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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 2023**

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	14%
Equity	HK\$2,376 million
Equity per share	HK\$1.91
Group revenue	HK\$12,507 million
Profit attributable to owners of the Company	HK\$474 million
Final dividend per share	HK8.0 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 2023 and the consolidated statement of financial position of the Group as at 31 December 2023 together with the comparative figures for 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
	Notes	HK\$'000	HK\$'000
Revenue from services	3	12,507,050	12,422,558
Cost of sales		(11,200,351)	(11,441,658)
Gross profit		1,306,699	980,900
Investments and other income	5	32,370	68,948
Decrease in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(123,441)	(56,106)
Administrative expenses		(544,341)	(436,671)
Finance costs	6	(27,459)	(17,061)
Share of results of joint ventures		(4,048)	11,566
Share of results of associates		1,220	(106)
Profit before tax	7	641,000	551,470
Income tax expense	8	(173,551)	(122,304)
Profit for the year		467,449	429,166
Profit (loss) for the year attributable to:			
Owners of the Company		473,518	434,327
Non-controlling interests		(6,069)	(5,161)
		467,449	429,166
Earnings per share	10	HK cents	HK cents
- Basic		38.1	35.0

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	HK\$'000	HK\$'000
Profit for the year	<u>467,449</u>	<u>429,166</u>
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(11,093)	(36,870)
Share of reserves of joint ventures	<u>—</u>	<u>36</u>
Total comprehensive income for the year	<u>456,356</u>	<u>392,332</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	463,623	401,526
Non-controlling interests	<u>(7,267)</u>	<u>(9,194)</u>
	<u>456,356</u>	<u>392,332</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

		2023	2022
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		440,438	467,391
Right-of-use assets		75,921	80,682
Intangible assets		313,829	331,304
Goodwill		30,554	30,554
Interests in joint ventures		60,565	64,613
Interests in associates		5,394	4,131
Loan to an associate		—	2,700
Other financial asset at amortised cost		29,799	32,507
Financial assets at FVTPL		735,954	1,220
		1,692,454	1,015,102
Current assets			
Inventories		480,705	114,502
Loan to an associate		2,331	—
Debtors, deposits and prepayments	11	962,189	705,039
Contract assets	12	3,658,732	2,964,937
Amounts due from fellow subsidiaries		1,932	1,812
Amount due from a joint venture		647	663
Amounts due from associates		8,001	8,120
Amounts due from other partners of joint operations		28,950	23,885
Financial assets at FVTPL		54,161	118,740
Tax recoverable		22,701	21,489
Pledged bank deposits		69,593	74,019
Time deposits with original maturity of not less than three months		35,697	235,101
Bank balances and cash		1,299,649	2,037,124
		6,625,288	6,305,431

	Notes	2023 HK\$'000	2022 HK\$'000
Current liabilities			
Creditors and accrued charges	13	4,421,965	3,988,095
Contract liabilities		555,144	512,747
Lease liabilities		29,216	27,052
Amount due to an intermediate holding company		19,594	18,810
Amounts due to fellow subsidiaries		370	7,859
Amounts due to other partners of joint operations		32,545	9,063
Amounts due to non-controlling interests		1,098	1,098
Amount due to an associate		23,212	22,107
Tax payable		201,524	230,902
Bank loans - due within one year		215,471	289,753
		<u>5,500,139</u>	<u>5,107,486</u>
Net current assets		<u>1,125,149</u>	<u>1,197,945</u>
Total assets less current liabilities		<u><u>2,817,603</u></u>	<u><u>2,213,047</u></u>
Capital and reserves			
Ordinary share capital		124,188	124,188
Reserves		2,252,282	1,968,731
Equity attributable to owners of the Company		2,376,470	2,092,919
Non-controlling interests		25,758	33,025
Total equity		<u>2,402,228</u>	<u>2,125,944</u>
Non-current liabilities			
Deferred tax liabilities		5,750	5,750
Obligations in excess of interests in associates		13,899	14,075
Amount due to an associate		1,035	1,420
Lease liabilities		39,575	42,858
Other creditors		355,116	23,000
		<u>415,375</u>	<u>87,103</u>
		<u><u>2,817,603</u></u>	<u><u>2,213,047</u></u>

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 NEW AND AMENDMENTS TO HKFRSs AND CHANGES IN OTHER ACCOUNTING POLICY

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the 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.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in notes to the consolidated financial statements.

Changes in other accounting policy

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) - Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57).

In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The application of amendments in the current year had no material impact on the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 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:

- 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*.
- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enable users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 Amendments and the 2022 Amendments will not result in reclassification of the Group's liabilities.

3. REVENUE FROM SERVICES

<u>Segments</u>	2023		
	Hong Kong HK\$'000	The People's Republic of China (the "PRC") HK\$'000	Consolidated HK\$'000
Types of service			
Construction contract	12,290,182	4,364	12,294,546
Sewage treatment plant operation	—	51,333	51,333
Steam fuel plant operation	—	161,171	161,171
Total revenue	<u>12,290,182</u>	<u>216,868</u>	<u>12,507,050</u>
Timing of revenue recognition			
Over time	<u>12,290,182</u>	<u>216,868</u>	<u>12,507,050</u>
<u>Segments</u>	2022		
	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
Types of service			
Construction contract	12,220,379	22,421	12,242,800
Sewage treatment plant operation	—	51,819	51,819
Steam fuel plant operation	—	127,939	127,939
Total revenue	<u>12,220,379</u>	<u>202,179</u>	<u>12,422,558</u>
Timing of revenue recognition			
Over time	<u>12,220,379</u>	<u>202,179</u>	<u>12,422,558</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 2023

	Hong Kong	The PRC	Total
	HK\$'000	HK\$'000	HK\$'000
<u>Results</u>			
Segment revenue	<u>12,290,182</u>	<u>216,868</u>	<u>12,507,050</u>
Segment profit (loss)	<u>816,439</u>	<u>(15,364)</u>	<u>801,075</u>
Unallocated expenses			(10,653)
Investments income			4,306
Decrease in fair value of financial assets at FVTPL			(123,441)
Share of results of joint ventures			(4,048)
Share of results of associates			1,220
Finance costs			<u>(27,459)</u>
Profit before tax			<u>641,000</u>

Year ended 31 December 2022

	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
<u>Results</u>			
Segment revenue	<u>12,220,379</u>	<u>202,179</u>	<u>12,422,558</u>
Segment profit (loss)	<u>629,996</u>	<u>(24,214)</u>	605,782
Unallocated expenses			(9,658)
Investments income			10,915
Decrease in fair value of financial assets at FVTPL			(56,106)
Remeasurement gain on interest previously held in a joint venture			6,138
Share of results of joint ventures			11,566
Share of results of associates			(106)
Finance costs			<u>(17,061)</u>
Profit before tax			<u>551,470</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, remeasurement gain on interest previously held in a joint venture, share of results of joint ventures and associates, finance costs and unallocated expenses.

5. INVESTMENTS AND OTHER INCOME

	2023	2022
	HK\$'000	HK\$'000
Investments and other income include:		
Dividends from financial assets at FVTPL	104	877
Interest on bank deposits	15,324	7,882
Interest on other receivables	5,254	9,042
Interest on other financial asset at amortised cost	753	829
Interest on financial assets at FVTPL	4,202	10,038
Interest on loan to an associate	64	71
Gain on disposal of property, plant and equipment	1,718	5,149
Government subsidy for the PRC project	228	760
Government subsidy for Hong Kong operations	1,043	1,330
Net gain arising on lease modification	64	734
Employment Support Scheme	—	22,879
Discharge of amount due to a non-controlling interest	—	1,996
Remeasurement gain on interest previously held in a joint venture	—	6,138
	<u>—</u>	<u>6,138</u>

6. FINANCE COSTS

	2023	2022
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings	24,331	14,522
Other borrowings	1,092	978
Lease liabilities	1,316	863
Imputed interest expense on non-current amount due to an associate	720	698
	<u>720</u>	<u>698</u>
	<u>27,459</u>	<u>17,061</u>

7. PROFIT BEFORE TAX

	2023 HK\$'000	2022 HK\$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration	2,440	2,300
Depreciation of property, plant and equipment	69,745	72,632
Depreciation of right-of-use assets	33,407	29,182
Amortisation of intangible assets	13,825	89,936
Net foreign exchange losses	14,369	30,483
Staff costs:		
Directors' remuneration	39,254	35,432
Other staff costs	1,602,070	1,467,966
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK\$711,000 (2022: HK\$1,188,000)	64,695	56,434
	<u>1,706,019</u>	<u>1,559,832</u>

8. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax:		
Hong Kong	168,014	129,908
The PRC	4,702	3,356
	<u>172,716</u>	<u>133,264</u>
Under (over) provision in prior years:		
Hong Kong	416	(1,429)
The PRC	419	3,187
	<u>835</u>	<u>1,758</u>
Deferred tax		
Current year	—	(12,718)
	<u>173,551</u>	<u>122,304</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. DIVIDENDS

	2023	2022
	HK\$'000	HK\$'000
Dividend paid and recognised as distribution during the year		
2022 final dividend – HK10.5 cents per share (2022: 2021 final dividend – HK6.0 cents per share)	130,397	74,513
2023 interim dividend – HK4.0 cents per share (2022: nil)	49,675	—
	<u>180,072</u>	<u>74,513</u>

A final dividend for the year ended 31 December 2023 of HK8.0 cents per ordinary share, totaling approximately HK\$99,350,000 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:

	2023	2022
	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	<u>473,518</u>	<u>434,327</u>
	Number of Shares	
	2023	2022
	'000	'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:

	2023	2022
	HK\$'000	HK\$'000
Trade receivables from contracts with customers analysed by age:		
0 to 60 days	585,456	368,254
61 to 90 days	—	1,236
Over 90 days	19,022	16,187
	<u>604,478</u>	<u>385,677</u>
Bills receivables	3,735	19,295
Other debtors	234,342	196,474
Deposits	116,440	101,394
Prepayments	3,194	2,199
	<u>962,189</u>	<u>705,039</u>

As at 1 January 2022, trade receivables from contracts with customers amounted to HK\$379,723,000.

In 2019, Tianjin Wai Kee Earth Investment Co., Ltd., a subsidiary of the Company, advanced a loan to an independent third party in the amount of RMB50,000,000. The loan is interest bearing at 12% 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

	2023	2022
	HK\$'000	HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts (note a)	2,926,605	2,232,187
Retention receivables of construction contracts (note b)	<u>732,127</u>	<u>732,750</u>
	<u>3,658,732</u>	<u>2,964,937</u>
Retention receivables of construction contracts		
Due within one year	310,406	105,903
Due more than one year	<u>421,721</u>	<u>626,847</u>
	<u>732,127</u>	<u>732,750</u>

As at 1 January 2022, contract assets amounted to HK\$2,895,100,000.

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:

	2023	2022
	HK\$'000	HK\$'000
Trade creditors analysed by age:		
0 to 60 days	343,278	440,186
61 to 90 days	63,755	105,730
Over 90 days	14,479	32,880
	<u>421,512</u>	<u>578,796</u>
Retention payables	972,682	879,476
Accrued project costs	2,813,585	2,336,027
Other creditors and accrued charges	214,186	193,796
	<u>4,421,965</u>	<u>3,988,095</u>
Retention payables:		
Repayable within one year	342,930	145,317
Repayable more than one year	629,752	734,159
	<u>972,682</u>	<u>879,476</u>

For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction work and are expected to be settled within the Group's normal operating cycle.

DIVIDENDS

The Board recommends the payment of a final dividend of HK8.0 cents (2022: HK10.5 cents) per ordinary share payable to shareholders whose names appear in the register of members of the Company on Wednesday, 29 May 2024. Together with the interim dividend HK4.0 cents per ordinary share paid on 28 September 2023, the total dividend payout for the year amounted to HK12.0 cents per ordinary share.

Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the “Annual General Meeting”), it is expected that the payment of final dividend will be made on Wednesday, 12 June 2024.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Tuesday, 21 May 2024, the register of members of the Company will be closed from Thursday, 16 May 2024 to Tuesday, 21 May 2024, 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Tuesday, 14 May 2024.

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 Wednesday, 29 May 2024. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Wednesday, 29 May 2024, 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Monday, 27 May 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall results

The Group is principally engaged in building construction and civil engineering works in Hong Kong. Apart from its core activities in construction, the Group also derives revenue from its environmental infrastructure projects in Mainland China. Despite the difficult operating environment, the Group maintained its revenue for the year ended 31 December 2023 at HK\$12.5 billion (2022: HK\$12.4 billion).

The gross profit of the Group increased to HK\$1.3 billion for the year ended 31 December 2023, compared to HK\$1.0 billion a year ago. The increase was mainly attributable to profit from one of our civil projects towards the finalisation of the final account.

The profit attributable to the shareholders for the year ended 31 December 2023 was HK\$474 million, compared to HK\$434 million a year ago. The increase was mainly attributable to the increase in gross profit of HK\$326 million, which has been partly offset by (i) the increase in administrative expenses of HK\$108 million, (ii) the increase in fair value losses of our financial assets of HK\$67 million, (iii) the increase in taxation charge of HK\$51 million, and (iv) the non-recurrence of wage subsidies of HK\$23 million received from the Government under the Employment Support Scheme announced on 18 March 2022, which subsidies were one-off and intended for supporting the livelihood of employees affected by the fifth wave of the COVID-19 pandemic.

The construction industry has been experiencing manpower shortages, an aging workforce, a skills mismatch with trades, and a succession gap of talent. While the Government and the industry have been working closely to address this acute situation, the Group has to remain competitive in its remuneration policies to attract, develop, and retain its workforce. As a result, there has been an increase in staff remuneration to HK\$1,706 million during the year ended 31 December 2023 (2022: HK\$1,560 million), which has largely been reflected as an increase in administrative expenses.

The Group continued to suffer a setback in its investment in financial assets due to unfavorable market conditions. The fair value losses of the Group's financial assets of HK\$123 million (2022: HK\$56 million) comprise (i) a fair value loss of HK\$58 million (2022: HK\$56 million) in the Group's investments in equity and debt securities, and (ii) a fair value loss of HK\$65 million (2022: nil) in its 20% investment in an urban renewal project involving the demolition, settlement and re-development of a site located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the People's Republic of China (the "Shenzhen Project"). The project recorded a drop in fair value due to the depreciation of the Renminbi and further downturn of the property market in Mainland China after the completion of the acquisition in January 2023.

The Group's taxation charge, in correspondence with the increase in profitability of construction projects, increased to HK\$174 million (2022: HK\$122 million) in the year.

OPERATIONAL REVIEW

Construction

The Group provides a full spectrum of construction services from building construction and civil engineering to foundation, electrical and mechanical, interior refurbishments and fitting out works. Total revenue from construction contracts amounted to HK\$12.3 billion for the year ended 31 December 2023 (2022: HK\$12.2 billion). As of the date of the announcement, the Group had total contracts on hands of HK\$28.6 billion, which significantly secures the revenue of the Group for the next two years. Segment profit, after the deduction of direct costs, increased to HK\$816 million (2022: HK\$630 million). The increase in segment profit was mainly attributable to the exceptional performance of our civil division.

Environmental infrastructure projects in Mainland China

The Group operates a sewage treatment plant in Wuxi for the treatment of household and industrial wastewater, as well as steam supply plants in Gansu and Hubei for providing steam to clients in industrial parks. The total revenue generated from our environmental projects in Mainland China was HK\$217 million for the year ended 31 December 2023 (2022: HK\$202 million). Segment loss, after the deduction of direct costs, dropped to HK\$15 million (2022: loss of HK\$24 million). The steam supply operation in 2023 fared better than the prior year as the mainland economy gradually recovered after the COVID-19 pandemic. Total output capacity for our four operating steam plants went up from an average of 62 tons per hour in 2022 to an average of 81 tons per hour in 2023, representing an increase of 31%.

As at 31 December 2023, the Group's total investment in environmental investment projects amounted to RMB715 million (as at 31 December 2022: RMB692 million), of which the amount attributable to our 95.6% interest in the sewage treatment plant was RMB168 million (as at 31 December 2022: RMB168 million), and the amount attributable to our 84.81% interest in the steam supply plants was RMB547 million (as at 31 December 2022: RMB524 million).

Material acquisitions

During the year, the Group completed the following acquisitions to diversify its future sources of income:

- (i) On 6 October 2022, the Group entered into an investment agreement to acquire a 20% interest in the Shenzhen Project from Shine Precious Limited (“Shine Precious”), an indirect wholly owned subsidiary of Road King Infrastructure Limited (“Road King”), for a total consideration of approximately HK\$800 million. The transaction constituted a major and connected transaction to the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and was approved by the independent shareholders of the Company at the special general meeting held on 13 January 2023. For details, please refer to the Company’s announcements dated 6 October 2022 and 23 November 2022 and the circular to the shareholders of the Company dated 23 December 2022. Completion of the transaction took place on 13 January 2023.

The Shenzhen Project is an urban renewal project referred to as Haitao Garden, which was built in the 1980s, at a site located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the People’s Republic of China (the “Shenzhen Site”). It involves the demolition and resettlement of a total of 58 residential buildings with commercial facilities, covering a development site area of 44,339 sq. m. (with a planned gross floor area of 242,980 sq. m.), and the redevelopment of the Shenzhen Site thereafter. As at the date of the announcement, the developer of the Shenzhen Project, which is a 20% owned associate of the Group, has entered contracts with over 98% of the 1,282 owners on the Shenzhen Site covering over 98% of the gross floor area for resettlement purpose. It is expected that, with assistance from the local government on the mediation of the resettlement terms with the remaining owners, the Shenzhen Project will progress to the next stage of applying for the relevant planning and construction approvals during the year ending 31 December 2024.

- (ii) On 28 April 2023, the Group entered into the sale and purchase agreements (the “Sale and Purchase Agreements”) to acquire parcels of land having an aggregate site area of 245,628 sq. ft. located at Pak Shing Kok Road in Tsuen Kwan O, New Territories, Hong Kong (the “TKO Sites”) from independent third parties by way of acquisition of the entire issued share capital of and outstanding shareholder loans owing by the project companies owning the TKO Sites for an aggregate consideration of approximately HK\$369 million (the “Acquisition”). The Acquisition constituted a major transaction of the Company under the Listing Rules and received written shareholders’ approvals from Top Horizon Holdings Limited (a wholly-owned subsidiary of Wai Kee Holdings Limited, the ultimate holding company of the Company), and the Chairman of the Company. Completion of the Acquisition took place on 28 April 2023, and approximately HK\$36.9 million (representing 10% of the consideration) was paid by the Group to the vendors’ solicitors as stakeholders on that day as the first installment. For details, please refer to the Company’s announcement dated 28 April 2023 and the circular to the shareholders of the Company dated 26 July 2023.

The TKO Sites are currently specified for agricultural use. On 30 June 2023, the Group applied under the Land Sharing Pilot Scheme (“LSPS”) in respect of the TKO Sites for the increase in plot ratio and change of use of the sites (the “LSPS Application”). The LSPS policy was launched by the Government as a public-private initiative to unleash the development potential of idle private lots in the New Territories for housing development. In parallel with the LSPS Application, the Group has been carrying out a title review of the TKO Sites and due diligence of the target companies owning the TKO Sites, being two of the conditions subsequent to the Acquisition that may entitle the Group to elect to unwind the Acquisition. Given the necessary continuation of the due diligence process, supplemental agreements were entered on 2 February 2024 by the Group and the relevant vendors for (i) extending the long stop date for the satisfaction of the two conditions subsequent relating to the title review and due diligence (the “Title and Due Diligence Conditions”) to 30 April 2024 (being approximately 6 months longer than the date originally contemplated) such that the relevant Sale and Purchase Agreements will be terminated automatically on that date if these two conditions subsequent are not satisfied or waived by the Group by then, (ii) early releasing of approximately HK\$4.1 million (the “Released Amount”) by the stakeholders to three of the vendors out of the

first installment, subject to delivery of the specified foreign legal opinions, and (iii) reducing the total consideration by up to a maximum of approximately HK\$16.1 million if plot ratio and domestic gross floor area for residential use are not allocated in respect of certain specified land lots within the TKO Sites in the approved LSPS Application (ancillary to such downward adjustment, approximately HK\$1.6 million has been refunded to the Group from the first installment). For details, please refer to the Company's announcement dated 2 February 2024. In late February 2024, the Group received the specified foreign legal opinions and therefore the Released Amount was released by the stakeholders to the relevant vendors out of the first installment. As at the date hereof, the Title and Due Diligence Conditions have not yet been satisfied.

As provided under the Sale and Purchase Agreements and the supplemental agreements dated 2 February 2024, the Group has to settle the remaining reduced consideration of HK\$317.6 million by installments with reference to the progress of the LSPS Application and fulfilment of the remaining conditions subsequent as follows: (i) a second installment of approximately HK\$13.8 million within 10 working days after the publication of the LSPS Application on the website of the Development Bureau, (ii) a third installment of approximately HK\$24.6 million within 10 working days after the receipt of the formal recommendation from the panel of advisors under the LSPS, and (iii) a balance payment of approximately HK\$279.2 million, subject to adjustment, on the 30th day after the date on which the Group confirms fulfillment of all conditions subsequent under the Sale and Purchase Agreements including but not limited to the support in principle by the Chief Executive in Council of the LSPS Application having been granted on or before 28 October 2025.

Since the submission of the LSPS Application, the Group and its consultants have engaged in various meetings and discussions with the Land Sharing Office of the Development Bureau for the purpose of establishing the eligibility of the LSPS Application. Despite the Group's continued efforts, the Group has recently received a letter from the Land Sharing Office stating that it was not satisfied with the eligibility of the LSPS Application and would not process further the LSPS Application. As at the date of hereof, the Group is considering the feasibility of addressing the concerns of Land Sharing Office (including the submission of any revised or new LSPS Application) before the LSPS deadline of 5 May 2024. The Company will issue a further announcement as and when appropriate in relation to the Sale and Purchase Agreements.

Employees and Remuneration Policies

As at 31 December 2023, the Group had a total of 3,601 employees, and total remuneration for the year ended 31 December 2023 was approximately HK\$1,706 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 the performance of the individual.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2023, the Group had liquid assets of HK\$1,390 million (as at 31 December 2022: HK\$2,391 million) comprising financial assets at fair value through profit or loss of HK\$54 million (as at 31 December 2022: HK\$119 million), time deposits with an original maturity of not less than three months of HK\$36 million (as at 31 December 2022: HK\$235 million) and bank balances and cash of HK\$1,300 million (as at 31 December 2022: HK\$2,037 million).

As at 31 December 2023, the Group had a total of interest-bearing borrowings of HK\$238 million (as at 31 December 2022: HK\$313 million) comprising bank loans of HK\$215 million (as at 31 December 2022: HK\$290 million), other creditors of HK\$23 million (as at 31 December 2022: HK\$23 million). The maturity profile of the interest-bearing borrowings for both years is as follows:

	At 31 December 2023	At 31 December 2022
	HK\$ million	HK\$ million
On demand or within one year	215	176
In the second year	23	114
In the third to fifth year inclusive	—	23
	238	313

The Group's borrowings, bank balances and cash, and financial assets at fair value through profit or loss were mainly denominated in Hong Kong dollars. As a result, the Group is not significantly exposed to foreign exchange rate fluctuations. During the year, the Group had no financial instrument for hedging purposes. As at 31 December 2023, total borrowings of HK\$41 million (as at 31 December 2022: HK\$44 million) carried interest at fixed rates.

Capital Structure and Gearing

As at 31 December 2023, total equity was HK\$2,402 million (as at 31 December 2022: HK\$2,126 million) comprising ordinary share capital of HK\$124 million (as at 31 December 2022: HK\$124 million), reserves of HK\$2,252 million (as at 31 December 2022: HK\$1,969 million) and non-controlling interests of HK\$26 million (as at 31 December 2022: HK\$33 million).

As at 31 December 2023, the gearing ratio, representing total interest-bearing borrowings as a percentage of total equity, was 10% (as at 31 December 2022: 15%).

Pledge of Assets

As at 31 December 2023, bank deposits of the Group amounting to HK\$70 million (as at 31 December 2022: HK\$74 million) were pledged to banks for securing the banking facilities granted to the Group.

As at 31 December 2022, quoted debt securities of the Group amounting to HK\$103 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 2023 set out in Appendix C1 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 C.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 report are set out in Annual Report 2023.

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 2023, 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 C3 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 2023.

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 Tuesday, 21 May 2024 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 2023 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 five executive directors, namely Mr. Zen Wei Peu, Derek, Mr. Chang Kam Chuen, Desmond, Mr. Lui Yau Chun, Paul, Mr. Tsui Wai Tim and Mr. Luk Chi Chung, Peter, 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, 20 March 2024