BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	25%
Equity	HK$1,178 million
Equity per share	HK95 cents
Group revenue	HK$7,568 million
Profit attributable to owners of the Company	HK$296 million
Final dividend per share	HK4.8 cents

** *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 audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 and the consolidated statement of financial position of the Group as at 31 December 2019 together with the comparative figures for 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019**	2018
		HK$'000	HK$'000
Revenue from services	3	**7,568,461**	6,305,348
Cost of sales		**(6,832,633)**	(5,451,546)
Gross profit		**735,828**	853,802
Investments and other income	5	**26,244**	16,189
(Decrease) increase in fair value of financial assets at fair value through profit or loss ("FVTPL")		**(12,473)**	1,371
Administrative expenses		**(375,433)**	(333,138)
Finance costs	6	**(18,778)**	(20,467)
Share of results of joint ventures		**22,351**	16,319
Share of results of associates		**(1,941)**	(1,190)
Profit before tax	7	**375,798**	532,886
Income tax expense	8	**(78,153)**	(119,128)
Profit for the year		**297,645**	413,758
Profit for the year attributable to:			
Owners of the Company		**296,419**	412,188
Non-controlling interests		**1,226**	1,570
		297,645	413,758
		HK cents	HK cents
Earnings per share	10		
- Basic		**23.9**	33.2

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	HK$'000	HK$'000
Profit for the year	**297,645**	413,758
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(3,358)**	(7,244)
Share of reserves of joint ventures	**2**	181
Total comprehensive income for the year	**294,289**	406,695

Total comprehensive income attributable to:		
Owners of the Company	**293,052**	405,351
Non-controlling interests	**1,237**	1,344
	294,289	406,695

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment		**195,275**	219,922
Right-of-use assets		**30,036**	-
Intangible assets		**108,293**	59,958
Goodwill		**30,554**	30,554
Interests in joint ventures		**151,003**	151,926
Interests in associates		**5,663**	7,245
Other financial asset at amortised cost		**36,144**	38,654
Debtors, deposits and prepayments	11	**55,875**	-
		612,843	508,259
Current assets			
Inventories		**33,452**	58,146
Debtors, deposits and prepayments	11	**414,909**	371,043
Contract assets	12	**2,135,584**	1,672,750
Amounts due from associates		**8,050**	7,699
Amounts due from other partners of joint operations		**176,910**	212,994
Loans to a joint venture		**-**	22,020
Financial assets at FVTPL		**56,555**	54,623
Tax recoverable		**2,295**	9,415
Pledged bank deposits		**64,170**	2,336
Time deposits with original maturity of not less than three months		**76,782**	284,400
Bank balances and cash		**1,687,720**	1,092,545
		4,656,427	3,787,971
Current liabilities			
Creditors and accrued charges	13	**2,661,608**	2,194,569
Contract liabilities		**779,716**	566,355
Lease liabilities		**20,839**	-
Amount due to an intermediate holding company		**15,652**	18,891
Amounts due to fellow subsidiaries		**7,070**	8,839
Amount due to a joint venture		**1,142**	1,142
Amounts due to other partners of joint operations		**2,152**	2,691
Amounts due to non-controlling interests		**3,094**	3,094
Amount due to an associate		**18,791**	17,686
Tax payable		**174,922**	128,170
Bank loans - due within one year		**238,781**	253,400
Bonds		**115,829**	-
		4,039,596	3,194,837
Net current assets		**616,831**	593,134
Total assets less current liabilities		**1,229,674**	1,101,393

	2019	2018
	HK$'000	HK$'000
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**1,054,097**	816,446
Equity attributable to owners of the Company	**1,178,285**	940,634
Non-controlling interests	**6,649**	3,951
Total equity	**1,184,934**	944,585
Non-current liabilities		
Deferred tax liabilities	**5,750**	5,750
Obligations in excess of interests in joint ventures	**27**	4,853
Obligations in excess of interests in associates	**14,153**	13,794
Amount due to an associate	**2,712**	3,192
Lease liabilities	**8,189**	-
Bonds	**13,909**	129,219
	44,740	156,808
	1,229,674	1,101,393

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values at the end of each reporting period.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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 other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 "Leases"

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

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 standard 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.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. 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. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. 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;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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 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 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 for own use 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

The following adjustments were made to the amounts recognised in the 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 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 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

2.2 Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies HKFRS 9 "Financial Instruments" ("HKFRS 9"), including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 31 December 2019, loans to joint ventures of HK$72,397,000 are considered as long-term interests that, in substance form part of the Group's net investments in the relevant joint ventures and associates. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 "Definition of a Business"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE FROM SERVICES

Disaggregation of revenue from contracts with customers

		2019	
Segments	**Hong Kong**	**The People's Republic of China (the "PRC")**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**
Types of goods or service			
Construction contracts	**7,538,870**	**-**	**7,538,870**
Sewage treatment plant operation	**-**	**23,695**	**23,695**
Steam fuel plant operation	**-**	**5,896**	**5,896**
Total revenue	**7,538,870**	**29,591**	**7,568,461**
Timing of revenue recognition			
Over time	**7,538,870**	**29,591**	**7,568,461**

		2018	
Segments	Hong Kong	The PRC	Consolidated
	HK$'000	HK$'000	HK$'000
Types of goods or services			
Construction contracts	6,282,855	-	6,282,855
Sewage treatment plant operation	-	22,493	22,493
Total revenue	6,282,855	22,493	6,305,348
Timing of revenue recognition			
Over time	6,282,855	22,493	6,305,348

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 PRC and the Middle East. No operating segments have been aggregated in arriving at the reportable segments of the Group. The Group's reportable and operating segments under HKFRS 8 are summarised as follows:

Year ended 31 December 2019

	Hong Kong HK$'000	**The PRC HK$'000**	**Middle East HK$'000**	**Total HK$'000**
Results				
Segment revenue	**7,538,870**	**29,591**	**-**	**7,568,461**
Segment profit (loss)	**385,076**	**5,392**	**(1,185)**	**389,283**
Unallocated expenses				**(6,322)**
Investments income				**3,678**
Decrease in fair value of financial assets at FVTPL				**(12,473)**
Share of results of joint ventures				**22,351**
Share of results of associates				**(1,941)**
Finance costs				**(18,778)**
Profit before tax				**375,798**

Year ended 31 December 2018

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results				
Segment revenue	6,282,855	22,493	-	6,305,348
Segment profit (loss)	534,577	5,712	(1,171)	539,118
Unallocated expenses				(5,614)
Investments income				3,349
Increase in fair value of financial assets at FVTPL				1,371
Share of results of joint ventures				16,319
Share of results of associates				(1,190)
Finance costs				(20,467)
Profit before tax				532,886

There are no inter-segment sales for both years. 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, (decrease) increase 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

	2019 HK$'000	2018 HK$'000
Investments and other income include:		
Dividends from financial assets at FVTPL	**3,678**	3,349
Gain on bargain purchase of arising from acquisition of a joint operation	**368**	-
Interest on bank deposits	**15,945**	5,230
Interest on other receivable	**1,460**	247
Interest on other financial asset at amortised cost	**975**	1,043
Interest on loan to a joint venture	**2,361**	-
PRC value-added tax refund	**1,233**	1,278
Government subsidy	**30**	589
Gain on disposal of property, plant and equipment	**-**	327

6. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
Bank borrowings	**8,108**	10,250
Bonds	**9,620**	9,620
Lease liabilities	**425**	-
Imputed interest expense on non-current interest-free amount due to an associate	**625**	597
	18,778	20,467

7. PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration		
Current year	**2,050**	1,904
Underprovision in prior years	**-**	293
	2,050	2,197
Depreciation of property, plant and equipment	**107,249**	188,695
Hire charges for plant and machinery	**280,490**	169,972
Depreciation of right-of-use assets	**22,286**	-
Amortisation of intangible assets	**1,797**	1,385
Loss on disposal of property, plant and equipment	**1,949**	-
Impairment loss recognised on amount due from other partner of a joint operation	**27,315**	-
Net foreign exchange losses	**3,306**	823
Impairment loss recognised on goodwill	**924**	-
Staff costs:		
Directors' remuneration	**27,533**	22,832
Other staff costs	**1,102,986**	1,027,462
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$912,000 (2018: HK$1,552,000)	**39,003**	35,104
	1,169,522	1,085,398

8. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong	**73,440**	106,823
The PRC	**958**	1,498
	74,398	108,321
Underprovision in prior years:		
Hong Kong	**3,718**	10,798
The PRC	**37**	9
	3,755	10,807
	78,153	119,128

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 years.

9. DIVIDEND

A final dividend for the year ended 31 December 2019 of HK4.8 cents (2018: HK4.4 cents) per ordinary share, totaling approximately HK$59,610,000 based on 1,241,877,992 ordinary shares (2018: approximately HK$54,643,000 based on 1,241,877,992 ordinary shares) has been proposed by the board of directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2019	2018
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share	**296,419**	412,188

	Number of Shares	
	2019	2018
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	**1,241,878**	1,241,878

The Company has no potential ordinary shares outstanding during both years. Accordingly, no diluted earnings per share information is presented.

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:

	2019	2018
	HK$'000	HK$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	**217,112**	236,903
61 to 90 days	**-**	845
Over 90 days	**22,394**	18,321
	239,506	256,069
Bill receivables	**20,733**	6,773
Other debtors, deposits and prepayments	**154,670**	108,201
	414,909	371,043

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$214,595,000.

As at 31 December 2019, Tianjin Wai Kee Earth Investment Co., Ltd, a subsidiary of the Group, advanced a loan to an independent third party in the amount of RMB50,000,000 (equivalent to HK$55,875,000). The loan is interest bearing at 12% fixed rate per annum and will be fully repaid before 31 December 2021, therefore the amount is classified as non-current.

The Group allows an average credit period of 60 days to its trade customers.

12. CONTRACT ASSETS

	2019 HK$'000	2018 HK$'000
Analysed as current:		
Unbilled revenue of construction contracts (note a)	**1,573,075**	1,171,490
Retention receivables of construction contracts (note b)	**562,509**	501,260
	2,135,584	1,672,750
Retention receivables of construction contracts		
Due within one year	**194,721**	303,200
Due more than one year	**367,788**	198,060
	562,509	501,260

As at 1 January 2018, contract assets amounted to HK$1,342,656,000.

Notes:

(a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of construction work.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

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:

	2019	2018
	HK$'000	HK$'000
Trade creditors analysed by age:		
0 to 60 days	**226,538**	130,116
61 to 90 days	**95,433**	18,035
Over 90 days	**65,358**	42,933
	387,329	191,084
Retention payables	**434,822**	368,066
Accrued project costs	**1,751,318**	1,545,509
Other creditors and accrued charges	**88,139**	89,910
	2,661,608	2,194,569
Retention payables:		
Repayable within one year	**154,626**	207,503
Repayable more than one year	**280,196**	160,563
	434,822	368,066

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

DIVIDEND

The Board recommends the payment of a final dividend of HK4.8 cents (2018: HK4.4 cents) per ordinary share payable to shareholders whose names appear in the register of members of the Company on Friday, 29 May 2020.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, it is expected that the payment of final dividend will be made on or before Tuesday, 7 July 2020.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 22 May 2020, the register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 18 May 2020.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is on Friday, 29 May 2020. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 28 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 27 May 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

For the year 2019, the Group's turnover increased by 20% from HK$6,305 million to HK$7,568 million; the profit for the year decreased by 28% from HK$414 million to HK$298 million. The increase of turnover was in line with the management's forecast of progress of the contracts on hand. For the year 2018, 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 9.7% and net profit margin of 3.9% which could be considered very healthy in the construction sector.

Amid the fierce competition in construction market, we continued to win new projects by leveraging on our better than average performance scores of current projects so that we can maintain a reasonable margin for the new projects. Since the issue of Annual Report 2018, we have managed to secure 22 new projects of total contract sum about HK$8 billion, including ten building projects of HK$3.5 billion and twelve civil projects of HK$4 billion. As at the date of this announcement, the total value of works on hand amounted to HK$19 billion.

Following substantial completion of several mega projects in 2018, the turnover of civil projects during 2019 decreased by 20% as compared with 2018. Most of current large projects were still in early stage in 2019 but they were gradually gaining momentum according to the program. The reclamation works of Tung Chung New Town Extension - Reclamation and Advance Works, our largest joint venture project of HK$12 billion of which we shared 51%, progressed smoothly and have finished less than 25%, targeting to complete in 2023. For two projects, namely of Central Kowloon Route - Yau Ma Tei East and Central Kowloon Route - Yau Ma Tei West, of the total contract sum over HK$8 billion of which we shared 60% and 51% respectively, completed less than 20%; they were slightly behind the program but we have acted promptly to mitigate the technical difficulties and to catch up the program gradually.

The building division registered a record-high turnover of HK$3.5 billion in 2019, mainly attributable to the substantial works of the residential development work at Au Tau, Yuen Long and the design and build of Kowloon East Headquarters and Operational Base cum Ngau Tau Kok Divisional of Police Station. Both of them will be handed over to the clients on time in middle of 2020. With the award of new building projects over HK$4 billion, the management are confident with the prospect of the building division in long term.

For the environmental infrastructure projects in the PRC, during 2019, we made further investment in existing projects as well as acquired new ventures to broaden our source of stable income. The sewage treatment plant in Wuxi City continued to run smoothly and generated a profit of HK$4 million in 2019. To meet the new environmental standard for the effluence discharged from the sewage treatment plant in Wuxi, we finally agreed 80% increment of sewage treatment fees with the local authorities to compensate for our additional investment of HK$106 million in upgrading the equipment and facilities. The upgrading works started in October 2019 and will be completed by June 2020. Upon completion, the sewage plant will operate at the same capacity of 45,000 tonnes per day but its contribution to the Group's profit will increase significantly. In October 2019, we committed to increase the investment from HK$57 million to HK$141 million in Tianjin Wai Kee Earth Investment Co., Ltd which is operating two plants in Gansu Province, each of which was granted an exclusive license to provide steam fuel to factories in a designate industrial park for 30 years. We expect the investment in these two plants are paid back within five to six years. Should their financial performances be in line with our plan, we will increase our investment in similar project in the coming years. Lastly, the centralized heat supply in Dezhou run smoothly and produced same annual profit as prior years.

Employees and Remuneration Policies

As at 31 December 2019, the Group had a total of 2,374 employees and total remuneration for the year ended 31 December 2019 was approximately HK$1,170 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 performance of the individual.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2019, the Group had liquid assets of HK$1,822 million (as at 31 December 2018: HK$1,432 million) comprising financial assets at FVTPL of HK$57 million (as at 31 December 2018: HK$55 million), time deposits with original maturity of not less than three months of HK$77 million (as at 31 December 2018: HK$284 million) and bank balances and cash of HK$1,688 million (as at 31 December 2018: HK$1,093 million).

As at 31 December 2019, the Group had a total of interest bearing borrowings of HK$369 million (as at 31 December 2018: HK$382 million) comprising bank loans of HK$239 million (as at 31 December 2018: HK$253 million) and the bonds of HK$130 million (as at 31 December 2018: HK$129 million) with following maturity profile:

	At 31 December 2019 HK$ million	At 31 December 2018 HK$ million
On demand or within one year	**250**	198
In the second year	**119**	168
In the third to fifth year inclusive	**-**	16
	369	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 year, the Group had no financial instrument for hedging purpose. As at 31 December 2019, total borrowings of HK$130 million (as at 31 December 2018: HK$129 million) carried interest at fixed rate.

Capital Structure and Gearing

As at 31 December 2019, total equity was HK$1,185 million (as at 31 December 2018: HK$944 million) comprising ordinary share capital of HK$124 million (as at 31 December 2018: HK$124 million), reserves of HK$1,054 million (as at 31 December 2018: HK$816 million) and non-controlling interests of HK$7 million (as at 31 December 2018: HK$4 million).

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

Pledge of Assets

As at 31 December 2019, bank deposits of the Group amounting to HK$64 million (as at 31 December 2018: HK$2 million) were pledged to banks for securing the banking facilities granted to the Group.

CORPORATE GOVERNANCE CODE

The Company is committed to attaining good standard of corporate governance practices and has complied with the code provisions of Corporate Governance Code for the year ended 31 December 2019 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") 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.

Details of corporate governance code are set out in Annual Report 2019.

AUDIT COMMITTEE

The Audit Committee of the Company has conducted a meeting with the management and external auditor to review the accounting policies adopted by the Group, the consolidated financial statements for the year ended 31 December 2019, the general scope of audit work conducted by the external auditor and assessment of the Group's internal controls.

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. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year.

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 year ended 31 December 2019.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Academy Room I-II, 1st Floor, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 22 May 2020 at 2:00 p.m. and the Notice of the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website (www.buildking.hk) and the Stock Exchange's website (www.hkexnews.hk). The Annual 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.

BOARD OF DIRECTORS

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.

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

Hong Kong, 23 March 2020