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BUILD KING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00240)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

FINANCIAL PERFORMANCE HIGHLIGHTS

| | |
|--|-------------------|
| Percentage of increase in equity** per share | 2% |
| Equity | HK\$2,417 million |
| Equity per share | HK\$1.95 |
| Group revenue | HK\$6,472 million |
| Profit attributable to owners of the Company | HK\$148 million |
| Interim dividend per share | HK3 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 unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024 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 2024

| | | Six months ended 30 June | |
|--|-------|--------------------------|-------------|
| | Notes | 2024 | 2023 |
| | | (Unaudited) | (Unaudited) |
| | | HK\$'000 | HK\$'000 |
| Revenue from services | 3 | 6,472,335 | 5,973,534 |
| Cost of sales | | (5,945,007) | (5,296,229) |
| Gross profit | | 527,328 | 677,305 |
| Investments and other income | 5 | 15,373 | 15,926 |
| Increase (decrease) in fair value of financial assets at fair value through profit or loss (“FVTPL”) | | 29,650 | (76,814) |
| Administrative expenses | | (311,611) | (271,609) |
| Other losses | 6 | (42,730) | — |
| Finance costs | 7 | (11,908) | (15,386) |
| Share of results of joint ventures | | (46,485) | (2,060) |
| Share of results of associates | | 8,271 | 2,124 |
| Profit before tax | 8 | 167,888 | 329,486 |
| Income tax expense | 9 | (22,253) | (82,527) |
| Profit for the period | | 145,635 | 246,959 |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | 148,198 | 250,252 |
| Non-controlling interests | | (2,563) | (3,293) |
| | | 145,635 | 246,959 |
| | | HK cents | HK cents |
| Earnings per share | | | |
| – Basic | 10 | 11.9 | 20.2 |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit for the period | <u>145,635</u> | <u>246,959</u> |
| Other comprehensive expense | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of foreign operations | <u>(9,327)</u> | <u>(18,070)</u> |
| Total comprehensive income for the period | <u><u>136,308</u></u> | <u><u>228,889</u></u> |
| Total comprehensive income (expense) for the period attributable to: | | |
| Owners of the Company | <u>139,747</u> | 234,050 |
| Non-controlling interests | <u>(3,439)</u> | <u>(5,161)</u> |
| | <u><u>136,308</u></u> | <u><u>228,889</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

| | | 30 June 2024 (Unaudited) HK\$'000 | 31 December 2023 (Audited) HK\$'000 |
|---|----|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 441,653 | 440,438 |
| Right-of-use assets | | 63,649 | 75,921 |
| Intangible assets | | 300,667 | 313,829 |
| Goodwill | | 30,554 | 30,554 |
| Interests in joint ventures | | 7,389 | 60,565 |
| Interests in associates | | 11,934 | 5,394 |
| Other financial asset at amortised cost | | 27,973 | 29,799 |
| Financial assets at FVTPL | | 1,220 | 735,954 |
| | | 885,039 | 1,692,454 |
| Current assets | | | |
| Inventories | 12 | 450,893 | 480,705 |
| Loan to an associate | | 2,331 | 2,331 |
| Debtors, deposits and prepayments | 13 | 874,030 | 962,189 |
| Contract assets | 14 | 3,450,491 | 3,658,732 |
| Amounts due from fellow subsidiaries | | 1,972 | 1,932 |
| Amount due from a joint venture | | 317 | 647 |
| Amounts due from associates | | 8,023 | 8,001 |
| Amounts due from other partners of joint operations | | 9,976 | 28,950 |
| Financial assets at FVTPL | | 818,425 | 54,161 |
| Tax recoverable | | 17,601 | 22,701 |
| Pledged bank deposits | | 81,889 | 69,593 |
| Time deposits with original maturity of not less than three months | | 1,096 | 35,697 |
| Bank balances and cash | | 1,131,248 | 1,299,649 |
| | | 6,848,292 | 6,625,288 |

| | Notes | 30 June 2024 (Unaudited) HK\$'000 | 31 December 2023 (Audited) HK\$'000 |
|---|-------|--|--|
| Current liabilities | | | |
| Creditors and accrued charges | 15 | 4,190,572 | 4,421,965 |
| Contract liabilities | | 715,518 | 555,144 |
| Lease liabilities | | 28,174 | 29,216 |
| Amount due to an intermediate holding company | | 19,884 | 19,594 |
| Amounts due to fellow subsidiaries | | 8,606 | 370 |
| Amounts due to other partners of joint operations | | 3,993 | 32,545 |
| Amounts due to non-controlling interests | | 1,098 | 1,098 |
| Amount due to an associate | | 24,317 | 23,212 |
| Tax payable | | 77,886 | 201,524 |
| Bank loans - due within one year | | 155,059 | 215,471 |
| | | <u>5,225,107</u> | <u>5,500,139</u> |
| Net current assets | | <u>1,623,185</u> | <u>1,125,149</u> |
| Total assets less current liabilities | | <u><u>2,508,224</u></u> | <u><u>2,817,603</u></u> |
| Capital and reserves | | | |
| Ordinary share capital | | 124,188 | 124,188 |
| Reserves | | 2,292,679 | 2,252,282 |
| Equity attributable to owners of the Company | | 2,416,867 | 2,376,470 |
| Non-controlling interests | | 22,319 | 25,758 |
| Total equity | | <u>2,439,186</u> | <u>2,402,228</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 5,750 | 5,750 |
| Obligations in excess of interests in associates | | 12,168 | 13,899 |
| Amount due to an associate | | 301 | 1,035 |
| Lease liabilities | | 27,819 | 39,575 |
| Other creditors | 16 | 23,000 | 355,116 |
| | | <u>69,038</u> | <u>415,375</u> |
| | | <u><u>2,508,224</u></u> | <u><u>2,817,603</u></u> |

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 D2 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following 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 2024 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|----------------------------------|---|
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

The application of the amendments to HKFRSs in the current interim 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.

3. REVENUE FROM SERVICES

Disaggregation of revenue from contracts with customers

| | Six months ended 30 June 2024 | | |
|--------------------------------------|-------------------------------|--|------------------|
| | Hong Kong | Other regions in the People's Republic of China (the "PRC") | Consolidated |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Types of service | | | |
| Construction contract | 6,363,753 | — | 6,363,753 |
| Sewage treatment plant operation | — | 24,455 | 24,455 |
| Steam fuel plant operation | — | 84,127 | 84,127 |
| Total revenue | <u>6,363,753</u> | <u>108,582</u> | <u>6,472,335</u> |
| Timing of revenue recognition | | | |
| Over time | <u>6,363,753</u> | <u>108,582</u> | <u>6,472,335</u> |
| | Six months ended 30 June 2023 | | |
| | Hong Kong | The PRC | Consolidated |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Types of service | | | |
| Construction contract | 5,870,216 | — | 5,870,216 |
| Sewage treatment plant operation | — | 24,179 | 24,179 |
| Steam fuel plant operation | — | 79,139 | 79,139 |
| Total revenue | <u>5,870,216</u> | <u>103,318</u> | <u>5,973,534</u> |
| Timing of revenue recognition | | | |
| Over time | <u>5,870,216</u> | <u>103,318</u> | <u>5,973,534</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 reporting segment of the Group. The Group's reportable segments under HKFRS 8 "Operating Segments" are as follows:

Six months ended 30 June 2024

| | Hong Kong | The PRC | Total |
|--|------------------|-----------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 |
| <u>Results</u> | | | |
| Segment revenue | <u>6,363,753</u> | <u>108,582</u> | <u>6,472,335</u> |
| Segment profit (loss) | <u>206,636</u> | <u>(13,906)</u> | 192,730 |
| Unallocated expenses | | | (4,993) |
| Investments income | | | 623 |
| Increase in fair value of financial assets at FVTPL | | | 29,650 |
| Share of results of joint ventures | | | (46,485) |
| Share of results of associates | | | 8,271 |
| Finance costs | | | <u>(11,908)</u> |
| Profit before tax | | | <u>167,888</u> |

Six months ended 30 June 2023

| | Hong Kong HK\$'000 | The PRC HK\$'000 | Total HK\$'000 |
|--|-----------------------|---------------------|-------------------|
| <u>Results</u> | | | |
| Segment revenue | <u>5,870,216</u> | <u>103,318</u> | <u>5,973,534</u> |
| Segment profit (loss) | <u>451,782</u> | <u>(26,745)</u> | 425,037 |
| Unallocated expenses | | | (5,954) |
| Investments income | | | 2,539 |
| Decrease in fair value of financial assets at FVTPL | | | (76,814) |
| Share of results of joint ventures | | | (2,060) |
| Share of results of associates | | | 2,124 |
| Finance costs | | | <u>(15,386)</u> |
| Profit before tax | | | <u>329,486</u> |

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, interest on 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 | |
|---|--------------------------|----------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Investments and other income include: | | |
| Interest on bank deposits | 7,389 | 6,569 |
| Interest on other receivables | 1,447 | 4,206 |
| Interest on other financial asset at amortised cost | 341 | 370 |
| Interest on financial assets at FVTPL | 519 | 2,539 |
| Interest on loan to an associate | 32 | 32 |
| Gain on disposal of property, plant and equipment | 1,130 | 412 |
| Dividends from financial assets at FVTPL | 104 | — |

6. OTHER LOSSES

| | Six months ended 30 June | |
|---|--------------------------|----------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Impairment loss recognised on interest in a joint venture | 6,691 | — |
| Written down to net realisable value of inventory | 36,039 | — |
| | <u>42,730</u> | <u>—</u> |

7. FINANCE COSTS

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Interests on: | | |
| Bank borrowings | 10,123 | 13,937 |
| Other borrowings | 679 | 511 |
| Lease liabilities | 735 | 578 |
| Imputed interest expense on non-current amount due to an associate | 371 | 360 |
| | <u>11,908</u> | <u>15,386</u> |

8. PROFIT BEFORE TAX

| | Six months ended 30 June | |
|---|--------------------------|----------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Profit before tax has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 32,998 | 35,027 |
| Depreciation of right-of-use assets | 15,840 | 16,672 |
| Amortisation of intangible assets | 6,802 | 6,772 |
| Net foreign exchange losses | 10,793 | 21,599 |

9. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--|--------------------------|----------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Current tax: | | |
| Hong Kong | 18,016 | 80,200 |
| The PRC | 1,928 | — |
| | <u>19,944</u> | <u>80,200</u> |
| (Over) under provision in prior years: | | |
| Hong Kong | (15) | 1,944 |
| The PRC | 2,324 | 383 |
| | <u>2,309</u> | <u>2,327</u> |
| | <u><u>22,253</u></u> | <u><u>82,527</u></u> |

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% for both periods.

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.

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:

| | Six months ended 30 June | |
|--|---------------------------------|-------------------------|
| | 2024 | 2023 |
| | 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 | <u>148,198</u> | <u>250,252</u> |
| | Number of shares | |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | <u>1,241,878</u> | <u>1,241,878</u> |

The Company has no potential ordinary shares outstanding during both periods.

11. DIVIDEND

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Dividend paid and recognised as distribution during the period: | | |
| 2023 final dividend - HK8.0 cents per share (six months ended 30 June 2023: 2022 final dividend – HK10.5 cents per share) | <u>99,350</u> | <u>130,397</u> |

An interim dividend of HK3 cents (six months ended 30 June 2023: HK4 cents) per ordinary share, totalling approximately HK\$37,256,000 (six months ended 30 June 2023: HK\$49,675,000) was declared by the Board on 22 August 2024. The interim dividend has not been included as a liability in these condensed consolidated financial statements as it was declared after the end of the reporting period.

The amount of the interim dividend was calculated on the basis of 1,241,877,992 shares in issue as at 22 August 2024.

12. INVENTORIES

| | 30 June | 31 December |
|---------------------------------------|-----------------|-------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Property under development | | |
| Freehold land in Malaysia (Note a) | 47,641 | 48,657 |
| Leasehold lands in Hong Kong (Note b) | 334,147 | 385,059 |
| Uninstalled construction materials | 69,105 | 46,989 |
| | 450,893 | 480,705 |

Note a: The carrying amount of freehold land is stated at lower of cost and net realisable value.

Note b: The leasehold lands were originally acquired for the purpose of redevelopment under the Land Sharing Pilot Scheme (“LSPS”). As disclosed in the Company’s announcement dated 2 February 2024, amongst other things was the reduction of purchase consideration of the leasehold lands by HK\$16,072,000. During the Period, the Group incurred additional development costs of HK\$1,199,000 on the leasehold lands. However, the Group received a letter from the Land Sharing Office in March 2024 stating that it was not satisfied with the eligibility of the LSPS Application and would not process further the LSPS Application. On 30 April 2024, the Group decided not to make any submission of revised or new LSPS Application before the LSPS deadline of 5 May 2024, the original sale and purchase agreements as amended and supplemented (collectively the “Amended Sale and Purchase Agreements”) were terminated with immediate effect. Pursuant to the Amended Sale and Purchase Agreements, following the termination thereof, the acquisitions of subsidiaries shall be unwound (the “Unwinding”). The Unwinding is still in progress and upon completion of the Unwinding, the Group will cease to have any interest in these leasehold lands. The leasehold lands are stated at net realisable values as at 30 June 2024, which will be derecognised upon completion of the Unwinding. No depreciation charge is made on the leasehold land taking into account the estimated residual values at reporting dates.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

| | 30 June | 31 December |
|--|-----------------|-------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Trade receivables from contracts with customers analysed by age: | | |
| 0 to 60 days | 513,040 | 585,456 |
| Over 90 days | 16,656 | 19,022 |
| | 529,696 | 604,478 |
| Bills receivables | 8,771 | 3,735 |
| Other debtors | 221,282 | 234,342 |
| Deposits | 112,014 | 116,440 |
| Prepayments | 2,267 | 3,194 |
| | 874,030 | 962,189 |

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 2024. After the assessment of the Group, the impairment allowance on trade receivables is insignificant to the Group for the current interim period.

14. CONTRACT ASSETS

| | 30 June | 31 December |
|--|-------------------------|------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Analysed as current: | | |
| Unbilled revenue of construction contracts (note (a)) | 2,621,307 | 2,926,605 |
| Retention receivables of construction contracts (note (b)) | 829,184 | 732,127 |
| | <u>3,450,491</u> | <u>3,658,732</u> |
| Retention receivables of construction contracts | | |
| Due within one year | 285,213 | 310,406 |
| Due more than one year | 543,971 | 421,721 |
| | <u>829,184</u> | <u>732,127</u> |

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

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 2024. After the assessment of the Group, the impairment allowance on contract assets is insignificant to the Group for the current interim period.

15. 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 | 31 December |
|-------------------------------------|------------------|-------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Trade creditors analysed by age: | | |
| 0 to 60 days | 200,455 | 343,278 |
| 61 to 90 days | 68,992 | 63,755 |
| Over 90 days | 16,391 | 14,479 |
| | 285,838 | 421,512 |
| Retention payables | 1,042,520 | 972,682 |
| Accrued project costs | 2,396,055 | 2,813,585 |
| Other creditors and accrued charges | 466,159 | 214,186 |
| | 4,190,572 | 4,421,965 |
| Retention payables: | | |
| Repayable within one year | 337,514 | 342,930 |
| Repayable more than one year | 705,006 | 629,752 |
| | 1,042,520 | 972,682 |

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.

16. OTHER CREDITORS

| | 30 June | 31 December |
|---|----------------------|-----------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Consideration payable on acquisition of subsidiaries (note) | — | 332,116 |
| Other creditors | <u>23,000</u> | <u>23,000</u> |
| | <u>23,000</u> | <u>355,116</u> |

Note: In 2023, the Group acquired several subsidiaries and for transaction details, please refer to the Company's announcement dated 28 April 2023. According to the Amended Sale and Purchase Agreements, the remaining 90% of the consideration was payable in several stages and the management of the Group originally expected the full amounts to be payable in 2025. Therefore, the amounts were classified as non-current as at 31 December 2023. On 30 April 2024, the Group terminated the transaction and the Unwinding is still in progress, accordingly the amounts are classified as current and recorded as other creditors and accrued charges as at 30 June 2024, which will be derecognised upon completion of the Unwinding.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3 cents (six months ended 30 June 2023: HK4 cents) per ordinary share for the six months ended 30 June 2024 to the shareholders of the Company whose names appear in the register of members of the Company on Tuesday, 10 September 2024.

It is expected that the payment of the interim dividend will be made on Thursday, 26 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 9 September 2024 to Tuesday, 10 September 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares 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 Friday, 6 September 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

RESULTS

During the six months ended 30 June 2024 (the “Period”), the Group recorded revenue of HK\$6.5 billion, representing an increase of 8% from HK\$6.0 billion of the same period last year. The increase was mainly due to an increase in turnover of the Building Division from HK\$1.8 billion to HK\$2.6 billion during the Period.

Profit attributable to the owners of the Company for the Period was HK\$148 million, a decrease of 41% as compared to the profit of HK\$250 million in the same period last year. The decrease was mainly due to a decrease in the gross profit of the Group. The tailing off in turnover and profit contribution from one of the Group’s civil projects as it approaches project completion in July 2024 has lowered the pre-tax profit margin of the Group from 11% to 8% in the Period.

OPERATIONAL REVIEW

Hong Kong

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 in Hong Kong. Total revenue from construction contracts amounted to HK\$6.4 billion for the Period (2023: HK\$5.9 billion). After deducting directly attributable expenses, segment profit decreased to HK\$207 million (2023: HK\$452 million). The decrease in segment profit was mainly due to a drop in profitability of the Civil Division and provision for losses of HK\$36 million arising from unwinding the Project Land Sharing Transaction (as defined below).

Since the beginning of the year, the Group has secured new construction contracts with an attributable contract value of approximately HK\$8.2 billion. The value of outstanding contracts to be completed as of the date hereof was approximately HK\$33 billion, comprising HK\$22 billion from the Civil Division and HK\$11 billion from the Building Division.

It is hoped that the value of contracts on hand, which has now accumulated to HK\$33 billion, will securely ensure the Group's revenue for one or even two years and provide a cushion to navigate any challenges arising from the ongoing slowdown of the global economy and the increasing competition in the local construction industry.

Mainland China

The Group operates a sewage treatment plant in Wuxi for treating household and industrial wastewater and steam supply plants in Gansu and Hubei for providing steam to factories in industrial parks. Total revenue generated from our environmental projects in Mainland China was HK\$109 million for the Period (2023: HK\$103 million). The increase in revenue was primarily attributable to an improved performance of the Group's steam plant operation. During the Period, the Group's four operating plants supplied an average of 91 tons/hour of steam, 15% higher than 79 tons/hour of steam in the same period last year. After deducting directly attributable expenses, segment loss narrowed to HK\$14 million (2023: HK\$27 million). The improvement arose mainly from increased revenue and deceleration in the depreciation of RMB, partially offset by a provision for impairment of HK\$7 million in the Group's cost of investment in the Dezhou JV.

Major investments

- (i) As disclosed in the Company's announcement dated 30 April 2024, the Group unwound the sale and purchase agreements dated 28 April 2023 (as amended and supplemented) (the "Amended Agreements") regarding the acquisition of two parcels of land located at Pak Shing Kok Road in Tsuen Kwan O, New Territories, Hong Kong (the "Project Land Sharing Transaction"), which was intended to be rezoned for development under the Land Sharing Pilot Scheme.

According to the Amended Agreements, the vendors shall procure the return of the part payments of HK\$31.1 million made by the Group, which are currently held in escrow by the vendors' solicitors. The Group currently anticipates a loss of HK\$36 million arising from the unwinding of the Amended Agreements and has provided the loss in full in the Period.

The Group is negotiating with the vendors and their solicitors on the unwinding documents and shall keep the shareholders informed once the unwinding transaction has been completed.

- (ii) The Group holds a 20% interest in an urban renewal project referred to as Haitao Garden, which was built in the 1980s and is located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the People's Republic of China. This project is to be redeveloped for residential and commercial use (the "Shenzhen Project"). As of the date hereof, the developer of the Shenzhen Project, which is a 20% owned associate of the Group, has entered into contracts with over 98% of the 1,281 owners on the site, covering over 98% of the gross floor area, for resettlement purposes. The demolition of Haitao Garden and the cancellation of the ownership rights and land title associated with the demolished properties are currently in progress. Barring unforeseen circumstances, it is expected that the acquisition of the remaining interest in the site could soon be completed, paving the way for the commencement of construction in the second quarter of 2025. The remaining 80% interest of the associate is held by Road King Infrastructure Limited, a connected person to the Company under the Listing Rules.

As provided under the investment agreement dated 6 October 2022, the Group has a right to require the associate to repay the shareholder loan due by the associate to the Group on 28 February 2025. The right constitutes a financial asset to the Group, which is measured at fair value through profit or loss. At 30 June 2024, the asset was professionally valued at HK\$772 million resulting in a fair value gain of HK\$37 million (2023: fair value loss of HK\$41 million) in the Period.

- (iii) As disclosed in the FY2021 Annual Report, the Group ceased its 49% joint venture operation (the "Dezhou JV") of supplying heat to the Dezhou District due to a contractual dispute with its heat supplier. The Group has been pursuing legal action against the heat supplier to recover the RMB34 million deposit paid under the heat supply agreement (the "Deposit") and to seek damages for breach of the agreement. The legal process is ongoing. Given the heat supplier appears to be in significant financial difficulty, the Group made a full provision on the recoverability of the Deposit and reflected the loss as "Share of Results of Joint Ventures" in the Period.

The assets of the Dezhou JV were handed over to the District Management of Dezhou in 2021, and the Group is seeking compensation of RMB50 million for the value of the assets handed over. Discussions with the District Management are ongoing. Given the uncertain outcome, the Group assessed a high likelihood that the Group's interest in the joint venture would be fully impaired and made a full provision on the Group's residual interests in Dezhou JV. The portion of loss relating to the Group's cost of investment was taken up as "Other Losses" and the portion of loss relating to the residual assets in the joint venture was taken up as "Share of Results of Joint Ventures" in the Period.

Employees and Remuneration Policies

At 30 June 2024, the Group had a total of 3,693 employees (at 31 December 2023: 3,601 employees). Total staff costs comprising directors' remuneration, other staff costs, and retirement benefit scheme contributions amounted to HK\$939 million (2023: HK\$832 million) for the Period.

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 2024, the Group had liquid assets of HK\$1,950 million (at 31 December 2023: HK\$1,390 million) comprising financial assets at FVTPL of HK\$818 million (at 31 December 2023: HK\$54 million), time deposits with an original maturity of not less than three months of HK\$1 million (at 31 December 2023: HK\$36 million) and bank balances and cash of HK\$1,131 million (at 31 December 2023: HK\$1,300 million).

At 30 June 2024, the Group had total interest-bearing borrowings of HK\$178 million (at 31 December 2023: HK\$238 million) comprising bank loans of HK\$155 million (at 31 December 2023: HK\$215 million) and other creditors of HK\$23 million (as at 31 December 2023: HK\$23 million). The maturity profile of the interest-bearing debts for both periods is as below.

| | At 30 June 2024 | At 31 December 2023 |
|--------------------------------------|----------------------------|------------------------|
| | HK\$ million | HK\$ million |
| On demand or within one year | 143 | 215 |
| In the second year | 24 | 23 |
| In the third to fifth year inclusive | 11 | — |
| | 178 | 238 |

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 did not enter any financial instrument for hedging purposes. At 30 June 2024, total borrowings of HK\$13 million (at 31 December 2023: HK\$41 million) carried interest at a fixed rate.

Capital Structure and Gearing

At 30 June 2024, total equity was HK\$2,439 million (at 31 December 2023: HK\$2,402 million) comprising ordinary share capital of HK\$124 million (at 31 December 2023: HK\$124 million), reserves of HK\$2,293 million (at 31 December 2023: HK\$2,252 million) and non-controlling interests of HK\$22 million (at 31 December 2023: HK\$26 million).

The final dividend of HK8.0 cents per ordinary share for the year ended 31 December 2023 totalling approximately HK\$99 million was approved by the shareholders of the Company on 21 May 2024 and reflected as an appropriation of reserves during the Period. Apart from the aforesaid dividend payment and the reported interim profit, there was no other significant movement in the reserves of the Group during the Period.

At 30 June 2024, the gearing ratio, representing total interest-bearing borrowings as a percentage of total equity, was 7% (at 31 December 2023: 10%).

Pledge of Assets

At 30 June 2024, bank deposits of the Group amounting to HK\$82 million (at 31 December 2023: HK\$70 million) were pledged to banks for securing 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 C1 of the Listing Rules throughout the six months ended 30 June 2024, 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.

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 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 2024.

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 (including sale of treasury shares) for the six months ended 30 June 2024.

AUDIT COMMITTEE

The Audit Committee of the Company 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 2024.

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 2024 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, 22 August 2024

As at the date hereof, the Board comprises four executive directors, namely Mr. Zen Wei Peu, Derek, Mr. Lui Yau Chun, Paul, Mr. Tsui Wai Tim and Mr. Luk Chi Chung, Peter, three non-executive directors, namely Mr. David Howard Gem, Mr. Chan Chi Hung, Anthony and Mr. Chang Kam Chuen, Desmond, 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.