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BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	12%
Equity	HK\$1,766 million
Equity per share	HK\$1.42
Group revenue	HK\$10,030 million
Profit attributable to owners of the Company	HK\$295 million
Final dividend per share	HK6 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 2021 and the consolidated statement of financial position of the Group as at 31 December 2021 together with the comparative figures for 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue from services	3	10,030,017	7,628,388
Cost of sales		(9,290,414)	(6,939,748)
Gross profit		739,603	688,640
Investments and other income	5	98,432	161,370
Decrease in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(74,049)	(24,690)
Administrative expenses		(392,586)	(355,466)
Finance costs	6	(19,014)	(16,995)
Share of results of joint ventures		24,224	16,511
Share of results of associates		245	(1,754)
Profit before tax	7	376,855	467,616
Income tax expense	8	(84,964)	(27,391)
Profit for the year		291,891	440,225
Profit (loss) for the year attributable to:			
Owners of the Company		294,539	440,907
Non-controlling interests		(2,648)	(682)
		291,891	440,225
		HK cents	HK cents
Earnings per share	10		
- Basic		23.7	35.5

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	HK\$'000	HK\$'000
Profit for the year	291,891	440,225
Other comprehensive income (expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	12,095	23,971
Share of reserves of joint ventures	294	(226)
Total comprehensive income for the year	304,280	463,970
Total comprehensive income (expense) attributable to:		
Owners of the Company	305,546	462,228
Non-controlling interests	(1,266)	1,742
	304,280	463,970

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		493,756	364,326
Right-of-use assets		57,538	50,812
Intangible assets		422,224	268,945
Goodwill		30,554	30,554
Interests in joint ventures		157,439	176,815
Interests in associates		3,834	4,188
Loan to an associate		2,700	2,700
Other financial asset at amortised cost		36,782	36,955
Financial assets at FVTPL		6,000	-
		1,210,827	935,295
Current assets			
Inventories		36,426	12,750
Debtors, deposits and prepayments	11	682,385	472,643
Contract assets	12	2,895,100	1,793,164
Amount due from a joint venture		720	701
Amounts due from associates		7,782	7,786
Amounts due from other partners of joint operations		22,521	61,373
Financial assets at FVTPL		379,522	490,137
Tax recoverable		37,475	35,018
Pledged bank deposits		77,746	39,683
Time deposits with original maturity of not less than three months		20,210	79,540
Bank balances and cash		1,755,478	1,515,154
		5,915,365	4,507,949
Current liabilities			
Creditors and accrued charges	13	3,893,000	2,616,149
Contract liabilities		405,696	568,706
Lease liabilities		25,592	23,043
Amount due to an intermediate holding company		18,220	16,945
Amounts due to fellow subsidiaries		3,181	1,530
Amounts due to other partners of joint operations		344	1,176
Amounts due to non-controlling interests		3,094	3,094
Amount due to an associate		21,002	19,896
Tax payable		82,428	32,541
Bank loans - due within one year		786,998	482,762
Bonds		-	13,965
		5,239,555	3,779,807
Net current assets		675,810	728,142
Total assets less current liabilities		1,886,637	1,663,437

	2021 HK\$'000	2020 HK\$'000
Capital and reserves		
Ordinary share capital	124,188	124,188
Reserves	1,641,718	1,456,715
Equity attributable to owners of the Company	1,765,906	1,580,903
Non-controlling interests	40,721	8,391
Total equity	1,806,627	1,589,294
Non-current liabilities		
Deferred tax liabilities	18,468	5,750
Obligations in excess of interests in joint ventures	130	106
Obligations in excess of interests in associates	13,672	14,432
Amount due to an associate	1,827	2,258
Lease liabilities	22,913	28,597
Other creditors	23,000	23,000
	80,010	74,143
	1,886,637	1,663,437

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”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied 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 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of the 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.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 “Financial Instruments: Disclosures”.

As at 1 January 2021, the Group has bank loans amounting to HK\$444,645,000, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost.

Impacts on application of the agenda decision of the Committee - Cost necessary to sell inventories (HKAS 2 “Inventories”)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

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 and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the 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 “Reference to the Conceptual Framework”

The amendments:

- update a reference in HKFRS 3 “Business Combinations” so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “Conceptual Framework”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC)-Int 21 “Levies”, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 10 and HKAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments to HKFRS 10 “Consolidated Financial Statements” and HKAS 28 “Investments in Associates and Joint Ventures” deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)”

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the "Practice Statement") is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in notes to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

In addition, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the provisions for decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related assets.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$45,215,000 and HK\$48,505,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

Amendments to HKAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. REVENUE FROM SERVICES

Disaggregation of revenue from contracts with customers

<u>Segments</u>	2021		
	Hong Kong HK\$'000	The People's Republic of China (the "PRC") HK\$'000	Consolidated HK\$'000
Types of service			
Construction contract	9,847,424	65,165	9,912,589
Sewage treatment plant operation	-	57,553	57,553
Steam fuel plant operation	-	59,875	59,875
Total revenue	<u>9,847,424</u>	<u>182,593</u>	<u>10,030,017</u>
Timing of revenue recognition			
Over time	<u>9,847,424</u>	<u>182,593</u>	<u>10,030,017</u>

<u>Segments</u>	2020		
	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
Types of service			
Construction contract	7,407,294	159,507	7,566,801
Sewage treatment plant operation	-	35,073	35,073
Steam fuel plant operation	-	26,514	26,514
Total revenue	<u>7,407,294</u>	<u>221,094</u>	<u>7,628,388</u>
Timing of revenue recognition			
Over time	<u>7,407,294</u>	<u>221,094</u>	<u>7,628,388</u>

4. SEGMENTAL INFORMATION

The Group is mainly engaged in construction 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 and the PRC. 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 "Operating Segments" are summarised as follows:

Year ended 31 December 2021

	Hong Kong	The PRC	Total
	HK\$'000	HK\$'000	HK\$'000
<u>Results</u>			
Segment revenue	<u>9,847,424</u>	<u>182,593</u>	<u>10,030,017</u>
Segment profit (loss)	<u>440,281</u>	<u>(14,643)</u>	425,638
Unallocated expenses			(6,856)
Investments income			26,667
Decrease in fair value of financial assets at FVTPL			(74,049)
Share of results of joint ventures			24,224
Share of results of associates			245
Finance costs			<u>(19,014)</u>
Profit before tax			<u>376,855</u>

Year ended 31 December 2020

	Hong Kong	The PRC	Total
	HK\$'000	HK\$'000	HK\$'000
<u>Results</u>			
Segment revenue	<u>7,407,294</u>	<u>221,094</u>	<u>7,628,388</u>
Segment profit	<u>474,238</u>	<u>14,307</u>	488,545
Unallocated expenses			(7,778)
Investments income			13,777
Decrease in fair value of financial assets at FVTPL			(24,690)
Share of results of joint ventures			16,511
Share of results of associates			(1,754)
Finance costs			<u>(16,995)</u>
Profit before tax			<u>467,616</u>

There are no inter-segment sales for both years. All of the segment revenue reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of dividends from financial assets at FVTPL, interest on financial assets at FVTPL, decrease 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

	2021 HK\$'000	2020 HK\$'000
Investments and other income include:		
Dividends from financial assets at FVTPL	2,321	3,240
Interest on bank deposits	2,269	9,013
Interest on other receivables	7,766	7,463
Interest on other financial asset at amortised cost	958	987
Interest on financial assets at FVTPL	24,346	10,537
Interest on loan to an associate	74	-
Government subsidy for the PRC project	8,110	-
Government subsidy	1,256	558
Employment Support Scheme	-	116,303
Net foreign exchange gains	3,829	6,216
Gain on disposal of property, plant and equipment	2,447	964
Remeasurement gain of interest in a joint operation	<u>40,617</u>	<u>-</u>

6. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on:		
Bank borrowings	15,960	11,634
Bonds	650	4,199
Other borrowings	920	351
Lease liabilities	809	160
Imputed interest expense on non-current interest-free amount due to an associate	675	651
	<u>19,014</u>	<u>16,995</u>

7. PROFIT BEFORE TAX

	2021 HK\$'000	2020 HK\$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration	2,050	2,050
Depreciation of property, plant and equipment	82,250	61,076
Hire charges for plant and machinery	340,058	316,426
Depreciation of right-of-use assets	27,838	25,540
Amortisation of intangible assets	28,720	3,877
Impairment loss recognised on interest in a joint venture	34,265	-
Impairment loss recognised on amount due from other partner of a joint operation	-	7,013
Loss on disposal of a subsidiary	628	-
Staff costs:		
Directors' remuneration	19,875	14,222
Other staff costs	1,292,800	1,135,495
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$1,008,000 (2020: HK\$942,000)	50,191	42,763
	<u>1,362,866</u>	<u>1,192,480</u>

8. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current tax:		
Hong Kong	73,207	27,748
The PRC	5,653	42
	<u>78,860</u>	<u>27,790</u>
Under (over)-provision in prior years:		
Hong Kong	8,352	843
The PRC	771	(1,242)
	<u>9,123</u>	<u>(399)</u>
Deferred tax		
Current year	(3,019)	-
	<u>84,964</u>	<u>27,391</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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 2021 of HK6 cents (2020: HK7 cents) per ordinary share, totaling approximately HK\$74,513,000 based on 1,241,877,992 ordinary shares (2020: approximately HK\$86,931,000 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:

	2021 HK\$'000	2020 HK\$'000
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share	<u>294,539</u>	<u>440,907</u>
	Number of Shares	
	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	<u>1,241,878</u>	<u>1,241,878</u>

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:

	2021 HK\$'000	2020 HK\$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	362,900	231,232
61 to 90 days	467	748
Over 90 days	16,356	16,401
	<u>379,723</u>	<u>248,381</u>
Bills receivables	26,638	10,537
Other debtors, deposits and prepayments	276,024	213,725
	<u>682,385</u>	<u>472,643</u>

As at 1 January 2020, trade receivables from contracts with customers amounted to HK\$239,506,000.

During the year ended 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 approximately to HK\$55,875,000). The loan is interest bearing at 12% fixed rate per annum and repayable on demand.

During the year ended 31 December 2020, the Group advanced a loan to a partner of a joint venture in the amount of HK\$3,150,000. The loan is interest bearing at 7% fixed rate per annum and repayable on demand.

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

12. CONTRACT ASSETS

	2021 HK\$'000	2020 HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts (note a)	2,236,401	1,295,164
Retention receivables of construction contracts (note b)	658,699	498,000
	<u>2,895,100</u>	<u>1,793,164</u>
Retention receivables of construction contracts		
Due within one year	83,803	148,699
Due more than one year	574,896	349,301
	<u>658,699</u>	<u>498,000</u>

As at 1 January 2020, contract assets amounted to HK\$2,135,584,000.

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:

	2021 HK\$'000	2020 HK\$'000
Trade creditors analysed by age:		
0 to 60 days	321,190	251,572
61 to 90 days	83,175	27,869
Over 90 days	12,483	35,092
	<u>416,848</u>	<u>314,533</u>
Retention payables	641,789	471,869
Accrued project costs	2,711,154	1,736,502
Other creditors and accrued charges	123,209	93,245
	<u>3,893,000</u>	<u>2,616,149</u>
Retention payables:		
Repayable within one year	88,528	163,973
Repayable more than one year	553,261	307,896
	<u>641,789</u>	<u>471,869</u>

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 HK6 cents (2020: HK7 cents) per ordinary share payable to shareholders whose names appear in the register of members of the Company on Monday, 6 June 2022.

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 Wednesday, 15 June 2022.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 27 May 2022, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, 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, 23 May 2022.

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 Monday, 6 June 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 2 June 2022 to Monday, 6 June 2022, 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, 1 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

With the record-high successful tender in 2020 and also smooth progress of major projects as planned, the Group's turnover for the year 2021 increased by 31% from HK\$7,628 million to HK\$10,030 million.

The gross profit also increased from HK\$689 million to HK\$740 million by 7%. The gross margin, however, dropped from 9% to 7% in 2021, reflecting the severe competition for the new works. Despite this competitive environment, we would continue our strategy not to compete only on price but also on technical excellence and quality of work. Leveraging on this proven strategy, we could keep winning new tenders without being the lowest price bidder and hence increase turnover as well as overall profit despite lower margin of individual projects.

Despite the continued increase of profit from construction in Hong Kong, the Group's profit after tax for the year decreased by 34% from HK\$440 million to HK\$292 million. The decrease of profit was mainly contributed by three factors. First, the government subsidy of HK\$116 million received in 2020 was one-off. Second, the investment in corporate bonds recorded a net loss of HK\$54 million after taking into account of decrease of market values and accrued interest income. In 2020, we invested the surplus cash of HK\$230 million in a portfolio of corporate bonds with an aim to enhance the return on idle cash. Since approximately 75% of the portfolio are bonds issued by PRC property developers, the turbulence in PRC property market dragged down the market values of the portfolio by approximately 25%. Third, the tax expenses increased by three times as a result of timing difference in utilization of tax losses.

Since the issue of the Company's Annual Report 2020, we successfully bided new projects of HK\$8.1 billion, of which HK\$6.8 billion were civil engineering projects for Hong Kong Government and HK\$1.3 billion were building works for private developers. At the date of this announcement, the outstanding work on hand was maintained at HK\$25.5 billion, similar to that at end of 2020. Looking forward, with enormous public works in developing northern Metropolis as proposed by Hong Kong Government in Policy Address 2021, we are cautiously optimistic to tendering new works and maintain our market share.

The infrastructure investment projects in the PRC recorded turnover of HK\$183 million and a loss of HK\$15 million. The district heating in Dezhou ceased operation because the sole steam supplier was forced by the local authority to close. Pending on result of negotiation with the local authority for compensation, we had allowed for an impairment loss of HK\$34 million. Sewage treatment plant in Wuxi, the sole profit contributor in the PRC in 2021, doubled its profit to HK\$31 million as the treatment fees were increased by over 70% upon completion of its upgrade of equipment in 2020. Tianjin Wai Kee Earth Investment Co., Ltd., the operator of centralized steam fuel provider in industrial parks, recorded a loss of HK\$12 million. In order to meet the tightened requirements of safety and environmental laws, factory production in industrial parks in Gansu Province were reduced or in some areas suspended until they had completed necessary works to comply with the new requirements. Therefore, the demand of steam fuel by factories was much lower than the budget in 2021. At present, the Group has completed construction of six steam fuel plants. Two of them were operating at breakeven capacity while the remaining four plants are yet to start due to low demand of steam fuel by factories. However, we have recently seen the steam production of two operating plants, were picking up and two more plants may start operation during 2022. Therefore, we are confident the loss may turn to profit next year.

Employees and Remuneration Policies

As at 31 December 2021, the Group had a total of 3,222 employees and total remuneration for the year ended 31 December 2021 was approximately HK\$1,363 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 2021, the Group had liquid assets of HK\$2,155 million (as at 31 December 2020: HK\$2,085 million) comprising financial assets at FVTPL of HK\$380 million (as at 31 December 2020: HK\$490 million), time deposits with original maturity of not less than three months of HK\$20 million (as at 31 December 2020: HK\$80 million) and bank balances and cash of HK\$1,755 million (as at 31 December 2020: HK\$1,515 million).

As at 31 December 2021, the Group had a total of interest bearing borrowings of HK\$810 million (as at 31 December 2020: HK\$520 million) comprising bank loans of HK\$787 million (as at 31 December 2020: HK\$483 million), other creditors of HK\$23 million (as at 31 December 2020: HK\$23 million) and the bonds of HK\$14 million as at 31 December 2020 of which are fully repaid during the year. Maturity profile of the interest bearing borrowings for both years are as follows:

	At 31 December 2021 HK\$ million	At 31 December 2020 HK\$ million
On demand or within one year	618	378
In the second year	96	101
In the third to fifth year inclusive	96	41
	<u>810</u>	<u>520</u>

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 2021, total borrowings of HK\$51 million (as at 31 December 2020: HK\$52 million) carried interest at fixed rate.

Capital Structure and Gearing

As at 31 December 2021, total equity was HK\$1,807 million (as at 31 December 2020: HK\$1,589 million) comprising ordinary share capital of HK\$124 million (as at 31 December 2020: HK\$124 million), reserves of HK\$1,642 million (as at 31 December 2020: HK\$1,457 million) and non-controlling interests of HK\$41 million (as at 31 December 2020: HK\$8 million).

As at 31 December 2021, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 45% (as at 31 December 2020: 33%).

Pledge of Assets

As at 31 December 2021, bank deposits of the Group amounting to HK\$78 million (as at 31 December 2020: HK\$40 million) were pledged to banks for securing the banking facilities granted to the Group.

As at 31 December 2021, quoted debt securities of the Group amounting to HK\$336 million (as at 31 December 2020: HK\$447 million) were pledged to a bank for securing the banking facility 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 2021 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 policies 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 2021.

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 2021, 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 2021.

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, 27 May 2022 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 2021 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 four executive directors, namely Mr. Zen Wei Peu, Derek, Mr. Chang Kam Chuen, Desmond, Mr. Lui Yau Chun, Paul and Mr. Tsui Wai Tim, 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.

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

Hong Kong, 29 March 2022