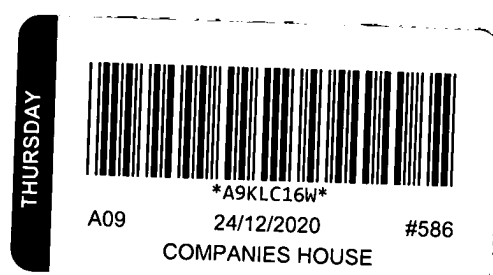


Registered number: 01406100

BUILD KING CONSTRUCTION LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019**



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Directors

Kin Man Book
 Wing Ho Chan (appointed 14 February 2020)
 Siu Lun Cheung
 Chi Ko Kwok
 Man Wai Lee
 Sing Pang Liu
 Yau Chun Paul Lui
 Hon Wa Kenneth Mok
 Yiu Wing So
 Wai Tim Tsui
 Cheuk Hung Yiu
 Man Kit Yu (appointed 14 February 2020)

Company Secretary

Reed Smith Corporate Services Limited

Registered Office

The Broadgate Tower
 Third Floor
 20 Primrose Street
 London
 EC2A 2RS
 United Kingdom

Bankers

The Hongkong and Shanghai Banking
 Corporation Limited
 1 Queen's Road
 Central, Hong Kong

Independent Auditor

PKF Littlejohn LLP
 Statutory auditor
 15 Westferry Circus
 Canary Wharf
 London E14 4HD

Solicitors

Reed Smith LLP
 The Broadgate Tower
 Third Floor
 20 Primrose Street
 London EC2A 2RS
 United Kingdom

Company Number

01406100

BUILD KING CONSTRUCTION LIMITED

STRATEGIC REPORT YEAR ENDED 31 DECEMBER 2019

The Directors present their strategic report on the Company for the year ended 31 December 2019 in compliance with s414C of the Companies Act 2006.

Principal activities and business review

The principal activities of the Company are the provision of civil engineering services, construction and building overseas. There have been no significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Company is a private limited company incorporated in the United Kingdom under the Companies Act and holds several construction licenses in Hong Kong. The address of the registered office is given on page 1. The principal place of business of the Company in Hong Kong is Units 601-605A, 6th Floor, Tower B, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

The construction projects, customers, major partners of joint operations, assets and workforce are located in Hong Kong, therefore Brexit is not a risk to the Company.

Key Performance Indicators

	2019	2018
	HK\$'000	(restated) HK\$'000
Turnover	5,364,104	3,653,270
Gross profit	539,486	531,029
Operating profit	<u>389,557</u>	<u>380,803</u>

The Company's results and net assets are derived from the provision of civil engineering, construction and building activities within Hong Kong. Despite there being a substantial increase in turnover compared to 2018, the Company only recorded a marginal increase in operating profit as a result of a number of projects recorded a loss upon finalisation with the employer in 2019.

Build King Holdings Limited manages its operations on a divisional basis. For this reason, the Company Directors believe that the disclosure of further key performance indicators for the Company is not appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

Contractual relationships

The Company operates within a number of contractual relationships with its primary customers. Impairment of these relationships could have a direct and detrimental effect on the Company's results. To manage this risk the Company has regular meetings with its customers.

Contractual performance

In assessing the performance and establishing the valuation of amounts recoverable on contracts, the amounts recorded are dependent upon negotiations with its customers, which sometimes are complex and unlikely to be resolved in the short-term. Accordingly, management have made their best estimate of the likely future outcomes based on the information currently available to them.

Financial risk management

The principal financial instruments of the Company comprise bank loans, bonds, amounts due from/to related companies, bank balances and cash. The main purpose of these financial instruments is to finance the operations of the Company. The Company has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

BUILD KING CONSTRUCTION LIMITED

STRATEGIC REPORT (CONTINUED) **YEAR ENDED 31 DECEMBER 2019**

Principal risks and uncertainties (continued)

Financial risk management (continued)

The main risks arising from the financial instruments of the Company are cash flow risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors meets periodically to analyse and formulate measures to manage the exposure of the Company to these risks.

Generally, the Company adopts conservative strategies on its risk management. As the exposure of the Company to these risks is kept to a minimum, the Company has not used any derivatives and other instruments for hedging purposes. The Company does not hold or issue derivative financial instruments for trading purposes. The Directors review and agree policies for managing each of these risks and they are summarised as follows:

i) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure of the Company to market risk for changes in interest rates relates primarily to the long term debt obligations of the Company. The Company does not take a speculative view on interest rates, and therefore, does not actively use interest rate derivative instruments to hedge the exposure.

ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The revenue of the Company is predominantly in Hong Kong dollars and the borrowings of the Company are also denominated in Hong Kong dollars. The exposure of the Company to foreign currency risk is minimal.

iii) Credit risk

The Company's principal financial assets are cash and cash equivalents and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit rating agencies. In order to manage the risk the Company has implemented policies to ensure that credit sales are made to customers who have an appropriate credit history before transactions are entered into, and monitored thereafter.

iv) Liquidity risk

The objective of the Company is to maintain a balance between the continuity of funding and the flexibility through the use of bank loans and advances from related companies and shareholders. In addition, bank facilities have been put in place to secure general funding purposes.

v) First time adoption of FRS 101

For all periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with FRS 101. Refer to note 23 for more details.

BUILD KING CONSTRUCTION LIMITED

STRATEGIC REPORT (CONTINUED) YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties (continued)

vi) Section 172 statement

The directors are cognisant of their duties under Section 172 of the Companies Act 2006 in their deliberations and decisions on all matters affecting the Company. Decisions made by the directors take into account interests of all key stakeholders and reflect the directors' belief that the long term sustainable success of the Company is linked directly to its key stakeholders.

Long term approach

The directors are focused on the success of the Company over the long term through the implementation of a long term strategy for the Company to develop in key targeted sectors where the Company can bring a strong value proposition, leveraging its strengths and those of the wider group.

Employees

The directors are committed to developing the Company's employees and to creating a climate in which they will flourish and be able to deliver their best. The Company operates a framework for employee information and consultation in line with the requirements of information and consultation regulations.

During the year, the directors continued to develop the policy of providing employees with information about the Company through regular communication including briefings and employee information updates.

Other stakeholders

The Company, a wholly owned subsidiary of Build King Holdings Limited is an integrated member of the group. During the year the directors maintained regular engagement with group representatives across a range of topics.

The directors oversee an ongoing programme of engagement with client including satisfaction surveys in addition to regular one to one contact between clients and individual directors and senior management.

Approved by the Board of Directors
and signed on behalf of the Board



Siu Lun Cheung

Director

Date: 22 December 2020

BUILD KING CONSTRUCTION LIMITED

DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2019

The Directors present their report, together with the audited financial statements for the year ended 31 December 2019.

Principal activities and business review

The principal activity of the Company is the provision of civil engineering services, construction and building overseas. There have been no significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities. The business review of the Company is given on page 2 of the Strategic Report.

Going concern

Having made appropriate enquires, the Directors consider it reasonable to assume that the Company has adequate resources to continue in operation for the foreseeable future, being not less than 12 months from the approval of these financial statements and for this reason, have continued to adopt the going concern basis in preparing the financial statements (see note 3a to the financial statements).

Principal risks and uncertainties

Please refer to pages 2 to 4 of the strategic report.

Future developments

For the civil engineering division, the Company intends to win more projects with better technical proposals rather than merely relying on price. Since 2018, we have employed time and resources to develop innovative methods to improve our chances in winning new jobs whilst at the same time doing more than just meeting the client's needs on safety, innovation or the environment. For the Building division, the Company is tendering for some larger size projects.

Results and dividends

The profit for the year ended 31 December 2019 in the financial statements was HK\$ 312,293,000 (2018 (restated): HK\$ 317,325,000). The Directors do not recommend the payment of a dividend (2018: HK\$nil).

Directors

The Directors of the Company during the year ended 31 December 2019 were:

Kin Man Book
Siu Lun Cheung
Chi Ko Kwok
Man Wai Lee
Sing Pang Liu
Yau Chun Paul Lui
Hon Wa Kenneth Mok
Yiu Wing So
Wai Tim Tsui
Cheuk Hung Yiu

Directors' Indemnity

The Company has provided qualifying third-party indemnities for the benefit of its Directors. These were provided during the year and remain in force at the date of this report.

Engagement with suppliers, customers and others in a business relationship with the company

The Company have introduced their sustainability policy to supplier and sub-contractors through the conditions set in the contract statements and require them to strictly follow the guidelines. Sub-contractors

BUILD KING CONSTRUCTION LIMITED

DIRECTORS' REPORT (continued)

Engagement with suppliers, customers and others in a business relationship with the company (continued)

and suppliers are evaluated every six months and will be disqualified and removed from the selection list if any non-compliance is observed.

Selection Criteria

The goal is to build a responsible and sustainable supply chain and in turn reduce risks for the Company and clients. Procedures and standing instructions are set in selecting suppliers and sub-contractors. Prior to any procurement and subletting, performance assessments are conducted on potential suppliers and subcontractors on a competitive basis. The assessment criteria includes assurance of stable supply, quality and cost. The Company also select and work with these meeting standards of ethical conduct, human rights, health and safety, environmental management and green procurement.

Financial Instruments

The Company's operations expose it to a variety of financial risks that include the effect of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company by monitoring levels of debt finance and related finance costs.

In order to ensure the stability of cash outflows, and hence manage interest rate risk, the Company has a policy of maintaining a portion of its debt at fixed rates. The Company seeks to minimise the risk of uncertain funding in its operations by borrowing within a spread of maturity periods. Given the size and nature of operations, the Company's policy is to operate with 50% of its debt being repayable within one year. At the year-end, 90% (2018: 88%) of debt was repayable within one year. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company's finance department. The department has a policies and procedures manual that sets out specific guidelines to manage interest rate risk and credit risk, and circumstances where it would be appropriate to use financial institutions to manage these.

Price Risk

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has no exposure to equity securities price risk as it has no listed or other equity investments.

Credit Risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Liquidity Risk

The Company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the Company has sufficient available funds for operations and planned expansions.

BUILD KING CONSTRUCTION LIMITED

DIRECTORS' REPORT (continued)

Interest Rate Cash Flow Risk

The Company has both interest-bearing assets and liabilities. Interest-bearing assets include only cash balances, all of which earn interest at a fixed rate. The Company has a policy of maintaining debt at a fixed rate to ensure the certainty of future interest cash flows. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Post Balance Sheet Events

Covid-19 is considered to be a non-adjusting post balance sheet and as such no adjustments have been made to the valuation of assets and liabilities as at 31 December 2019. Management's assessments of Covid-19's impact on the Company can be found in the going concern note to the accounts.

Employees

The Company has developed a policy of keeping staff informed of matters affecting them as employees and the financial economic factors affecting the performance of the company.

Applications by disabled persons are given full and fair considerations for all vacancies in accordance with their particular aptitudes and abilities. In the event of staff becoming disabled, every effort is made to retrain them in order that their employment with the company may continue.

Health and Safety forms an integral part of the company's business strategy, audit policies reflect a complete commitment to assuring the safety of staff, contractors and all who interact with its works. It is the policy of the company that training, career development and promotion opportunities should be available to all staff.

Provision of Information to Auditor

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

This report was approved by the Board on 22 December 2020 and signed on its behalf.



Siu Lun Cheung

Director

Date: 22 December 2020

BUILD KING CONSTRUCTION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES YEAR ENDED 31 DECEMBER 2019

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework – Disclosure exemptions from EU-adopted IFRS for qualifying entities (FRS 101).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

BUILD KING CONSTRUCTION LIMITED

REPORT OF THE INDEPENDENT AUDITOR YEAR ENDED 31 DECEMBER 2019

Independent Auditor's Report to the Member of Build King Construction Limited

Opinion

We have audited the financial statements of Build King Construction Limited (the 'Company') for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

BUILD KING CONSTRUCTION LIMITED

Independent Auditor's Report to the Member of Build King Construction Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

BUILD KING CONSTRUCTION LIMITED

Independent Auditor's Report to the Member of Build King Construction Limited (continued)

Responsibilities of Directors (continued)

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Ling
For and on behalf of

PKF Littlejohn LLP
Senior Statutory Auditor
15 Westferry Circus
Canary Wharf
Statutory Auditor
London E14 4HD

Date: 22 December 2020

BUILD KING CONSTRUCTION LIMITED**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2019**

		2019	2018
	Note	HK\$'000	(restated) HK\$'000
Turnover	5	5,364,104	3,653,270
Cost of sales		<u>(4,824,618)</u>	<u>(3,122,241)</u>
Gross Profit		539,486	531,029
Other operating income		9,227	1,794
Management charges		(122,131)	(107,361)
Administrative expenses		<u>(37,025)</u>	<u>(44,659)</u>
Operating Profit	6	389,557	380,803
Profit on ordinary activities before Interest and Taxation		389,557	380,803
Finance costs	8	<u>(14,417)</u>	<u>(18,369)</u>
Profit on ordinary activities before taxation		375,140	362,434
Tax on profit on ordinary activities	9	<u>(62,847)</u>	<u>(45,109)</u>
Profit for the financial year		<u>312,293</u>	<u>317,325</u>

There was no other comprehensive income for 2019 (2018:\$NIL).

The Accounting Policies and Notes on pages 15 to 34 form part of these financial statements.

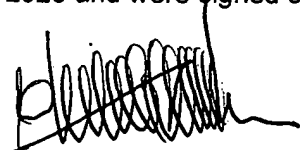
BUILD KING CONSTRUCTION LIMITED

**BALANCE SHEET
AT 31 DECEMBER 2019**

		2019	2018
	Note	HK\$'000	(restated) HK\$'000
Fixed Assets			
Tangible assets	10	46,160	57,210
Right-of-use assets	11	<u>3,648</u>	<u>-</u>
		49,808	57,210
Current Assets			
Inventories	12	6,881	12,791
Debtors	13	2,562,468	1,916,103
Cash at bank in hand		<u>1,089,425</u>	<u>895,907</u>
		3,658,774	2,824,801
Creditors: amounts falling due within one year	14	<u>(2,474,115)</u>	<u>(1,927,632)</u>
Net Current Assets		1,184,659	897,169
Total Assets less Current Liabilities		1,234,467	954,379
Creditors: amounts falling due after more than one year	15	<u>(228,649)</u>	<u>(260,854)</u>
Net Assets		1,005,818	693,525
Capital and Reserves			
Called-up share capital	18	208,497	208,497
Profit and loss account		788,587	476,294
Other reserve		<u>8,734</u>	<u>8,734</u>
Total Equity		1,005,818	693,525

The Accounting Policies and Notes on pages 15 to 34 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 22 December 2020 and were signed on its behalf by:



Siu Lun Cheung

Director

BUILD KING CONSTRUCTION LIMITED

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2019**

	Called-up share capital HK\$'000	Profit and loss account HK\$'000	Other reserve HK\$'000	Total HK\$'000
Balance as at 1 January 2018	208,497	191,739	8,734	408,970
Profit for the year	-	282,170	-	282,170
Total comprehensive income	-	282,170	-	282,170
Balance as at 31 December 2018 (audited)	208,497	473,909	8,734	691,140
Adjustment	-	2,385	-	2,385
Balance at 31 December 2018 (restated)	208,497	476,294	8,734	693,525
Profit for the year	-	312,293	-	312,293
Total comprehensive income	-	312,293	-	312,293
Balance as at 31 December 2019	208,497	788,587	8,734	1,005,818

The Accounting Policies and Notes on pages 15 to 34 form part of these financial statements.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

1. General information

Build King Construction Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The principal activities of the Company and the nature of the Company's operations are set out in the strategic report on pages 2 to 5. The functional currency of Build King Construction Limited is considered to be Hong Kong dollars because that is the currency of the primary economic environment in which the Company operates.

The intermediate parent undertaking is Build King Holdings Limited, a company incorporated in Bermuda. Please see note 20 for the address of the registered office of the parent company.

2. Statement of compliance

The individual financial statements of Build King Construction Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101, "Reduced Disclosure Framework – Disclosure exemptions from EU-adopted IFRS for qualifying entities" ("FRS 101") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

For all periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with FRS 101. Refer to note 23 for more details.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- FRS 101 8(d) IFRS 7, 'Financial instruments: Disclosures'.
- FRS 101 8(e) Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- FRS 101 8(ea) Paragraphs 110 (second sentence only), 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Contracts*.
- FRS 101 8(eb) Paragraphs 52, 58 provided that the disclosure of debtors or indebtedness required by paragraph 61(1) of schedule 1 is presented separately, 89 (second sentence only), 90, 91 and 93 of IFRS 16 *Leases*.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

3. Summary of significant accounting policies (continued)

Basis of Preparation (continued)

- FRS 101 8(f) Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
- FRS 101 8(g) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flow);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A to 40D (requirements for a third balance sheet where there is a retrospectively applied restatement or reclassification);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- FRS 101 8(h) IAS 7, 'Statement of cash flows'.
- FRS 101 8(j) Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation).
- FRS 101 8(k) The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- FRS 101 8(l) Paragraphs 130(f)(ii), 130 (f)(iii), 134(d) to 134 (f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*.

(a) Going concern

In reviewing the future prospects of the Company, the Directors have considered the fact that the Company has a strong order book and balance sheet, and holds significant cash balances. Further the Company's ability to continue as a going concern is assessed in conjunction with its parent Build King Holdings Limited as its viability is dependent upon the ability of the Group companies to settle their intercompany balances with the Company and to provide funds for the Company, when required, for working capital needs. Build King Holdings Limited has confirmed it will provide adequate funds and complete support to enable the Company to meet in full its financial obligations and settlement of its liabilities as they fall due for a period of no less than twelve months from the date of the approval of these Financial Statements.

As a result, and having made appropriate enquiries and reviewed medium-term cash forecasts, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements. The outbreak of Covid-19 from the end of January 2020 to a certain extent has brought uncertainties to the Company's operating environment and has impact the Company's business operations. The Company has been closely monitoring and reacted actively to the impact of Covid-19 on the Company's business. Though up to the date of the issuance of these financial statements, the situation related to Covid-19 is still not clear, but no adverse impact is noted to the Company's operating environment and also the Company's business operations.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

3. Summary of significant accounting policies (continued)

Basis of Preparation (continued)

(b) New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 have had a material impact on the Company.

(c) Consolidated financial statements

The Company is a wholly owned subsidiary of Profound Success Limited. It is included in the consolidated financial statements of Build King Holdings Limited which are publicly available. Therefore the Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Build King Holdings Limited. The address of the parent's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

These financial statements are the Company's separate financial statements.

(d) Foreign currency

(i) Functional and presentational currency

The Company's functional and presentational currency is Hong Kong dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account, except where deferred in other comprehensive income a qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating income'.

(e) Tangible Assets

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost could also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

As asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

Leasehold property – over the term of the lease
Plant and Machinery – 10% to 20% per annum
Furniture and fixtures – 25% per annum
Motor Vehicles – 25% per annum

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and they are recognised within 'Other income' in the profit and loss account.

When revalued assets are sold, the amounts included in the revaluation reserve that relate to those assets are, transferred to retained earnings.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

3. Summary of significant accounting policies (continued)

Basis of Preparation (continued)

(f) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Financial Assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(h) Inventory

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(i) Trade and other receivables

Trade and other debtors are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rate for the contract assets.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

3. Summary of significant accounting policies (continued)

Basis of Preparation (continued)

(k) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services, and amortised over the period of the facility to which it relates.

Preference shares that are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

(n) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

(o) Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised directly in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

3. Summary of significant accounting policies (continued)

Basis of Preparation (continued)

(o) Current and deferred tax (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Employee Benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(q) Pension Obligations

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions where the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(r) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

3. Summary of significant accounting policies (continued)

Basis of Preparation (continued)

(r) Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and Value-Added Taxes

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to when the performance obligation is satisfied in the contract activity at the balance sheet date. This is normally measured by the Company's right to consideration for work completed and not billed as the rights are conditional on the Company's future performance in satisfying the respective performance obligations. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be measured reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(t) Profit

The principal estimation technique used by the Company in attributing profit on contracts to a particular accounting period is the preparation of forecasts on a contract-by-contract basis. These focus on costs to complete and to enable an assessment to be made of the final outturn on each contract. Consistent contract review procedures are in place in respect of contract forecasting. The general principles for profit recognition are:

- Profit in respect of short-term contracts is recognised when the contract is completed;
- Profit in respect of long-term contracts is recognised when the performance obligation has been satisfied and when the contract's ultimate outcome can be foreseen with reasonable certainty, and
- Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

3. Summary of significant accounting policies (continued)

Basis of Preparation (continued)

(t) Profit (continued)

Profit recognition

Pre-contract costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which time further pre-contract costs are recognised as an asset and charged as an expense over the period of the contract. Amounts recovered in respect of costs that have been written off are deferred and amortised over the life of the contract.

In assessing the performance and establishing the valuation of amounts recoverable on contracts, the amounts recorded are dependent upon negotiations with its customers, which sometimes are complex and unlikely to be resolved in the short term. Accordingly, management have made their best estimate of the likely future outcomes based on the information currently available to them.

(u) Interest Income

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(v) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(w) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised on the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(x) Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

3. Summary of significant accounting policies (continued)

Basis of Preparation (continued)

(y) Financial guarantees

Financial guarantees are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with IAS 37 and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 10 for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision.

(iii) Revenue recognition

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to when the performance obligation is satisfied in the contract activity at the balance sheet date. This is normally measured by the Company's right to consideration for work completed and not billed as the rights are conditional on the Company's future performance in satisfying the respective performance obligations. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be measured reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

BUILD KING CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019**

5. Turnover

	2019 HK\$'000	2018 (restated) HK\$'000
Analysis of turnover by geography:		
Hong Kong	5,364,104	3,653,270
Analysis of turnover by category:		
Construction contracts	5,364,104	3,653,270

Assets and liabilities related to contracts with customers:

The Company has recognised the following assets and liabilities related to contracts with customers.

	2019 HK\$'000	2018 (restated) HK\$'000
Current contract assets relating to construction contracts:		
Contract assets	939,195	804,370
Contract liabilities – construction contracts	408,464	329,477

(i) Significant changes in contract assets and liabilities

Contract assets have increased as the Company has provided more services ahead of the agreed payment schedules for fixed-price contract.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2019 HK\$'000	2018 (restated) HK\$'000
Construction contracts	203,455	148,577

6. Operating profit

	2019 HK\$'000	2018 HK\$'000
Operating profit is stated after charging:		
Auditors' remuneration	510	516
Wages and salaries	613,459	312,409
Contributions to defined contribution schemes	17,790	12,231

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

7. Employees and Directors

Employees

The average monthly number of persons (including executive Directors) employed by the Company during the year was:

	2019 No.	2018 No.
By activity:		
Construction	1,033	821
Administration	30	23
	<u>1,063</u>	<u>844</u>

Directors' Emoluments

	2019 HK\$'000	2018 HK\$'000
Remuneration	11,667	9,868
Pension contributions	485	480
	<u>12,152</u>	<u>10,348</u>

Highest Paid Director

	2019 HK\$'000	2018 HK\$'000
Remuneration	4,000	3,154
Pension contributions	114	113
	<u>4,114</u>	<u>3,267</u>

8. Interest income and expense

(a) Interest income

	2019 HK\$'000	2018 HK\$'000
Interest on bank deposits	<u>8,859</u>	<u>1,781</u>
Total interest income	<u>8,859</u>	<u>1,781</u>

(b) Interest expenses

	2019 HK\$'000	2018 HK\$'000
Interest amount due to a related company	588	2,489
Interest on borrowings	<u>13,829</u>	<u>15,880</u>
Total interest expenses	<u>14,417</u>	<u>18,369</u>

BUILD KING CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019**

9. Income tax

(a) Tax expense included in profit and loss		2019	2018
		HK\$'000	(restated) HK\$'000
Current tax:			
Current tax on profits		62,550	47,831
Adjustment in respect of prior year		297	(2,722)
Total current tax		62,847	45,109
(b) Tax expense/(income) included in other comprehensive income		2019	2018
		HK\$'000	(restated) HK\$'000
Current tax:			
Current tax		62,550	47,831
Under/(over) provision in prior year		297	(2,722)
Total tax expense included in other comprehensive income		62,847	45,109
(c) Tax expense/(income) included in equity		2019	2018
		HK\$'000	(restated) HK\$'000
Current tax:			
Current tax		-	(2,050)
Under provision in prior year		-	2,157
Total tax expense included in equity		-	107

(d) Reconciliation of tax charge

Taxation arising in other jurisdictions is calculated at the applicable tax rates prevailing in the relevant jurisdiction. There was no change in the applicable tax rate as compared to the previous year. The tax charge for the year can be reconciled to the profit before taxation per the profit and loss account as follows:

	2019	2018
	HK\$'000	(restated) HK\$'000
Profit on ordinary activities before tax	375,140	362,434
Taxation at the Hong Kong profits tax rate of 16.5% (2018: 16.5%)	61,898	59,802
Effects of:		
Tax effects of expenses not deductible for tax purposes	15	3,300
Tax effects of income that is not taxable for tax purposes	(1,348)	(29)
Utilisation of tax losses previously not recognised	(8,028)	(14,940)
Tax effect of losses not recognised	-	10,204
Under/(over) provision in prior year	297	(2,722)
Other short term timing difference	10,013	(10,506)
Tax charge for the year	62,847	45,109

BUILD KING CONSTRUCTION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019****9. Income tax (continued)****(d) Reconciliation of tax charge (continued)**

In 2014, the Company received confirmation from HM Revenue & Customs that no United Kingdom corporation tax returns will be required to be submitted based on approval that the Company's tax residence status is in Hong Kong.

According to the Hong Kong Tax Ordinance Section 19C(5), tax losses of joint operations can be set off against the assessable profits of the joint operation partners and vice versa. In both years, tax losses of certain joint operations were utilised to set off the Company assessable profits. All the tax loss is fully utilised, thus no deferred tax asset has been recognised.

As at 31 December 2019 the Company has a deferred tax asset of approximately nil (2018: HK\$ 8m) in relation to taxation losses in Hong Kong has not been recognised due to the uncertainty regarding the reversal of the losses.

10. Tangible assets

Cost	Motor Vehicles HK\$'000	Plant and Machinery HK\$'000	Leasehold Improvements HK\$'000	Furniture and Equipment HK\$'000	Total HK\$'000
At 1 January 2019	1,115	87,541	504	6,373	95,533
Addition through acquisition	166	62	-	697	925
Additions	-	204	-	-	204
Disposals	-	(750)	-	-	(750)
At 31 December 2019	1,281	87,057	504	7,070	95,912
Depreciation					
At 1 January 2019	201	31,245	504	6,373	38,323
Charge for the year	135	10,949	-	697	11,781
Disposals	-	(352)	-	-	(352)
At 31 December 2019	336	41,842	504	7,070	49,752
Net Book Value					
At 31 December 2019	945	45,215	-	-	46,160
At 31 December 2018	914	56,296	-	-	57,210

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

11. Right-of-use assets

Cost	Leased properties HK\$'000
As at 1 January 2019	
Carrying amount	<u>1,407</u>
As at 31 December 2019	
Carrying amount	<u>3,648</u>
For the year ended 31 December 2019	
Depreciation charge	<u>1,777</u>
Expense relating to short-term leases and other leases with lease terms End within 12 months of the date of initial application of IFRS 16	733
Total cash outflow for leases	2,420
Additions to right-of-use assets	<u>4,018</u>

For both years, the Company leases offices premises for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Company applies the definition of a contract and determines the period for which the contract is enforceable.

12. Inventories

	2019 HK\$'000	2018 (restated) HK\$'000
Uninstalled construction materials	<u>6,881</u>	<u>12,791</u>

The cost of inventories recognised as an expense during the year is HK\$196,801,000 (2018 (restated): HK\$272,614,000).

13. Debtors

	2019 HK\$'000	2018 (restated) HK\$'000
Amount falling due within one year:		
Trade debtors	90,627	143,494
Contract Assets	939,195	804,370
Amount due from an immediate parent company	-	291,131
Amount due from an intermediate parent company	55,000	-
Amount due from related companies (see note 19)	1,451,260	644,545
Other debtors	24,899	24,414
Corporation tax receivable	<u>1,487</u>	<u>8,149</u>
	<u>2,562,468</u>	<u>1,916,103</u>

The amounts due from an immediate parent company, intermediate parent company and related companies are unsecured, interest free and repayable on demand.

Trade debtors are stated after provisions for impairment of HK\$Nil (2018: \$Nil)

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

14. Creditors: Amounts falling due within one year

	2019	2018
	HK\$'000	(restated) HK\$'000
Bank loans	59,142	183,728
Bonds	115,829	-
Contract liabilities	408,464	329,477
Lease liabilities	2,792	-
Amount due to related companies (see note 19)	315,220	154,171
Amount due to immediate parent company	50,869	-
Trade creditors	258,597	168,557
Other creditors	1,162,600	1,042,656
Corporation tax payable	100,602	49,043
	<u>2,474,115</u>	<u>1,927,632</u>

As at 31 December 2019, bank loans of HK\$Nil (2018 HK\$44,000,000) were secured by charges over the monies in the designated bank accounts. As at 31 December 2019, the bank balance of the designated bank accounts were HK\$5,000 (2018: HK\$1,000).

All bank loans were covered by a guarantee from Build King Holdings Limited.

As at the end of the reporting period, all bank loans are variable rate borrowings which carry interest rates ranging from 2.93% to 5.2% (2018: 2.75% to 5.20%) per annum. All bank loans carry interest rates which are repriced monthly.

The amounts due to related companies are unsecured, interest-free and repayable on demand. Likewise all the bank loans are unsecured, interest free and repayable on demand.

15. Creditors: Amounts falling due after more than one year

	2019	2018
	HK\$'000	(restated) HK\$'000
Amounts falling due between one and five years		
Bonds	13,909	129,219
Retention payable	202,279	120,120
Lease liabilities	946	-
Amount due to an intermediate parent company	11,515	11,515
	<u>228,649</u>	<u>260,854</u>

On 5 January 2015 and 28 October 2015, Build King Construction Limited entered into a placing agreement for the purposes of arranging placees for the issue of bonds in denomination of HK\$1m each up to an aggregate principal amount of HK\$100m and HK\$50m respectively. The bond will mature at the date immediately following five years after the first issue of the bond and carries a coupon interest of 7% per annum, accrued daily that is payable semi-annually in arrears on every 1 July and 1 January of each calendar year. All accrued interest was settled on 31 December 2019.

The amount due to an intermediate parent company is unsecured and bears interest at prime rate which range from 5% to 5.25% (2018: 7.75%) per annum quoted by a financial institution. As the intermediate parent company has agreed not to demand the repayment within twelve months from the balance sheet date, the balance is shown as a non-current liability.

BUILD KING CONSTRUCTION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019****16. Loans and other borrowings**

	2019	2018
	HK\$'000	(restated) HK\$'000
Bank loans	59,142	183,729
Lease liabilities	3,738	-
Bonds	129,738	129,219
	<u>192,618</u>	<u>312,948</u>

Lease liabilities

The future minimum finance lease payments are as follows:

	2019
	HK\$'000
Not later than one year	2,792
Later than one year and not later than five years	<u>946</u>
	<u>3,738</u>

17. Post-employment benefits**Defined Contribution Scheme**

Following the closure of the defined benefit scheme to new entrants, the Company provides a defined contribution scheme for its employees.

	2019	2018
	HK\$'000	(restated) HK\$'000
The amount recognised as an expense for the defined contribution scheme was:		
Current period contributions	<u>17,790</u>	<u>12,231</u>

18. Share capital and reserves

	2019	2018
	No.	No.
Allotted, Called-up and Fully Paid		
Ordinary shares of £1 each	<u>16,072,500</u>	<u>16,072,500</u>
At 31 December 2019	<u>16,072,500</u>	<u>16,072,500</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

19. Related party transactions

Transactions with related parties

The Company has taken advantage of the exemption available under IAS 24 "Related Party Disclosures" not to disclose details of transactions between wholly-owned group companies.

Detail of the principal unincorporated controlled operations at 31 December 2019 are as follows:

Name	Principal place of operation	Attributable interest to Build King Construction Limited %	Nature of business
Kier/Kaden/OSSA Joint Venture	Hong Kong	35	Civil Engineering
Kier/Laing O'Rourke/Kaden Joint Venture	Hong Kong	15	Civil Engineering
Gammon/Kaden SCL 1111 Joint Venture	Hong Kong	30	Civil Engineering
Kaden/Chun Wo Joint Venture	Hong Kong	51	Civil Engineering
CRBC/Kaden Joint Venture	Hong Kong	60	Civil Engineering
CRBC/CEC/Kaden Joint Venture	Hong Kong	32.5	Civil Engineering
CRBC/Build King Joint Venture	Hong Kong	49	Civil Engineering
Build King SCL 1124 Joint Venture	Hong Kong	30	Civil Engineering
Build King SCL 1126 Joint Venture	Hong Kong	50	Civil Engineering
Kaden/Titan Joint Venture	Hong Kong	90	Civil Engineering
Build King/SKEC Joint Venture	Hong Kong	60	Civil Engineering
Build King/SKEC Joint Venture	Hong Kong	51	Civil Engineering

The following details the balances outstanding at the year end and transactions during the year, being amounts of goods and services including management fee expenses, plant hire income and purchase of construction materials, excluding VAT:

Balance sheet	Nature of relationship*	2019 HK\$'000	2018 HK\$'000
Amounts due from related parties (see note 13)			
Archibuild Limited	1	2,643	2,643
ATAL Engineering Limited	2	2	2
Build King Civil Engineering Limited	1	730,562	-
Build King Management Limited	1	674,251	568,293
Cerebro Strategy Limited (formerly known as Kaden Building Contractors Limited)	1	162	2
China Road Bridge Corporation	2	17,581	31,800
Continental Engineering Corporation	2	4,092	4,308
Hsin Chong Construction Company Limited	2	-	1,638
Laing O'Rourke Construction Limited	2	-	391
Leader Joint Venture	1	311	461
Mega Yield International Holdings Limited	1	959	959
SK Engineering & Construction Co., Ltd	2	3,675	841
Titan Foundation Limited	1	16,855	33,040
VSL Hong Kong Limited	2	167	167
		<u>1,451,260</u>	<u>644,545</u>

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

19. Related party transactions (continued)

	Nature of relationship*	2019 HK\$'000	2018 HK\$'000
Amounts due to related parties (see note 14)			
Build King Civil Engineering Limited	1	-	87,460
Build King Interior & Construction Limited	1	60,812	14,267
Build King (Zens) Engineering Limited	1	222,029	61
Chun Wo Construction Engineering Limited	2	10,667	7,762
Excel Asphalt Limited	1	2,841	3,107
Excel Concrete Limited	1	5,998	6,684
Gammon Construction Limited	2	377	458
Integral E&M Engineering Limited	1	1,310	20,647
Kier Construction Limited	2	9,408	8,982
Laing O'Rourke Contractors Limited	2	36	-
Leader Marine Contractors Limited	1	296	3,296
McConnell Dowell Limited	2	803	804
STAMsteel Sdn Bhd	2	643	643
		<u>315,220</u>	<u>154,171</u>

* See table below

1. Fellow subsidiary
2. Other partner of joint operation

Profit and loss account		2019 HK\$'000	2018 HK\$'000
Jointly controlled operations			
Staff and associated costs	(a)	354,829	131,628
Related companies, being fellow subsidiaries of shareholders			
Interest expenses	(a)	<u>588</u>	<u>2,489</u>

(a) The transactions were charged at terms determined and agreed by both parties.

20. Controlling parties

The Company's immediate parent undertaking is Profound Success Limited, a company incorporated in the British Virgin Islands.

The smallest and largest group in which the results of Build King Construction Limited are consolidated is that headed by Build King Holdings Limited and Build King Holdings Limited is incorporated in Bermuda and listed on the Main Board of the Hong Kong Stock Exchange. The address of the registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The consolidated financial statements of this group are available to the public and may be obtained from the website (www.buildking.hk). Copies of their Annual Report and Financial Statements can be obtained from: Unit 601-605A, 6th Floor, Tower B, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

The ultimate parent company and controlling party is considered to be Wai Kee Holdings Limited, a company incorporated in Bermuda and listed on the Main Board of the Hong Kong Stock Exchange by virtue of its shareholding in Build King Holdings Limited.

BUILD KING CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

21. Events after the end of the reporting period

Covid-19 is considered to be a non-adjusting post balance sheet event and as such no adjustments have been made to the valuation of assets and liabilities as at 31 December 2019. Management's assessments of Covid-19's impact on the Company can be found in the going concern note to the accounts.

22. Acquisition

As one of the partners for Hsin Chong-Build King Joint Venture (the "Joint Venture"), Hsin Chong Construction Company Limited ("Hsin Chong") was in financial difficulties, pursuant to the joint venture agreement between Hsin Chong and the Company, the Company exercised their right on 13 December 2018, of which subsequently be upheld by court order dated 13 June 2019, to exclude Hsin Chong from further participation and management of the Joint Venture and took over Hsin Chong interests in the Joint Venture. As the Company has taken over the 65% interest in the Joint Venture previously held by Hsin Chong and has control over all the relevant activities of the Joint Venture, accordingly the assets and liabilities of the Joint Venture were acquired by the Company on the date of exclusion.

The acquisition was accounted for using the purchase method. Acquisition-related costs had been excluded from the cost of the above acquisition. The costs were insignificant and recognised as an expense with the administrative expenses in the statement of profit or loss.

Assets acquired and liabilities assumed at the acquisition date

	HK\$'000
Property, plant and equipment	925
Contract assets	4,605
Debtors, deposits and prepayments	2,443
Tax recoverable	4,507
Bank balances and cash	133,161
Contract liabilities	(109,366)
Creditors and accrued charges	(35,907)
Net assets	<u>368</u>

Gain on bargain purchase arising from the acquisition

Cash consideration paid	-
Less: net assets acquired by the Company at the acquisition date	<u>(368)</u>
Gain on bargain purchase arising from the acquisition	<u>(368)</u>

The fair value of the Joint Venture's identifiable assets and liabilities had been assessed by the management of the Company and it considered that the fair value of debtors, deposits and prepayments at the date of acquisition amounted to HK\$2,443,000, approximated to gross contractual amounts of those corresponding balances acquired by the Company. At the date of acquisition, the Directors of the Company considered that the contractual cash flows not expected to be collected was insignificant and the gain on bargain purchase arising from acquisition of HK\$368,000 was credited to the Company as other income.

BUILD KING CONSTRUCTION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019****23. First time adoption of FRS 101**

For all periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with FRS 101. This note explains the principal adjustments made by the Company in restating its statement of financial position as at 1 January 2018 and its previously published UK GAAP financial statements for the year ending 31 December 2018.

	At 31 December 2018 HK\$'000	At 1 January 2018 HK\$'000
Total equity as previously reported under UK GAAP	691,140	408,970
Inventories	12,791	8,952
Contract work in progress	(13,507)	(71,187)
Debtors	(804,560)	(629,871)
Contract assets	804,370	629,647
Creditors	3,291	29,689
	<hr/>	<hr/>
Total net adjustment due to transition to FRS 101	2,385	(32,770)
	<hr/>	<hr/>
Total equity as restated under FRS 101	693,525	376,200