# BUILD KING HOLDINGS LIMITED

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

# ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2020

**FINANCIAL PERFORMANCE HIGHLIGHTS**

| | |
|---|---|
| Percentage of increase in equity** per share | 12% |
| Equity | HK$1,323 million |
| Equity per share | HK$1.07 |
| Group revenue | HK$3,719 million |
| Profit attributable to owners of the Company | HK$209 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 2020 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 2020*

| | Notes | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2020** | 2019 |
| | | **(Unaudited)** | (Unaudited) |
| | | **HK$'000** | HK$'000 |
| Revenue from services | 3 | **3,719,131** | 3,569,361 |
| Cost of sales | | **(3,303,947)** | (3,215,930) |
| Gross profit | | **415,184** | 353,431 |
| Investments and other income | 5 | **18,931** | 21,140 |
| (Decrease) increase in fair value of financial assets at fair value through profit or loss ("FVTPL") | | **(14,600)** | 4,031 |
| Administrative expenses | | **(185,936)** | (163,795) |
| Finance costs | 6 | **(9,555)** | (9,183) |
| Share of results of joint ventures | | **(1,574)** | 369 |
| Share of results of associates | | **(878)** | (1,736) |
| Profit before tax | 7 | **221,572** | 204,257 |
| Income tax expense | 8 | **(13,185)** | (45,205) |
| Profit for the period | | **208,387** | 159,052 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **209,130** | 164,040 |
| Non-controlling interests | | **(743)** | (4,988) |
| | | **208,387** | 159,052 |
| | | **HK cents** | HK cents |
| Earnings per share | 9 | | |
| - Basic | | **16.8** | 13.2 |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2020*

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Profit for the period | **208,387** | 159,052 |
| **Other comprehensive expense** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of foreign operations | **(5,268)** | (238) |
| Share of reserves of joint ventures | **(267)** | (112) |
| **Total comprehensive income for the period** | **202,852** | 158,702 |
| Total comprehensive income for the period attributable to: | | |
| Owners of the Company | **204,128** | 163,695 |
| Non-controlling interests | **(1,276)** | (4,993) |
| | **202,852** | 158,702 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2020*

| | Notes | **30 June 2020 (Unaudited) HK$'000** | 31 December 2019 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **317,199** | 195,275 |
| Right-of-use assets | | **20,286** | 30,036 |
| Intangible assets | | **105,332** | 108,293 |
| Goodwill | | **30,554** | 30,554 |
| Interests in joint ventures | | **163,003** | 151,003 |
| Interests in associates | | **4,325** | 5,663 |
| Other financial asset at amortised cost | | **34,447** | 36,144 |
| Debtors, deposits and prepayments | | **57,960** | 55,875 |
| | | **733,106** | 612,843 |
| **Current assets** | | | |
| Inventories | | **33,859** | 33,452 |
| Debtors, deposits and prepayments | 11 | **617,360** | 414,909 |
| Contract assets | 12 | **1,528,616** | 2,135,584 |
| Amounts due from associates | | **7,608** | 8,050 |
| Amounts due from other partners of joint operations | | **43,596** | 176,910 |
| Financial assets at FVTPL | | **191,688** | 56,555 |
| Tax recoverable | | **24,692** | 2,295 |
| Pledged bank deposits | | **64,678** | 64,170 |
| Time deposits with original maturity of not less than three months | | **284** | 76,782 |
| Bank balances and cash | | **1,535,206** | 1,687,720 |
| | | **4,047,587** | 4,656,427 |
| **Current liabilities** | | | |
| Creditors and accrued charges | 13 | **2,194,099** | 2,661,608 |
| Contract liabilities | | **813,934** | 779,716 |
| Lease liabilities | | **14,543** | 20,839 |
| Amount due to an intermediate holding company | | **16,211** | 15,652 |
| Amounts due to fellow subsidiaries | | **348** | 7,070 |
| Amount due to a joint venture | | **-** | 1,142 |
| Amounts due to other partners of joint operations | | **6,405** | 2,152 |
| Amounts due to non-controlling interests | | **3,094** | 3,094 |
| Amount due to an associate | | **19,896** | 18,791 |
| Tax payable | | **54,453** | 174,922 |
| Bank loans - due within one year | | **250,843** | 238,781 |
| Bonds | | **41,948** | 115,829 |
| | | **3,415,774** | 4,039,596 |
| **Net current assets** | | **631,813** | 616,831 |
| **Total assets less current liabilities** | | **1,364,919** | 1,229,674 |

| | 30 June 2020 (Unaudited) HK$'000 | 31 December 2019 (Audited) HK$'000 |
|---|---|---|
| **Capital and reserves** | | |
| Ordinary share capital | **124,188** | 124,188 |
| Reserves | **1,198,615** | 1,054,097 |
| Equity attributable to owners of the Company | **1,322,803** | 1,178,285 |
| Non-controlling interests | **5,373** | 6,649 |
| **Total equity** | **1,328,176** | 1,184,934 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | **5,750** | 5,750 |
| Obligations in excess of interests in joint ventures | **110** | 27 |
| Obligations in excess of interests in associates | **13,693** | 14,153 |
| Amount due to an associate | **1,933** | 2,712 |
| Lease liabilities | **4,311** | 8,189 |
| Bonds | **10,946** | 13,909 |
| | **36,743** | 44,740 |
| | **1,364,919** | 1,229,674 |

*Notes:*

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

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

2. **PRINCIPAL ACCOUNTING POLICIES**

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

   Other than changes in accounting policies resulting from application of 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 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

**Application of amendments to HKFRSs**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

**2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"**

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity" . The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. **REVENUE FROM SERVICES**

**Disaggregation of revenue**

| | **Six months ended 30 June 2020** | |
|---|---|---|
| | **Hong Kong** | **PRC** |
| | **HK$'000** | **HK$'000** |
| **Type of services** | | |
| Construction services | **3,697,531** | **-** |
| Sewage treatment plant operation | **-** | **13,367** |
| Steam fuel plant operation | **-** | **8,233** |
| Revenue from contracts with customers | **3,697,531** | **21,600** |
| **Timing of revenue recognition** | | |
| Over time | **3,697,531** | **21,600** |

| | 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 |

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 2020***

| | **Hong Kong** | **The PRC** | **Middle East** | **Total** |
|---|---|---|---|---|
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Results | | | | |
| Segment revenue | **3,697,531** | **21,600** | **-** | **3,719,131** |
| Segment profit (loss) | **250,291** | **(2,107)** | **(425)** | **247,759** |
| Unallocated expenses | | | | **(2,220)** |
| Investments income | | | | **2,640** |
| Decrease in fair value of financial assets at FVTPL | | | | **(14,600)** |
| Share of results of joint ventures | | | | **(1,574)** |
| Share of results of associates | | | | **(878)** |
| Finance costs | | | | **(9,555)** |
| Profit before tax | | | | **221,572** |

Other segment information:

***Six months ended 30 June 2020***

| | **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 | **285** | **-** | **-** | **285** |

*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 |

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 | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| Investments and other income include: | | |
| Dividends from financial assets at FVTPL | **2,640** | 2,640 |
| Interest on bank deposits | **6,597** | 5,970 |
| Interest on other receivables | **3,447** | 85 |
| Interest on other financial asset at amortised cost | **454** | 496 |
| Interest on financial assets at FVTPL | **923** | - |
| Interest on loans to a joint venture | **-** | 1,576 |
| Gain on disposal of property, plant and equipment | **285** | - |
| PRC Value-Added Tax refund | **-** | 851 |
| Bargain purchase gain on acquisition of a subsidiary | **-** | 368 |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| Interests on: | | |
| Bank borrowings | **6,228** | 3,884 |
| Bonds | **2,900** | 4,770 |
| Lease liabilities | **101** | 217 |
| Imputed interest expense on non-current interest-free amount due to an associate | **326** | 312 |
| | **9,555** | 9,183 |

## 7. PROFIT BEFORE TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| Profit before tax has been arrived at after charging: | | |
| Amortisation of intangible assets | **1,523** | 692 |
| Depreciation of right-of-use assets | **12,428** | 8,912 |
| Depreciation of property, plant and equipment | **25,434** | 86,529 |
| Impairment loss recognised on amount due from other partner of a joint operation | **7,010** | - |
| Loss on disposal of property, plant and equipment | **-** | 2,602 |

## 8. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| Current tax: | | |
| Hong Kong | **13,454** | 45,207 |
| (Overprovision) underprovision in prior years: | | |
| Hong Kong | **(269)** | (40) |
| The PRC | **-** | 38 |
| | **(269)** | (2) |
| | **13,185** | 45,205 |

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 2019: 16.5%) for the six months ended 30 June 2020.

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 | |
|---|---|---|
| | **2020** | 2019 |
| | **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 | **209,130** | 164,040 |

| | 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 | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| Dividend paid and recognised as distribution during the period: | | |
| 2019 final dividend - HK4.8 cents per share (six months ended 30 June 2019: 2018 final dividend - HK4.4 cents per share) | **59,610** | 54,643 |

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 2020** | 31 December 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables from contracts with customers analysed by age: | | |
| 0 to 60 days | **461,625** | 217,112 |
| 61 to 90 days | **-** | - |
| Over 90 days | **17,094** | 22,394 |
| | **478,719** | 239,506 |
| Bills receivables | **2,872** | 20,733 |
| Other debtors, deposits and prepayments | **135,769** | 154,670 |
| | **617,360** | 414,909 |

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 2020. 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 2020 HK$'000 | 31 December 2019 HK$'000 |
|---|---|---|
| Analysed as current: | | |
| Unbilled revenue of construction contracts (note (a)) | **1,007,378** | 1,573,075 |
| Retention receivables of construction contracts (note (b)) | **521,238** | 562,509 |
| | **1,528,616** | 2,135,584 |
| Retention receivables of construction contracts | | |
| Due within one year | **104,953** | 194,721 |
| Due more than one year | **416,285** | 367,788 |
| | **521,238** | 562,509 |

Notes:

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

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

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 2020. 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 2020 HK$'000** | 31 December 2019 HK$'000 |
|---|---|---|
| Trade creditors analysed by age: | | |
| 0 to 60 days | **101,629** | 226,538 |
| 61 to 90 days | **3,713** | 95,433 |
| Over 90 days | **23,553** | 65,358 |
| | **128,895** | 387,329 |
| Retention payables | **441,406** | 434,822 |
| Accrued project costs | **1,584,502** | 1,751,318 |
| Other creditors and accrued charges | **39,296** | 88,139 |
| | **2,194,099** | 2,661,608 |
| Retention payables: | | |
| Repayable within one year | **128,912** | 154,626 |
| Repayable more than one year | **312,494** | 280,196 |
| | **441,406** | 434,822 |

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 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

### Operating Results

While the pandemic scourged the globe, we were fortunate in Hong Kong and managed to keep our construction activities running without significant adverse impact. At the early stage of the outbreak of the pandemic in January 2020, we encountered logistic problems in construction materials and procurement of sanitizing supplies and tools. However, the problems were solved quickly and the disruption was contained to the least extent. Amid this unprecedented crisis, we are pleased to report that for the six months ended 30 June 2020, the Group recorded an increase in turnover of 4% from HK$3,569 million reported in the corresponding period of 2019 to HK$3,719 million. Coupled with efforts in close monitoring of on-going projects and satisfactory settlement of some major projects, the gross profit margin increased from 9.9% to 11.2%, equivalent to an increase of HK$62 million. After deducting expanded overhead, the after-tax profit increased by HK$49 million from HK$159 million to HK$208 million.

As anticipated, sizable tenders of civil engineering projects are scarce, but in building sector the tendering results are encouraging. Since the publishing of 2019 Annual Report, the Group has won eight projects of total contract sum of HK$12 billion. Of these new projects, four projects are civil engineering of total contract sum of HK$2 billion and four are building projects of total contract sum of HK$10 billion, including Extension Works of United Christian Hospital of HK$9 billion in joint venture with a Korean contractor, building of a logistic centre of HK$5 billion at Chek Lap Kok in joint venture with a local building contractor. At the date of this announcement, the outstanding works was increased to HK$28 billion, an order book sufficient for turnover of coming three years.

The current projects were progressing well as planned. A few projects, including Diamond Hill Station of Shatin Central Line, were satisfactorily completed and final accounts agreed with the clients. Several projects, including Tuen Mun - Chek Lap Kok Link Northern Toll Plaza, the residential development work at Au Tau, and the joint venture project of design and build of Kowloon East Headquarters Police Station, were also completed on time and being handed over to the clients.

Our investment in PRC environmental infrastructure projects had significant progress.

For the sewage treatment plant in Wuxi, the current operation run smoothly and the upgrading works will be completed within its budget of HK$106 million in the third quarter of this year. Upon completion, the sewage treatment fee will then be increased by 80% and its profit contribution to the Group will increase significantly in future.

For the centralized provision of steam to factories in industrial parks, two steam plants, one in Gao Tai County and another in Yumen City, both in Gansu Province, started trial operation in late 2019 but its resumption of works after Chinese New Year was delayed to April 2020 due to the pandemic. They are picking up its production volume and we expect each of them will reach 80% of the total design capacity of 50 tonnes per hour by end of 2020. In the past six months, we committed to further invest HK$220 million in building four steam plants of similar capacity of 50 tonnes per hour in Gansu Province and Hubei Province. We expect the construction of these new plants will be completed progressively in 2021 and start to contribute meaningful profit to the Group in 2022.

**Employees and Remuneration Policies**

At 30 June 2020, the Group had a total of 2,615 employees and total remuneration for the six months ended 30 June 2020 was approximately HK$590 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 2020, the Group had liquid assets of HK$1,727 million (at 31 December 2019: HK$1,822 million) comprising financial assets at FVTPL of HK$192 million (at 31 December 2019: HK$57 million), time deposits with original maturity of not less than three months of HK$284,000 (at 31 December 2019: HK$77 million) and bank balances and cash of HK$1,535 million (at 31 December 2019: HK$1,688 million).

At 30 June 2020, the Group had a total of interest bearing borrowings of HK$304 million (at 31 December 2019: HK$369 million) comprising bank loans of HK$251 million (at 31 December 2019: HK$239 million) and the Bonds of HK$53 million (at 31 December 2019: HK$130 million) with following maturity profile:

| | **At 30 June 2020 HK$ million** | At 31 December 2019 HK$ million |
|---|---|---|
| Within one year | **195** | 250 |
| In the second year | **81** | 119 |
| In the third to fifth year inclusive | **28** | - |
| | **304** | 369 |

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 2020, total borrowings of HK$116 million (at 31 December 2019: HK$130 million) carried interest at fixed rate.

### Capital Structure and Gearing

At 30 June 2020, total equity was HK$1,328 million (at 31 December 2019: HK$1,185 million) comprising ordinary share capital of HK$124 million (at 31 December 2019: HK$124 million), reserves of HK$1,199 million (at 31 December 2019: HK$1,054 million) and non-controlling interests of HK$5 million (at 31 December 2019: HK$7 million).

At 30 June 2020, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 23% (at 31 December 2019: 31%).

### Pledge of Assets

At 30 June 2020, bank deposits of the Group amounting to HK$65 million (at 31 December 2019: HK$64 million) 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 2020, 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 2020.

**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 2020.

**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 2020.

**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 2020 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, 18 August 2020

*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 four independent non-executive Directors, namely Mr. Ho Tai Wai, David, Mrs. Ling Lee Ching Man, Eleanor, Mr. Lo Yiu Ching, Dantes and Ms. Ng Cheuk Hei, Shirley.*