BUILD KING HOLDINGS LIMITED

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

ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	6%
Equity	HK$317 million
Equity per share	HK26 cents
Group revenue	HK$1,345 million
Profit attributable to owners of the Company	HK$26 million

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

RESULTS

The board of directors (the "Board") of Build King Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 together with the comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	**Six months ended 30 June** **2014** **(Unaudited)** **HK$'000**	2013 (Unaudited and restated) HK$'000
Revenue	3	**1,344,823**	1,008,207
Cost of sales		**(1,231,829)**	(947,562)
Gross profit		**112,994**	60,645
Investments and other income	5	**2,719**	4,726
(Decrease) increase in fair value of held-for-trading investments		**(840)**	1,584
Administrative expenses		**(87,413)**	(60,239)
Finance costs	6	**(1,717)**	(2,336)
Share of results of associates		**58**	424
Profit before tax	7	**25,801**	4,804
Income tax expense	8	**(225)**	(17)
Profit for the period		**25,576**	4,787
Profit for the period attributable to:			
Owners of the Company		**25,706**	6,493
Non-controlling interests		**(130)**	(1,706)
		25,576	4,787
		HK cents	HK cents
Earnings per share	9		
- Basic		**2.1**	0.5

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**25,576**	4,787
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(2,549)**	1,258
Total comprehensive income for the period	**23,027**	6,045
Total comprehensive income for the period attributable to:		
Owners of the Company	**23,249**	7,705
Non-controlling interests	**(222)**	(1,660)
	23,027	6,045

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	Notes	**30 June 2014 (Unaudited) HK$'000**	31 December 2013 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**101,225**	76,311
Intangible assets		**69,395**	71,110
Goodwill		**30,554**	30,554
Interests in joint ventures		**-**	-
Available-for-sale investment		**-**	-
Other financial asset		**50,036**	52,390
		251,210	230,365
Current assets			
Amounts due from customers for contract work		**420,396**	325,487
Debtors, deposits and prepayments	11	**659,897**	784,056
Amounts due from fellow subsidiaries		**3,148**	3,148
Amounts due from associates		**7,458**	7,541
Amount due from a joint venture		**321**	321
Amounts due from other partners of joint operations		**107,522**	66,601
Held-for-trading investments		**35,626**	44,948
Tax recoverable		**-**	1,482
Pledged bank deposits		**98**	30
Bank balances and cash		**398,695**	299,082
		1,633,161	1,532,696
Current liabilities			
Amounts due to customers for contract work		**712,460**	643,952
Creditors and accrued charges	12	**598,971**	599,149
Amount due to an intermediate holding company		**8,352**	7,225
Amount due to an associate		**13,264**	12,159
Amount due to a joint venture		**1,142**	1,142
Amounts due to other partners of joint operations		**89,597**	69,849
Amounts due to non-controlling interests		**3,094**	3,094
Tax liabilities		**1,398**	-
Bank loans		**108,209**	94,497
		1,536,487	1,431,067
Net current assets		**96,674**	101,629
Total assets less current liabilities		**347,884**	331,994

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**192,664**	175,624
Equity attributable to owners of the Company	**316,852**	299,812
Non-controlling interests	**3,017**	3,239
Total equity	**319,869**	303,051
Non-current liabilities		
Deferred tax liabilities	**5,750**	5,750
Obligations in excess of interests in associates	**17,094**	17,152
Amount due to an associate	**5,171**	6,041
	28,015	28,943
	347,884	331,994

Notes:

1. **BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") and interpretation ("HK(IFRIC) - Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

During the year ended 31 December 2013, the Group had applied for the first time HKFRS 11 "Joint Arrangements" issued by the HKICPA. The directors of the Company (the "Directors") reviewed and assessed the classification of the Group's joint arrangements in accordance with the requirements of HKFRS 11. The Directors concluded that certain of the Group's joint arrangements, which were previously classified as jointly controlled entities under HKAS 31 and were accounted for using the equity method, should be classified as joint operations under HKFRS 11 taking into account the relevant joint arrangement agreements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements and accounted for the assets, liabilities, revenues and expenses relating to its interests in the joint operations. The change in accounting of the Group's joint arrangements has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. Comparative amounts for the six months ended 30 June 2013 have been restated to reflect the change in accounting for the Group's joint arrangements.

The effects of adopting HKFRS 11 described above on the results for the prior period by line items are as follows:

	Six months ended 30 June 2013 HK$'000
Increase in revenue	386,895
Increase in cost of sales	(369,695)
Decrease in investments and other income	(3,341)
Increase in finance costs	(582)
Decrease in share of results of joint ventures	(13,277)
Change in profit for the period	-

The above change in accounting policy does not have any impact on the Group's basic earnings per share for the prior period.

3. **REVENUE**

The Group's revenue represents mainly the revenue on construction contracts recognised during the period.

4. **SEGMENTAL INFORMATION**

The Group is mainly engaged in civil engineering work. Information reported to the Group's chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and assessment of performance is focused on geographical location of its customers including Hong Kong, the People's Republic of China ("PRC") and the Middle East. The Group's reportable segments under HKFRS 8 are as follows:

Six months ended 30 June 2014

	Hong Kong	**The PRC**	**Middle East**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Results				
Segment revenue	**1,333,519**	**11,304**	**-**	**1,344,823**
Segment profit (loss)	**24,911**	**4,580**	**(1,281)**	**28,210**
Unallocated expenses				**(1,393)**
Investments income				**1,483**
Decrease in fair value of held-for-trading investments				**(840)**
Share of results of associates				**58**
Finance costs				**(1,717)**
Profit before tax				**25,801**

Other segment information:

Six months ended 30 June 2014

	Hong Kong	**The PRC**	**Middle East**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Amounts included in the measure of segment profit or loss:				
Gain on disposal of property, plant and equipment	**-**	**41**	**-**	**41**

Six months ended 30 June 2013

	Hong Kong	The PRC	Middle East	Total (restated)
	HK$'000	HK$'000	HK$'000	HK$'000
<u>Results</u>				
Segment revenue	998,898	9,309	-	1,008,207
Segment profit (loss)	2,791	3,373	(1,499)	4,665
Unallocated expenses				(1,212)
Investments income				1,679
Increase in fair value of held-for-trading investments				1,584
Share of results of associates				424
Finance costs				(2,336)
Profit before tax				4,804

Other segment information:

Six months ended 30 June 2013

	Hong Kong	The PRC	Middle East	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss:				
Gain on disposal of property, plant and equipment	-	-	49	49

There are no inter-segment sales for both periods.

All of the segment revenue reported above is from external customers.

5. INVESTMENTS AND OTHER INCOME

	Six months ended 30 June	
	2014	2013
		(restated)
	HK$'000	HK$'000
Investments and other income includes:		
Gain on disposal of property, plant and equipment	**41**	49
Dividends from held-for-trading investments	**1,352**	900
Interest on bank deposits	**31**	182
Interest on other financial asset	**674**	696
Interest on held-for-trading investments	**131**	733

6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
		(restated)
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**1,482**	2,119
Imputed interest expense on non-current interest free amount due to an associate	**235**	217
	1,717	2,336

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	**759**	641
Depreciation of property, plant and equipment	**18,670**	11,877
Less: amount attributable to construction contracts	**(11,258)**	(6,960)
	7,412	4,917

8. **INCOME TAX EXPENSE**

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Underprovision in prior years:		
Hong Kong	**213**	-
Other jurisdictions	**12**	17
	225	17

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used is 16.5% (six months ended 30 June 2013: 16.5%) for the six months ended 30 June 2014.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

No provision for Hong Kong Profits Tax for both periods has been made in the condensed consolidated financial statements as the estimated assessable profit has been wholly absorbed by tax losses brought forward.

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	
	2014	2013
	HK$'000	HK$'000
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share	**25,706**	6,493
	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	
	2014	2013
	HK$'000	HK$'000
Dividend paid and recognised as distribution during the period:		
2013 final dividend - HK0.5 cent per share (six months ended 30 June 2013: Nil)	**6,209**	-

11. DEBTORS, DEPOSITS AND PREPAYMENTS

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

	30 June 2014	31 December 2013
	HK$'000	HK$'000
Trade receivables analysed by age:		
0 to 60 days	**389,039**	504,306
61 to 90 days	**1,497**	7,337
Over 90 days	**7,631**	14
	398,167	511,657
Retention receivables	**222,679**	195,401
Other debtors, deposits and prepayments	**39,051**	76,998
	659,897	784,056
Retention receivables		
Due within one year	**96,800**	109,220
Due more than one year	**125,879**	86,181
	222,679	195,401

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

12. **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 2014 HK$'000	31 December 2013 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**126,063**	101,551
61 to 90 days	**10,017**	13,471
Over 90 days	**24,777**	13,895
	160,857	128,917
Retention payables	**158,060**	133,432
Accrued project costs	**245,717**	317,085
Other creditors and accrued charges	**34,337**	19,715
	598,971	599,149
Retention payables		
Repayable within one year	**78,847**	70,148
Repayable more than one year	**79,213**	63,284
	158,060	133,432

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the six months ended 30 June 2014, the Group achieved a turnover of HK$1,345 million and a profit of HK$26 million, representing growth of 33% and 434% respectively over the corresponding period of 2013.

During the first half of 2014, the gross margin was significantly improved from 6% in 2013 to 8.4%. The improvement was attributable to the healthier margin of projects on hand and the absence of the one-off loss provision made in 2013 for two government projects. However, overhead costs also increased from 6% of turnover to 6.5% as a result of extra resources to cope with the expanded operation including tendering activities. Overall, we achieved a profit to turnover ratio of 1.9%, a significant improvement from the past years.

The growth of turnover was consistent with the level of new projects awarded in the past years. The outstanding value of contracts on hand has increased to HK$9.4 billion as at the date of this announcement.

Since January 2014, the Group has secured three projects with a total contract value of HK$2.6 billion. These included the reprovisioning of Harbour Road Sports Centre and Wan Chai Swimming Pool for Shatin Central Link, and building of Northern Connection Toll Plaza for the Tuen Mun-Chek Lap Kok Link.

Looking ahead, tender opportunities are now still promising. We are currently tendering the second phase of Shatin Central Link projects and the Government is continuing with its ambitious plan for infrastructure works and we expect to remain busy with these tenders for foreseeable future. We will consistently uphold our strategy to be selective and targeting only those projects that we believe the cashflow will be healthy and where we think we have edge.

Our current major projects were progressing satisfactorily. At Central-Wanchai Bypass Package C1 at Hong Kong Convention and Exhibition Centre, the construction of reinforced concrete tunnel box for future highway is on programme and the whole Contract will be completed in 2015. The major reclamation works of the Central-Wanchai Bypass Package C3 at Wanchai West have been completed and the land works and diaphragm walls are now in progress. Work of MTR Contract 824 Express Rail Link is well on hand with significant improvement in tunnel progress despite significant adverse geological conditions. All three projects for Shatin Central Link, namely, Kai Tak Station, Diamond Hill Station and Hung Hom North Approach Tunnel, are progressing well.

The building division is also steadily expanding. The last phase of the development of Hang Seng Management College started in the first quarter of 2014 and is expected to be completed in 2015. The building of disciplined services quarter in Tuen Mun for Architectural Services Department is going smoothly and substantial completion is anticipated within 2014. The building of two schools in Kai Tak Development Area started in early 2014 and is expected to complete in 2015.

The operation of the sewage treatment plant in Wuxi City, following completion of its expansion in the third quarter of 2013, is running smoothly and has generated steadily increasing income. With the treated sewage volume reaching 38,000 tonnes per day, both the turnover and profit increased by 21% and 36% respectively, compared with the corresponding period of 2013.

Employees and Remuneration Policies

At 30 June 2014, the Group had a total of 1,320 employees and total remuneration for the six months ended 30 June 2014 was approximately HK$295 million. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as that of the individual.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2014, the Group had liquid assets of HK$435 million (at 31 December 2013: HK$344 million) comprising held-for-trading investments of HK$36 million (at 31 December 2013: HK$45 million) and bank balances and cash of HK$399 million (at 31 December 2013: HK$299 million).

At 30 June 2014, the Group had a total of interest bearing borrowings of HK$108 million (at 31 December 2013: HK$94 million) with following maturity profile:

	At 30 June 2014 HK$ million	At 31 December 2013 HK$ million
Borrowings due within one year	**108**	94
	108	94

The Group's borrowings, bank balances and cash and held-for-trading investments were principally denominated in Hong Kong dollars. Hence, there is no exposure to foreign exchange rate fluctuations. During the period, the Group had no significant borrowings at fixed interest rate and had no financial instrument for hedging purpose.

Capital Structure and Gearing

At 30 June 2014, total equity was HK$320 million (at 31 December 2013: HK$303 million) comprising ordinary share capital of HK$124 million (at 31 December 2013: HK$124 million), reserves of HK$193 million (at 31 December 2013: HK$176 million) and non-controlling interests of HK$3 million (at 31 December 2013: HK$3 million).

At 30 June 2014, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 34% (at 31 December 2013: 31%).

Pledge of Assets

At 30 June 2014, bank deposits amounting to HK$98,000 (at 31 December 2013: HK$30,000) of the Group were pledged to banks for securing the banking facilities granted to the Group.

At 30 June 2014, certain equity securities with market value of HK$21 million (at 31 December 2013: HK$22 million) were pledged to a bank to secure general facilities granted to the Group.

Contingent Liabilities

	At 30 June 2014 HK$ million	At 31 December 2013 **HK$ million**
Outstanding tender/performance/retention bonds in respect of construction contracts	**238**	248

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions on Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2014, except for code provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

Mr. Zen Wei Peu, Derek has been both the Chairman and Chief Executive Officer of the Company. In addition to his responsibilities as Chairman overseeing the function of the Board and formulating overall strategies and polices 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 for Securities Transactions by Directors of Listed Issuers (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 required standards set out in the Model Code throughout the six months ended 30 June 2014.

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 2014.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management, internal auditor and external auditor the accounting policies adopted by the Group and the unaudited interim financial information for the six months ended 30 June 2014.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's website (www.buildking.hk) and the Stock Exchange's website (www.hkexnews.hk). The Interim Report 2014 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange, and despatched to the shareholders of the Company in due course.

APPRECIATION

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

By Order of the Board
Zen Wei Peu, Derek
Chairman

Hong Kong, 15 August 2014

As at the date hereof, the Board comprises two executive Directors, namely Mr. Zen Wei Peu, Derek and Mr. Chang Kam Chuen, Desmond, three non-executive Directors, namely Mr. David Howard Gem, Dr. Cheng Chi Pang, Leslie and Mr. Chan Chi Hung, Anthony, and three independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Ng Chi Ming, James and Mr. Ho Tai Wai, David.