fair value.</p> <p>The decrease expected volatility of the property price would result in a decrease in fair value.</p> <p>The decrease expected return would result in a increase in fair value.</p>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

25. 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 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
At 1 January 2024	734,734	1,220	29,004	764,958
Fair value gain in profit or loss	36,825	—	1,902	38,727
Exchange loss	—	—	(4)	(4)
At 30 June 2024	771,559	1,220	30,902	803,681

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

26. CAPITAL COMMITMENTS

	30 June 2024 HK\$'000	31 December 2023 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	84,500	31,954

27. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
<u>Fellow subsidiaries</u>		
Purchase of construction materials	154,421	136,360
Land plant hire income	59	9
Supply of rock	117	439
Construction contract revenue	21,234	24,333
<u>An associate of ultimate holding company</u>		
Construction contract revenue	—	55,345
<u>Compensation of key management personnel</u>		
Short-term employee benefits	71,169	69,215
Post-employment benefits	1,960	1,974
	73,129	71,189

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

28. 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. Inventories acquired represents leasehold lands in Hong Kong and the Group held it for development.

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 had 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 were 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 2024

28. 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
	<u>136,532</u>	<u>232,485</u>

Net cash outflow on acquisition

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

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 was immaterial.

As at 30 June 2024, Sky Grant Group and Real Best Group are under unwound. Details of unwinding are stated in Note 16 (b) of the condensed consolidated financial statements.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zen Wei Peu, Derek
*(Chairman, Chief Executive Officer
and Managing Director)*

Lui Yau Chun, Paul
Tsui Wai Tim
Luk Chi Chung, Peter

Non-executive Directors

David Howard Gem
Chan Chi Hung, Anthony
Chang Kam Chuen, Desmond

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

Luk Chi Chung, Peter

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
Standard Chartered Bank (Hong Kong) 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

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