BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	8%
Equity	HK$765 million
Equity per share	HK62 cents
Group revenue	HK$3,129 million
Profit attributable to owners of the Company	HK$231 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 2018 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 2018

	Notes	**Six months ended 30 June**	
		2018	2017
		(Unaudited)	(Unaudited)
		HK$'000	HK$'000
Revenue from services	3	**3,129,087**	2,730,358
Cost of sales		**(2,698,111)**	(2,514,917)
Gross profit		**430,976**	215,441
Investments and other income	5	**9,092**	4,562
Increase in fair value of held-for-trading investments		**374**	10,431
Administrative expenses		**(146,480)**	(128,747)
Finance costs	6	**(9,857)**	(7,827)
Share of results of joint ventures		**2,435**	2,703
Share of results of associates		**(902)**	543
Profit before tax	7	**285,638**	97,106
Income tax expense	8	**(52,543)**	(15,184)
Profit for the period		**233,095**	81,922
Profit for the period attributable to:			
Owners of the Company		**231,272**	80,926
Non-controlling interests		**1,823**	996
		233,095	81,922
		HK cents	HK cents
Earnings per share	9		
- Basic		**18.6**	6.5

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**233,095**	81,922
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(1,914)**	4,539
Total comprehensive income for the period	**231,181**	86,461
Total comprehensive income for the period attributable to:		
Owners of the Company	**229,421**	85,317
Non-controlling interests	**1,760**	1,144
	231,181	86,461

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**305,072**	385,899
Intangible assets		**61,714**	62,851
Goodwill		**30,554**	30,554
Interests in joint ventures		**128,605**	129,519
Interests in associates		**8,518**	7,968
Other financial asset at amortised cost		**41,262**	42,909
		575,725	659,700
Current assets			
Inventories		**32,276**	-
Amounts due from customers for contract work		**-**	253,443
Debtors, deposits and prepayments	11	**285,158**	1,681,032
Contract assets	12	**1,532,574**	-
Amounts due from fellow subsidiaries		**-**	1,149
Amounts due from associates		**8,032**	7,719
Amounts due from other partners of joint operations		**138,283**	134,934
Held-for-trading investments		**45,793**	45,419
Tax recoverable		**10,769**	7,338
Pledged bank deposits		**37**	37
Bank balances and cash		**1,134,836**	949,029
		3,187,758	3,080,100
Current liabilities			
Amounts due to customers for contract work		-	410,053
Creditors and accrued charges	13	**1,870,046**	2,068,963
Contract liabilities		**528,337**	-
Amount due to an intermediate holding company		**17,708**	16,466
Amounts due to fellow subsidiaries		**2,275**	-
Amount due to a joint venture		**1,142**	1,142
Amounts due to other partners of joint operations		**58,593**	61,710
Amounts due to non-controlling interests		**3,094**	3,094
Amount due to an associate		**17,686**	16,580
Tax payable		**80,275**	60,733
Bank loans - due within one year		**263,476**	235,821
		2,842,632	2,874,562
Net current assets		**345,126**	205,538
Total assets less current liabilities		**920,851**	865,238

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**640,516**	585,367
Equity attributable to owners of the Company	**764,704**	709,555
Non-controlling interests	**4,367**	3,005
Total equity	**769,071**	712,560
Non-current liabilities		
Deferred tax liabilities	**5,750**	5,750
Obligations in excess of interests in associates	**14,179**	14,527
Amount due to an associate	**2,894**	3,701
Bonds	**128,957**	128,700
	151,780	152,678
	920,851	865,238

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.

   Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulated effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

(1) Under HKFRS 15, the Group recognises revenue over time when (or as) the control of an underlying performance obligation, i.e goods or services (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same, is transferred to the customer.

In line with HKFRS 15, the Group adopts the output method in recognising the revenue over time by reference to the progress towards complete satisfaction of the relevant performance obligation. The progress towards complete satisfaction of a relevant performance obligation is measured by reference to the certificates issued by the internal or external surveyors on the performance completed to date. The current practice adopted by the Group is consistent with output method in recognising value over time under HKFRS 15. Hence, there were no adjustments made to the recognised revenue.

(2) Under HKAS11, the Group charged the incurred construction costs to profit or loss account by reference to the stage of completion of the contract activity at the end of relevant reporting date. Under HKFRS 15, those incurred construction costs qualified to be recognised as assets are amortised to profit or loss on a systematic basis that is consistent with the transfer to customer of the performance obligation to which the assets are related. Accordingly, construction costs that incurred but deferred to be recognised in profit or loss and included in amount due from customers under HKAS11 were charged to retained profit and minority interest. Alternatively, construction costs that have not yet incurred but accelerated to be recognised in profit or loss and included as creditors and accrued charges under HKAS 11 were credited to retained profit and minority interest. The related tax effects are recognised in tax payable and retained profit.

(3) Under HKFRS 15 deferred materials that were included in amounts due from customers for contract work under HKAS11 was reclassified to inventories.

(4) Under HKFRS 15, unbilled revenue and retention receivables, arising from the construction contracts that are conditional on issuance of payment certificates by customers and included in trade and other receivables under HKAS 11 were reclassified to contract assets.

(5) Under HKFRS 15, the Group’s obligation to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers that was classified as amounts due to customers for contract work liabilities under HKAS 11 were reclassified to contract liabilities.

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1 January 2018.

	Impact of adopting HKFRS 15 at 1 January 2018
	HK$'000
Retained profits	
Adjustments of amounts due from customers for contract work and creditors and accrued charges	(153,879)
Tax effect	16,465
	(137,414)
Non-controlling interests	398
Impact at 1 January 2018	(137,016)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Remeasurement	Carrying amounts under HKFRS 15 at 1 January 2018*
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets				
Inventories	-	38,064	-	38,064
Amounts due from customers for contract work	253,443	(38,064)	(215,379)	-
Debtors, deposits and prepayments	1,681,032	(1,342,656)	-	338,376
Contract assets	-	1,342,656	-	1,342,656
Current liabilities				
Amounts due to customers for contract work	410,053	(410,053)	-	-
Creditors and accrued charges	2,068,963	-	(61,500)	2,007,463
Contract liabilities	-	410,053	-	410,053
Tax payable	60,733	-	(16,465)	44,268
Capital and reserves				
Retained profits	619,854	-	(137,016)	482,838
Non-controlling interests	3,005	-	(398)	2,607

*The amounts in this column are before the adjustments from the application of HKFRS 9.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position as at 30 June 2018

	As reported	Reclassification	Remeasurement	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets				
Inventories	32,276	(32,276)	-	-
Amounts due from customers for contract work	-	32,276	1,084	33,360
Debtors, deposits and prepayments	285,158	1,532,574	-	1,817,732
Contract assets	1,532,574	(1,532,574)	-	-
Tax recoverable	10,769	-	797	11,566
Current liabilities				
Amounts due to customers for contract work	-	528,337	-	528,337
Creditors and accrued charges	1,870,046	-	7,140	1,877,186
Contract liabilities	528,337	(528,337)	-	-
Tax payable	80,275	-	(640)	79,635
Capital and reserves				
Retained profits	676,854	-	(4,620)	672,234
Non-controlling interests	4,367	-	1	4,368

Impact on the condensed consolidated statement of profit or loss for the six months ended 30 June 2018

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Revenue	3,129,087	-	3,129,087
Cost of sales	(2,698,111)	(159,935)	(2,858,046)
Gross profit	430,976	(159,935)	271,041
Profit before tax	285,638	(159,935)	125,703
Income tax expense	(52,543)	17,902	(34,641)
Profit for the period	233,095	(142,033)	91,062
Profit for the period attributable to:			
Owners of the Company	231,272	(141,636)	89,636
Non-controlling interests	1,823	(397)	1,426
	233,095	(142,033)	91,062
	HK cents		HK cents
Earnings per share			
- Basic	18.6		7.2 (note)

note: Without applying HKFRS 15, the profit for the period attributable to the owners of the Company and earnings for the purpose of basic earnings per share is HK$89,636,000.

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and financial guarantee contracts) and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Key changes in accounting policies resulting from application of HKFRS 9

(1) Classification and measurement of financial assets

All recognised financial assets that are within the scope of HKFRS 9 are classified according to specified conditions into (i) Financial assets measured at amortised cost; (ii) Financial assets measured at fair value through profit or loss and; iii) Financial assets measured at fair value through other comprehensive income.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. The Directors considered that the changes in classification and measurement of the financial assets under HKFRS 9 have no significant impact to the Group.

(2) Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets that are subject to impairment under HKFRS 9 (including bank deposits, trade and other receivables, other financial asset at amortised costs, amounts due from fellow subsidiaries, associates and other partners of joint operations and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets, contract assets and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact were considered insignificant to the Group.

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	1 January 2018 (Restated) HK$'000
Non-current assets			
Items with no adjustments	659,700	-	659,700
Current assets			
Inventories	-	38,064	38,064
Amounts due from customers for contract work	253,443	(253,443)	-
Debtors, deposits and prepayments	1,681,032	(1,342,656)	338,376
Contract assets	-	1,342,656	1,342,656
Others with no adjustments	1,145,625	-	1,145,625
	3,080,100	(215,379)	2,864,721
Current liabilities			
Amounts due to customers for contract work	410,053	(410,053)	-
Creditors and accrued charges	2,068,963	(61,500)	2,007,463
Contract liabilities	-	410,053	410,053
Tax payable	60,733	(16,465)	44,268
Others with no adjustments	334,813	-	334,813
	2,874,562	(77,965)	2,796,597
Net current assets	205,538	(137,414)	68,124
Total assets less current liabilities	865,238	(137,414)	727,824
Capital and reserves			
Retained profits	619,854	(137,016)	482,838
Non-controlling interests	3,005	(398)	2,607
Others with no adjustments	89,701	-	89,701
Total equity	712,560	(137,414)	575,146
Non-current liabilities			
Items with no adjustments	152,678	-	152,678
	865,238	(137,414)	727,824

3. **REVENUE FROM SERVICES**

Disaggregation of revenue

	Six months ended 30 June 2018	
	Hong Kong	PRC
	HK$'000	HK$'000
Type of services		
Construction contracts	3,117,887	-
Sewage treatment plant operation	-	11,200
	3,117,887	11,200
Timing of revenue recognition		
Over time	3,117,887	11,200

4. **SEGMENTAL INFORMATION**

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

Six months ended 30 June 2018

	Hong Kong	**The PRC**	**Middle East**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Results				
Segment revenue	**3,117,887**	**11,200**	**-**	**3,129,087**
Segment profit (loss)	**290,141**	**3,075**	**(453)**	**292,763**
Unallocated expenses				**(1,515)**
Investments income				**2,340**
Increase in fair value of held-for-trading investments				**374**
Share of results of joint ventures				**2,435**
Share of results of associates				**(902)**
Finance costs				**(9,857)**
Profit before tax				**285,638**

Other segment information:

Six months ended 30 June 2018

	Hong Kong	**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	**400**	**-**	**-**	**400**

Six months ended 30 June 2017

	Hong Kong	The PRC	Middle East	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Results				
Segment revenue	2,720,680	9,678	-	2,730,358
Segment profit (loss)	89,263	2,723	(693)	91,293
Unallocated expenses				(1,843)
Investments income				1,806
Increase in fair value of held-for-trading investments				10,431
Share of results of joint ventures				2,703
Share of results of associates				543
Finance costs				(7,827)
Profit before tax				97,106

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 held-for-trading investments, change in fair value of held-for-trading investments, share of results of joint ventures and associates, finance costs and unallocated expenses.

5. INVESTMENTS AND OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Investments and other income includes:		
Gain on disposal of property, plant and equipment	**400**	-
Dividends from held-for-trading investments	**2,340**	1,806
Interest on bank deposits	**1,037**	252
Interest on other receivable	**10**	514
Interest on other financial asset at amortised cost	**541**	552
PRC Value-Added Tax refund	**951**	865
Insurance claim on loss of plant and machinery	**-**	339

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Interests on:		
Bank borrowings	**4,788**	2,773
Bonds	**4,770**	4,770
Imputed interest expense on non-current interest-free amount due to an associate	**299**	284
	9,857	7,827

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	**719**	702
Depreciation of property, plant and equipment	**94,335**	21,631
Less: amount attributable to construction contracts and included in amounts due from customers from contract work	**-**	(2,083)
	94,335	19,548

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current tax:		
Hong Kong	**52,482**	14,971
Other jurisdictions	**-**	3
	52,482	14,974
Underprovision (overprovision) in prior years:		
Hong Kong	**52**	(20)
Other jurisdictions	**9**	230
	61	210
	52,543	15,184

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 2017: 16.5%) for the six months ended 30 June 2018.

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

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	
	2018	2017
	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	**231,272**	80,926

	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	
	2018	2017
	HK$'000	HK$'000
Dividend paid and recognised as distribution during the period:		
2017 final dividend - HK3 cents per share (six months ended 30 June 2017: 2016 final dividend - HK2.5 cents per share)	**37,256**	31,047

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	31 December
	2018	2017
	HK$'000	HK$'000
Trade receivables analysed by age:		
0 to 60 days	**144,581**	201,615
61 to 90 days	**1,840**	200
Over 90 days	**14,277**	12,780
	160,698	214,595
Unbilled revenue	**-**	887,735
Bills receivables	**15,214**	2,130
Retention receivables	**-**	454,921
Other debtors, deposits and prepayments	**109,246**	121,651
	285,158	1,681,032
Retention receivables:		
Due within one year	**-**	129,691
Due more than one year	**-**	325,230
	-	454,921

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.

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 ECL for trade receivables are assessed collectively based on provision matrix as at 30 June 2018. After the assessment of the Group, the impairment allowance on trade receivables based on the provision matrix is insignificant to the Group for the current interim period.

12. **CONTRACT ASSETS**

	30 June 2018 HK$'000	31 December 2017 HK$'000
Unbilled revenue	**1,036,092**	-
Retention receivables	**496,482**	-
	1,532,574	-

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 collectively based on provision matrix as at 30 June 2018. After the assessment of the Group, the impairment allowance on contract assets based on the provision matrix is insignificant to the Group for the current interim period.

13. **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 2018 HK$'000	31 December 2017 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**167,387**	232,484
61 to 90 days	**17,658**	11,856
Over 90 days	**35,838**	41,680
	220,883	286,020
Retention payables	**345,808**	365,023
Accrued project costs	**1,264,989**	1,376,389
Other creditors and accrued charges	**38,366**	41,531
	1,870,046	2,068,963
Retention payables:		
Repayable within one year	**125,191**	124,257
Repayable more than one year	**220,617**	240,766
	345,808	365,023

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 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the six months ended 30 June 2018, the Group recorded an increase in turnover of 15% to HK$3,129 million. The increase of turnover was in line with the management's forecast progress of the contracts on hand. The Group's profit after tax increased from HK$82 million to HK$233 million. The drastic increase was mainly attributable to the change of accounting policies. In accordance with the Hong Kong Accounting Standards, the Group applied with effect from 1 January 2018 the new accounting standard HKFRS 15 "Revenue from Contracts with Customers", without restating the financial information for the same period of 2017. As the profits for the two periods were determined by applying different standards, certain information may not be directly comparable. As detailed in Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" under Note 2 of this announcement, had the new accounting standard not been applied, the net profit for the current period would have been HK$91 million, representing an increase of 11% over the net profit of HK$82 million for the corresponding period in 2017.

The total outstanding values of contract-on-hand dropped from HK$18 billion as reported in Annual Report 2017 to HK$14.4 billion as at the date of this announcement. As anticipated, the civil engineering division would face significant decline in new tenders but the building market was much healthier and there were many new tenders from both public and private sectors. Since the issue of Annual Report 2017, the Group has secured four contracts of total contract sum of HK$1.7 billion, mainly building work.

On current civil engineering projects, the majority were progressing in accordance with budget. All of the three projects for Shatin Central Link including Diamond Hill Station, Hung Hom North Approach Tunnel and Kai Tak Station were substantially completed. Both the Northern Connection Plaza for Tuen Mun-Chek Lap Kok Link and the infrastructural works of Liangtang/Heung Yuen Wai boundary control point were completed 80% on time and within budget. The Deep Cement Mixing project at Hong Kong International Airport, despite delay due to the technical problems at the start, was returning to normal efficiency and aiming at completing works in 2018. On two projects in Central Wanchai Bypass, their accounts were being prepared and likely to be finalized in the remainder of this year. The projects awarded early this year, like Tung Chung Reclamation and Yau Ma Tei East of Kowloon Central Route, both of them lasting for seven years, were still in planning and setting up stage.

For building division, our first design and build joint venture project, Kowloon Eastern Regional Headquarter for Hong Kong Police, has completed its foundation work and started the building works, aiming to complete in 2020. The construction of two 28-storey towers in Shum Shui Po for a private developer commenced in January 2018 was also progressing well within the budget. The recently awarded project was building work for 9 towers and 29 houses in Au Tau, Yuen Long which are targeted to complete in 2020.

The two investments in the PRC continued to generate a steady profit similar to the corresponding period in 2017. The operation of sewage treatment plant in Wuxi City maintained daily treated volume at 42,000 tonnes per day. The heat supply operation at Dezhou was running smoothly as planned.

Employees and Remuneration Policies
At 30 June 2018, the Group had a total of 2,195 employees and total remuneration for the six months ended 30 June 2018 was approximately HK$500 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 2018, the Group had liquid assets of HK$1,181 million (at 31 December 2017: HK$994 million) comprising held-for-trading investments of HK$46 million (at 31 December 2017: HK$45 million) and bank balances and cash of HK$1,135 million (at 31 December 2017: HK$949 million).

At 30 June 2018, the Group had a total of interest bearing borrowings of HK$392 million (at 31 December 2017: HK$364 million) comprising bank loans of HK$264 million (at 31 December 2017: HK$236 million) and the Bonds of HK$128 million (at 31 December 2017: HK$128 million) with following maturity profile:

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
On demand or within one year	**175**	181
In the second year	**165**	55
In the third to fifth year inclusive	**52**	128
	392	364

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 financial instrument for hedging purpose. At 30 June 2018, total borrowings of HK$128 million (at 31 December 2017: HK$128 million) carried interest at fixed rate.

Capital Structure and Gearing
At 30 June 2018, total equity was HK$769 million (at 31 December 2017: HK$713 million) comprising ordinary share capital of HK$124 million (at 31 December 2017: HK$124 million), reserves of HK$641 million (at 31 December 2017: HK$586 million) and non-controlling interests of HK$4 million (at 31 December 2017: HK$3 million).

At 30 June 2018, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 51% (at 31 December 2017: 51%).

Pledge of Assets

At 30 June 2018, bank deposits of the Group amounting to HK$37,000 (at 31 December 2017: HK$37,000) were pledged to banks for securing the banking facilities granted to the Group.

At 31 December 2017, the Group had pledged certain vessels with carrying value in aggregate of HK$139,787,000 (at 30 June 2018: Nil) to secure a bank loan.

Contingent Liabilities

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
Outstanding tender/performance/retention bonds in respect of construction contracts	**853**	709

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of 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 2018, 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 Model Code throughout the six months ended 30 June 2018.

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 2018.

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 2018.

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 2018 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, 17 August 2018

As at the date hereof, the Board comprises two executive Directors, namely Mr. Zen Wei Peu, Derek and Mr. Chang Kam Chuen, Desmond, two non-executive Directors, namely Mr. David Howard Gem and Mr. Chan Chi Hung, Anthony, and three independent non-executive Directors, namely Dr. Chow Ming Kuen, Joseph, Mr. Ho Tai Wai, David and Mrs. Ling Lee Ching Man, Eleanor.