BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	12%
Equity	HK$1,050 million
Equity per share	HK85 cents
Group revenue	HK$3,569 million
Profit attributable to owners of the Company	HK$164 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 2019 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 2019

	Notes	**Six months ended 30 June 2019 (Unaudited) HK$'000**	2018 (Unaudited) HK$'000
Revenue from services	3	**3,569,361**	3,129,087
Cost of sales		**(3,215,930)**	(2,698,111)
Gross profit		**353,431**	430,976
Investments and other income	5	**21,140**	9,092
Increase in fair value of financial assets at fair value through profit or loss ("FVTPL")		**4,031**	374
Administrative expenses		**(163,795)**	(146,480)
Finance costs	6	**(9,183)**	(9,857)
Share of results of joint ventures		**369**	2,435
Share of results of associates		**(1,736)**	(902)
Profit before tax	7	**204,257**	285,638
Income tax expense	8	**(45,205)**	(52,543)
Profit for the period		**159,052**	233,095
Profit for the period attributable to:			
Owners of the Company		**164,040**	231,272
Non-controlling interests		**(4,988)**	1,823
		159,052	233,095
		HK cents	HK cents
Earnings per share	9		
- Basic		**13.2**	18.6

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**159,052**	233,095
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(238)**	(1,914)
Share of reserves of joint ventures	**(112)**	-
Total comprehensive income for the period	**158,702**	231,181
Total comprehensive income for the period attributable to:		
Owners of the Company	**163,695**	229,421
Non-controlling interests	**(4,993)**	1,760
	158,702	231,181

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**138,265**	219,922
Right-of-use assets		**34,930**	-
Intangible assets		**59,220**	59,958
Goodwill		**30,554**	30,554
Interests in joint ventures		**150,943**	151,926
Interests in associates		**6,313**	7,245
Other financial asset at amortised cost		**38,025**	38,654
		458,250	508,259
Current assets			
Inventories		**72,230**	58,146
Debtors, deposits and prepayments	11	**323,887**	371,043
Contract assets	12	**1,631,161**	1,672,750
Amounts due from associates		**8,000**	7,699
Amounts due from other partners of joint operations		**246,315**	212,994
Amounts due from a joint venture		**2,027**	-
Loans to joint ventures		**19,777**	22,020
Financial assets at FVTPL		**58,654**	54,623
Tax recoverable		**2,825**	9,415
Pledged bank deposits		**65,317**	2,336
Time deposits with original maturity of not less than three months		**320,000**	284,400
Bank balances and cash		**1,541,746**	1,092,545
		4,291,939	3,787,971
Current liabilities			
Creditors and accrued charges	13	**2,246,938**	2,194,569
Contract liabilities		**917,619**	566,355
Lease liabilities		**20,331**	-
Amount due to an intermediate holding company		**15,329**	18,891
Amounts due to fellow subsidiaries		**3,823**	8,839
Amount due to a joint venture		**1,142**	1,142
Amounts due to other partners of joint operations		**2,011**	2,691
Amounts due to non-controlling interests		**3,094**	3,094
Amount due to an associate		**18,791**	17,686
Tax payable		**142,495**	128,170
Bank loans - due within one year		**156,314**	253,400
Bonds		**76,794**	-
		3,604,681	3,194,837
Net current assets		**687,258**	593,134
Total assets less current liabilities		**1,145,508**	1,101,393

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**925,498**	816,446
Equity attributable to owners of the Company	**1,049,686**	940,634
Non-controlling interests	**(1,042)**	3,951
Total equity	**1,048,644**	944,585
Non-current liabilities		
Deferred tax liabilities	**5,750**	5,750
Obligations in excess of interests in joint ventures	**6,460**	4,853
Obligations in excess of interests in associates	**14,598**	13,794
Amount due to an associate	**2,399**	3,192
Lease liabilities	**14,975**	-
Bonds	**52,682**	129,219
	96,864	156,808
	1,145,508	1,101,393

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to 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.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
iii. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$36,004,000 and right-of-use assets of HK$36,004,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.5%.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	53,275
Lease liabilities discounted at relevant incremental borrowing rates	51,695
Less: Recognition exemption - short-term leases	15,691
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	36,004
Analysed as	
Current	15,516
Non-current	20,488
	36,004

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases of office premises recognised upon application of HKFRS16	36,004
By class:	
Land and buildings	36,004

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	HK$'000	HK$'000
Non-current assets			
Right-of-use assets	-	36,004	36,004
Current liabilities			
Lease liabilities	-	15,516	15,516
Non-current liabilities			
Lease liabilities	-	20,488	20,488

No adjustments have been made, in the application of HKFRS 16 as a lessor, on the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the current interim period.

3. REVENUE FROM SERVICES

Disaggregation of revenue

	Six months ended 30 June 2019	
	Hong Kong	PRC
	HK$'000	HK$'000
Type of services		
Construction services	**3,557,893**	**-**
Sewage treatment plant operation	**-**	**11,468**
Revenue from contracts with customers	**3,557,893**	**11,468**
Timing of revenue recognition		
Over time	**3,557,893**	**11,468**

	Six months ended 30 June 2018	
	Hong Kong	PRC
	HK$'000	HK$'000
Type of services		
Construction services	3,117,887	-
Sewage treatment plant operation	-	11,200
Revenue from contracts with customers	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 2019

	Hong Kong	The PRC	Middle East	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Results				
Segment revenue	**3,557,893**	**11,468**	**-**	**3,569,361**
Segment profit (loss)	**209,057**	**1,437**	**(369)**	**210,125**
Unallocated expenses				**(1,989)**
Investments income				**2,640**
Increase in fair value of financial assets at FVTPL				**4,031**
Share of results of joint ventures				**369**
Share of results of associates				**(1,736)**
Finance costs				**(9,183)**
Profit before tax				**204,257**

Other segment information:

Six months ended 30 June 2019

	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:				
Loss on disposal of property, plant and equipment	**2,602**	**-**	**-**	**2,602**

Six months ended 30 June 2018

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'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 financial assets at FVTPL				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 HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss:				
Gain on disposal of property, plant and equipment	400	-	-	400

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, 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	
	2019	2018
	HK$'000	HK$'000
Investments and other income includes:		
Dividends from financial assets at FVTPL	**2,640**	2,340
Gain on disposal of property, plant and equipment	**-**	400
Interest on bank deposits	**5,970**	1,037
Interest on loans to a joint venture	**1,576**	-
Interest on other receivable	**85**	10
Interest on other financial asset at amortised cost	**496**	541
PRC Value-Added Tax refund	**851**	951
Government subsidy	**12**	-
Bargain purchase gain on acquisition of a subsidiary	**368**	-

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interests on:		
Bank borrowings	**3,884**	4,788
Bonds	**4,770**	4,770
Imputed interest expense on non-current interest-free amount due to an associate	**312**	299
Interest expense on lease liabilities	**217**	-
	9,183	9,857

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets	**692**	719
Depreciation of right-of-use assets	**8,912**	-
Depreciation of property, plant and equipment	**86,529**	94,335
Loss on disposal of property, plant and equipment	**2,602**	-

8. **INCOME TAX EXPENSE**

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current tax:		
Hong Kong	**45,207**	52,482
(Overprovision) underprovision in prior years:		
Hong Kong	**(40)**	52
The PRC	**38**	9
	(2)	61
	45,205	52,543

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 2018: 16.5%) for the six months ended 30 June 2019.

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.

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	
	2019	2018
	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	**164,040**	231,272

	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	
	2019	2018
	HK$'000	HK$'000
Dividend paid and recognised as distribution during the period:		
2018 final dividend - HK4.4 cents per share (six months ended 30 June 2018: 2017 final dividend - HK3 cents per share)	**54,643**	37,256

11. **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	31 December
	2019	2018
	HK$'000	HK$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	**184,871**	236,903
61 to 90 days	**2**	845
Over 90 days	**22,392**	18,321
	207,265	256,069
Bills receivables	**5,592**	6,773
Other debtors, deposits and prepayments	**111,030**	108,201
	323,887	371,043

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 2019. After the assessment of the Group, the impairment allowance on trade receivables is insignificant to the Group for the current interim period.

12. CONTRACT ASSETS

	30 June 2019 HK$'000	31 December 2018 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts	**1,117,894**	1,171,490
Retention receivables of construction contracts	**513,267**	501,260
	1,631,161	1,672,750
Retention receivables of construction contracts		
Due within one year	**162,407**	303,200
Due more than one year	**350,860**	198,060
	513,267	501,260

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 2019. After the assessment of the Group, the impairment allowance on contract assets 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 2019 HK$'000	31 December 2018 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**133,167**	130,116
61 to 90 days	**81,973**	18,035
Over 90 days	**56,213**	42,933
	271,353	191,084
Retention payables	**402,456**	368,066
Accrued project costs	**1,510,058**	1,545,509
Other creditors and accrued charges	**63,071**	89,910
	2,246,938	2,194,569
Retention payables:		
Repayable within one year	**164,409**	207,503
Repayable more than one year	**238,047**	160,563
	402,456	368,066

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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the six months ended 30 June 2019, the Group recorded an increase in turnover of 14% to HK$3,569 million while the profit after tax decreased by 32% to HK$159 million. The increase of turnover was in line with the management's forecast progress of the contracts on hand. Last year, the record-high profit was the combined result of adopting a new accounting standard and satisfactory final accounts of several major projects. As indicated in the Annual Report 2018 of the Company ("Annual Report 2018"), the profit of 2018 was exceptional, but the management did expect such profitability would not sustain. Despite deteriorating economy and ever competitive market, the Group still achieved gross profit margin of 9.9% and net profit margin of 4.5% which could be considered very healthy in construction sector.

During 2019, our competitors were bidding at an extreme low margin or in some cases bidding at loss prices which are not our strategy. The tendering results in the first half of 2019 were disappointing. Since the issue of the Annual Report 2018, the Group has secured seven contracts of total contract sum of less than HK$1 billion. The total outstanding values of contract-on-hand dropped slightly from HK$18 billion as reported in Annual Report 2018 to HK$17 billion as at the date of this announcement.

On current projects, the major engineering projects commenced in 2018, namely Tung Chung New Town Extension - Reclamation and Advance Works, Central Kowloon Route - Yau Ma Tei West and Central Kowloon Route - Yau Ma Tei East, all of them lasting for seven years, were progressing in accordance with budget. In the joint venture project, namely Kowloon East Regional Headquarters and Operational Base cum Ngau Tau Kok Divisional Police Station, the Group had successfully excluded the insolvent partner from further participation and taken full control in accordance with the joint venture agreement. Despite the change of the partnership structure, its physical work had not been disrupted and was in full swing toward its target substantial completion in early 2020. Other major building projects for private developers commenced in 2018, such as the residential development work in Au Tau, Yuen Long and the property development in Shum Shui Po, have already completed over 50% in line with the budget.

The current operation of sewage treatment plant in Wuxi and heat supply in Dezhou were running smoothly. There are new developments in the investments in the PRC environmental infrastructure projects. First, for the operation of sewage treatment plant in Wuxi City currently maintaining treated volume at 42,500 tonnes per day, we plan to upgrade the equipment to meet the higher standards for discharge effluent in compliance with new regulations. We are in the final stage of the negotiation with local authorities to raise the sewage treatment fees significantly. Second, Tianjin Wai Kee Earth New Energy Co., Ltd., a joint venture of which the Group acquired 46% equity interest in 2018, had started construction of steam providing facilities in two sites, namely Gaotai County and Yumen City, both in Gansu Province. The initial investment in each site by the joint venture was approximate RMB40 million. Both sites will start production of steam to nearby factories in the second half of this year. With these two new investments, the management hopes the PRC operation can progressively increase the profit contribution to the Group.

Employees and Remuneration Policies

At 30 June 2019, the Group had a total of 2,373 employees and total remuneration for the six months ended 30 June 2019 was approximately HK$594 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 2019, the Group had liquid assets of HK$1,921 million (at 31 December 2018: HK$1,432 million) comprising financial assets at FVTPL of HK$59 million (at 31 December 2018: HK$55 million), time deposits with original maturity of not less than three months of HK$320 million (at 31 December 2018: HK$284 million) and bank balances and cash of HK$1,542 million (at 31 December 2018: HK$1,093 million).

At 30 June 2019, the Group had a total of interest bearing borrowings of HK$285 million (at 31 December 2018: HK$382 million) comprising bank loans of HK$156 million (at 31 December 2018: HK$253 million) and the Bonds of HK$129 million (at 31 December 2018: HK$129 million) with following maturity profile:

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Within one year	**190**	198
In the second year	**84**	168
In the third to fifth year inclusive	**11**	16
	285	382

The Group's borrowings, bank balances and cash and financial assets at FVTPL were principally denominated in Hong Kong dollars. Hence, there is no exposure to foreign exchange rate fluctuations. During the period, the Group had no financial instrument for hedging purpose. At 30 June 2019, total borrowings of HK$129 million (at 31 December 2018: HK$129 million) carried interest at fixed rate.

Capital Structure and Gearing

At 30 June 2019, total equity was HK$1,048 million (at 31 December 2018: HK$944 million) comprising ordinary share capital of HK$124 million (at 31 December 2018: HK$124 million), reserves of HK$925 million (at 31 December 2018: HK$816 million) and non-controlling interests of (HK$1 million) (at 31 December 2018: HK$4 million).

At 30 June 2019, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 27% (at 31 December 2018: 40%).

Pledge of Assets

At 30 June 2019, bank deposits of the Group amounting to HK$65,317,000 (at 31 December 2018: HK$2,336,000) were pledged to banks for securing the banking facilities granted to the Group.

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 2019, 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 2019.

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 2019.

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 2019.

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 2019 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
Build King Holdings Limited
Zen Wei Peu, Derek
Chairman

Hong Kong, 19 August 2019

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 Mr. Ho Tai Wai, David, Mrs. Ling Lee Ching Man, Eleanor and Mr. Lo Yiu Ching, Dantes.