

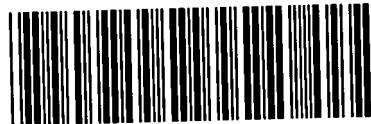
Company Registration No. 01406100

Build King Construction Limited

Annual Report and Financial Statements

For the year ended 31 December 2017

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Build King Construction Limited

Annual Report and financial statements for the year ended 31 December 2017

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Build King Construction Limited

Annual Report and financial statements for the year ended 31 December 2017

Officers and professional advisers

Directors

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

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

Solicitors

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

Auditor

Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

Build King Construction Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities and business review

The principal activities 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 in the next year.

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

Key performance indicators

	2017 HK\$'000	2016 HK\$'000
Turnover	3,624,182	3,229,080
Gross profit	176,304	315,909
Operating profit	83,765	235,542

The company's results and net assets are derived from the provision of civil engineering, construction and building activities within Hong Kong. During 2017 the company has benefited from the continued strengthening civil engineering, construction and building markets in Hong Kong and as a result the company recorded an increase in turnover. A provision for loss was made for a completed project upon finalization with the employer and resulted in reduction in both the gross and operating profit.

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, amounts due to a related company, subordinated loan, 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, and amounts due from/to jointly controlled entities.

The main risks arising from the financial instruments of the company are cash flow risk, foreign currency risk, credit risk and liquidity risk. The company does not have any written risk management guidelines. However, the Board of Directors meets periodically to analyse and formulate measures to manage the exposure of the company to these risks.

Build King Construction Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Financial risk management (continued)

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 risks

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 the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The revenue of the company is predominately 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.

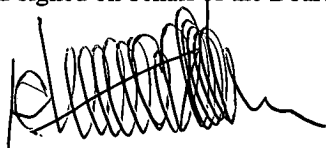
(iii) Credit risk

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. 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, banking facilities have been put in place to secure general funding purposes.

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



Siu Lun Cheung
Director

27th June 2018

Build King Construction Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

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 in the next year. The business review of the company is given on page 2 of the Strategic Report.

Going concern

Having made appropriate enquiries, 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 1 to the financial statements).

Principal risks and uncertainties

Please refer to pages 2 and 3 of the strategic report.

Results and dividends

The profit for the year ended 31 December 2017 in the financial statements was HK\$31,455,000 (2016: profit HK\$198,307,000). The directors do not recommend the payment of a dividend (2016: HK\$nil).

Directors

The directors of the company during the year and up to date of this report unless otherwise stated, were:

Siu Lun Cheung
Sing Pang Liu
Yau Chun Paul Lui
Kin Man Book
Chi Ko Kwok
Yiu Wing So
Siu Ho Wu
Wai Tim Tsui
Cheuk Hung Yiu
Man Wai Lee
Hon Wa Kenneth Mok (appointed on 13 April 2017)
Francis Wing Ho Tsang (resigned on 13 April 2017)

The company has made qualifying third party indemnity pensions for the benefit of its directors which were made during the year and remain in force at the date of this report.

There were no directors' interests recorded in the register kept in accordance with the provisions of the Companies Act 2006.

Build King Construction Limited

Directors' report (continued)

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 consideration 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, audits 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor.

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



Siu Lun Cheung
Director

27th June 2018

Build King Construction Limited

Directors' Responsibilities Statement

The directors are responsible for preparing the annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 UK Accounting Standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Build King Construction Limited

Independent auditor's report to the members of Build King Construction Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Build King Construction Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies (note 1); and
- the related notes 2 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 members of Build King Construction Limited

Conclusions relating to going concern (continued)

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 respect of these matters.

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.

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 for 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.

Build King Construction Limited

Independent auditor's report to the members of Build King Construction Limited

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.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Paul Adkins (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

27th June 2018

Build King Construction Limited

Profit and loss account For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Turnover		3,624,182	3,229,080
Cost of sales		(3,447,878)	(2,913,171)
Gross profit		176,304	315,909
Other operating income	5	286	160
Management charges	7	(71,010)	(63,711)
Administrative expenses		(21,815)	(16,816)
Operating profit	2	83,765	235,542
Net interest payable and similar charges	3	(17,731)	(15,969)
Profit before taxation		66,034	219,573
Tax on profit	6	(34,579)	(21,266)
Profit for the year		31,455	198,307

The results above relate to continuing operations.

The company has no other comprehensive income or expenditure for the year other than the results above, and therefore no separate statement of comprehensive income has been presented.

The accompanying notes are an integral part of the financial statements.

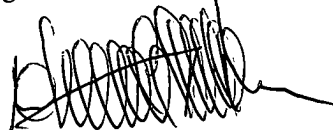
Build King Construction Limited

Balance sheet As at 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Fixed assets			
Tangible assets	8	68,764	72,469
Current assets			
Contract work in progress	9	71,187	199,747
Debtors	10	1,704,384	1,391,354
Cash at bank and in hand		532,529	514,504
Creditors: amounts falling due within one year	11	2,308,100 (1,693,998)	2,105,605 (1,454,492)
Net current assets		614,102	651,113
Total assets less current liabilities		682,866	723,582
Creditors: amounts falling due after more than one year	12	(273,896)	(346,067)
Net assets		408,970	377,515
Capital and reserves			
Called up share capital	13	208,497	208,497
Profit and loss account	14	191,739	160,284
Other reserve	20	8,734	8,734
Equity shareholders funds		408,970	377,515

The financial statements of Build King Construction Limited registered number 01406100 were approved by the Board of Directors on 27th June 2018.

Signed on behalf of the Board of Directors



Siu Lun Cheung
Director

Build King Construction Limited

Statement of changes in equity For the year ended 31 December 2017

	Called up share capital HK\$'000	Profit and loss account HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 1 January 2016	208,497	(38,023)	6,195	176,669
Profit for the year	-	198,307	-	198,307
Total comprehensive income	-	198,307	-	198,307
Fair value adjustment of subordinated loans	-	-	2,539	2,539
At 31 December 2016	208,497	160,284	8,734	377,515
Profit for the year	-	31,455	-	31,455
Total comprehensive income	-	31,455	-	31,455
At 31 December 2017	208,497	191,739	8,734	408,970

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

1 Statement of accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The principal accounting policies are set out below and have all been applied consistently throughout the year and the preceding year.

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 and 3. 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 immediate parent undertaking is Build King Holdings Limited, a company incorporated in Bermuda. Please see note 21 for the address of the registered office of the parent company.

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.

Exemptions for qualifying entities under FRS 102

Build King Construction Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to a cashflow statement, remuneration of key management personnel, related parties and the reconciliation of shares outstanding at the beginning and end of the year.

Turnover

Turnover comprises increases in valuations on long term construction contracts and goods and services provided in Hong Kong. This is considered by the directors to be a single class of continuing activity. All turnover relates to construction contracts and all revenue is derived in Hong Kong.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. 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.

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

1 Statement of accounting policies (continued)

Construction Contracts (continued)

Where the outcome of a construction contract cannot be estimated 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.

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 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 on a percentage of completion basis 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.

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.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment, depreciation is provided in order to write off the cost less residual value over the estimated lives of the assets. The rates of depreciation are as follows:

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

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

1 Statement of accounting policies (continued)

Financial instruments (continued)

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

1 Statement of accounting policies (continued)

Financial instruments (continued)

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique

Work in progress

Work in progress is stated at the lower of costs, which include attributable overheads, and net realisable value.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Long-term contract balances

Amounts recoverable on long-term contracts which are included in debtors are stated at the net sales value of the work carried out less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Joint arrangements

Interests in joint arrangements are accounted for by recognising the company's share of assets and liabilities, profits, losses and cash flows, measured according to the terms of the arrangement. Interests in joint ventures are accounted for under the gross equity method.

Foreign currencies

Since the Hong Kong dollar forms the main currency in which the Group's business is transacted, the Company has changed its reporting currency from sterling to Hong Kong dollars with effect from 1 July 2005.

Transactions denominated in foreign currencies are recorded at the exchange rates in effect when they take place. Resulting foreign currency denominated assets and liabilities are translated at the exchange rates ruling at the balance sheet date unless they are covered by forward foreign exchange contracts in which case the contract rates are used. Exchange differences arising from foreign currency transactions are reflected in the profit and loss account.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

1 Statement of accounting policies (continued)

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

Pension schemes

The company operates money purchase pension schemes for its employees. The pension costs charged against profits represents the amount of the contributions payable to the scheme in respect of the accounting period.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material judgement to the carrying amounts of the assets and the liabilities within the next financial year.

Construction contracts

The Company recognised revenue and costs from construction contracts, which were derived from the latest budgets of the construction contracts based on the overall performance of each construction contract and the management best estimates and judgements. Estimated construction income is determined in accordance with the terms set out in the relevant contracts. Estimated construction costs which mainly comprise sub-contracting charges and costs of material are proposed by the management on the basis of quotations from time to time provided by the major contractors /suppliers /vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction income and costs.

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

2 Operating profit

Operating profit is stated after charging:

	2017 HK\$'000	2016 HK\$'000
Audit fees in respect of audit of company's financial statements	477	353
Depreciation	11,377	11,566
Hire of plant and transport attributable to construction contracts	51,650	55,101
Operating leases - land and buildings	3,107	6,221

Amounts payable to Deloitte LLP by the company in respect of non-audit services were HK\$nil (2016: HK\$nil).

3 Net interest payable and similar charges

	2017 HK\$'000	2016 HK\$'000
Interest payable and similar charges		
Interest on amount due to a related company	2,304	2,133
Interest on borrowings	12,888	11,772
Imputed interest	2,539	2,064
	<u>17,731</u>	<u>15,969</u>

4 Information relating to directors and employees

There were no UK directors' emoluments paid during the year. The directors who received remuneration below are non UK directors.

	2017 HK\$'000	2016 HK\$'000
Staff costs during the year:		
Wages and salaries	374,667	327,145
Contributions to defined contribution schemes	12,466	10,777

In respect of the above HK\$369,560,000 (2016: HK\$321,980,000) of costs were charged to contracts.

The average monthly number of persons employed by the company during the year, excluding UK directors, was:

	2017	2016
Construction	840	733
Administration	17	13

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

4 Information relating to directors and employees (continued)

	2017 HK\$'000	2016 HK\$'000
Directors' emoluments		
Remuneration	12,378	11,394
Pension contributions	744	690
	<u>13,122</u>	<u>12,084</u>
Highest paid Director		
Remuneration	3,508	3,331
Pension contributions	264	221
	<u>3,772</u>	<u>3,552</u>

5 Other operating income

Other operating income comprises:

	2017 HK\$'000	2016 HK\$'000
Interest on bank deposits	90	-
Other income	196	160
	<u>286</u>	<u>160</u>

6 Tax on profit

The charge comprises:

	2017 HK\$'000	2016 HK\$'000
Provision for the year		
Other jurisdiction	31,392	21,278
Under/(over) provision in prior year		
Other jurisdiction	3,187	(12)
	<u>34,579</u>	<u>21,266</u>

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. Tax charge for the year can be reconciled to the profit before taxation per the profit and loss account as follows:

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

6 Tax on profit (continued)

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	66,034	219,573
Taxation at the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	10,896	36,230
Utilisation of tax losses brought forward	20,496	(14,952)
Under/(over) provision in prior years	3,187	(12)
Current tax charge for the year	34,579	21,266

As at 31 December 2017, a deferred tax asset totalling HK\$8.2m (2016: HK\$20.8m) in relation to taxation losses in Hong Kong has not been recognised due to the uncertainty regarding the reversal of the losses. The deferred tax asset has been recognised due to future taxable profits being expected.

7 Management charges

	2017 HK\$'000	2016 HK\$'000
Management charges payable to Build King Management Limited	71,010	63,711

On 15 September 2007, the company jointly with other group companies entered into a management services and cost sharing agreement (the Agreement) with Build King Management Limited, a related group company. Pursuant to the Agreement, Build King Management Limited shall provide services, including office administration, accounting, finance, human resources management, procurement, company secretarial services and corporate governance compliance services to each of the companies. In return, each of the companies shall pay a management fee to be calculated in accordance with agreed formula as stated in the Agreement to Build King Management Limited.

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

8 Tangible fixed assets

	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
Cost					
At 1 January 2017	1,494	107,503	504	9,099	118,600
Additions	42	7,934	-	896	8,872
Disposals	(102)	(12,646)	-	(2,261)	(15,009)
At 31 December 2017	1,434	102,791	504	7,734	112,463
At Depreciation					
At 1 January 2017	529	36,317	504	8,781	46,131
Provided for the year	46	10,545	-	786	11,377
Disposals	(102)	(11,632)	-	(2,075)	(13,809)
At 31 December 2017	473	35,230	504	7,492	43,699
Net book value					
At 31 December 2017	961	67,561	-	242	68,764
At 31 December 2016	965	71,186	-	318	72,469

9 Construction Contracts

	2017 HK\$'000	2016 HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses to date	14,383,734	11,136,682
Less: Progress billings	(14,563,878)	(11,221,218)
	<u>(180,144)</u>	<u>(84,536)</u>
Represented by:		
Amounts due from contract customers included in current assets	71,187	199,747
Amounts due to contract customers included in current liabilities	(251,331)	(284,283)
	<u>(180,144)</u>	<u>(84,536)</u>

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

10 Debtors

	2017 HK\$'000	2016 HK\$'000
Amounts falling due within one year:		
Trade debtors	432,799	363,119
Retentions	239,983	186,377
Amount due from an immediate parent company	291,131	336,131
Amount due from an intermediate parent company	768	145
Amounts due from related companies (see note 18)	701,858	460,917
Other debtors	31,725	44,474
Tax recoverable	6,120	191
	<u>1,704,384</u>	<u>1,391,354</u>

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

11 Creditors: amounts falling due within one year

	2017 HK\$'000	2016 HK\$'000
Bank loans	104,648	91,203
Amounts due to related companies (see note 18)	177,990	125,922
Trade creditors	168,618	155,978
Other creditors	958,088	782,014
Accruals and deferred income (see note 9)	251,331	284,283
Tax payable	33,323	15,092
	<u>1,693,998</u>	<u>1,454,492</u>

As at 31 December 2017, bank loans of HK\$44,000,000 (2016: HK\$62,000,000) were secured by charges over the monies in the designated bank accounts. As at 31 December 2017, the bank balance of the designated bank accounts were HK\$2,660 (2016: HK\$69,432).

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.

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

12 Creditors: amounts falling due after more than one year

	2017 HK\$'000	2016 HK\$'000
Bonds	128,699	128,180
Amount due to a related company (see note 18)	11,515	11,515
Subordinated loans (see notes 18 and 19)	-	92,461
Retention payable	133,682	113,911
	<u>273,896</u>	<u>346,067</u>

On 5 January 2015 and 28 October 2015, Build King Construction Limited entered into a placing agreement for the purposes of arranging places 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. The accrued interest was settled on 30 December 2017.

The subordinated loans represent loans from both shareholder and a fellow subsidiary of Build King Construction Limited. Pursuant to agreements dated 1 June 2006, 15 June 2012 and 30 August 2013 respectively, the subordinated loans are unsecured and interest free. At 31 December 2016, both the shareholder and fellow subsidiary have agreed not to demand the repayment within twelve months from balance sheet dates; the balance is therefore shown as a non-current liability at 31 December 2016. The amount is carried at fair value using effective interest of 2.75% per annum at 31 December 2016.

The amount due to the related company is due to a fellow subsidiary of a shareholder which is unsecured and bears interest at prime rate of 7.75% (2016: 7.75%) quoted by a financial institution. As the fellow subsidiary of the shareholder has agreed not to demand the repayment within twelve months from the balance sheet date, the balance is shown as a non-current liability.

13 Called up share capital

	2017 HK\$'000	2016 HK\$'000
Authorised-		
16,072,500 (2016: 16,072,500) ordinary shares of £1 each	<u>208,497</u>	<u>208,497</u>
Allotted, called up and fully paid		
16,072,500 (2016: 16,072,500) ordinary shares of £1 each	<u>208,497</u>	<u>208,497</u>

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

14 Profit and loss account

The profit and loss reserve represents cumulative profits or losses.

15 Commitments

At the balance sheet dates, Build King Construction Limited had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2017 HK\$'000	2016 HK\$'000
At 31 December the future minimum rentals payable under non cancellable operating leases are as follows:		
Not later than one year	1,958	2,242
Later than one year and not later than five years	693	328
	<u>2,651</u>	<u>2,570</u>

Leases are negotiated for an average term of two years and rentals are fixed throughout the lease term.

16 Pensions

Build King Construction Limited participates in Mandatory Provident Fund Scheme (the "MPF Scheme") for the benefits of the Hong Kong employees. The MPF Scheme is registered with the Mandatory Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance"). The assets of the MPF Scheme are held separately from those of Build King Construction Limited under the control of independent trustees.

In addition to the mandatory fund contributions specified under the MPF Schemes Ordinance, Build King Construction Limited also provides additional contributions for certain qualifying employees as specified in the rules of Build King Construction Limited's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to Build King Construction Limited's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by Build King Construction Limited.

The amount charged to the Profit and Loss of HK\$12,466,000 (2016 HK\$10,777,000) represents contributions payable to the retirement benefit schemes by Build King Construction Limited at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits.

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

17 Contingent liabilities

The Company has in the normal course of business given bonds, guarantees and entered into counter-indemnities in respect of bonds relating to the Company's own contracts and given guarantees in respect of banking and other facilities granted to related companies.

18 Transactions with related parties

The Company has taken advantage of the exemption under FRS 102 Section 33 "Related Party Disclosures" not to disclose details of transactions between wholly-owned group companies.

Details of the principal unincorporated jointly controlled operations at 31 December 2017 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
McDow/Kaden Joint Venture	Hong Kong	50	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
Hsin Chong/Build King Joint Venture	Hong Kong	35	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	Site Formation

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

18 Transactions with related parties (continued)

The following details the balances outstanding at the year end and transactions during the year, being amounts of goods and services, excluding VAT:

	2017 HK\$'000	2016 HK\$'000
Balance sheet		
Amounts due from related parties (see note 10)		
Build King Management Limited	645,015	420,870
China Road Bridge Corporation	12,798	27,495
Kaden Building Contractors Limited	13	13
VSL Hong Kong Limited	167	180
ATAL Engineering Limited	2	2
Mega Yield International Holdings Limited	959	959
Archibuild Limited	2,643	2,643
Continental Engineering Corporation	3,048	2,053
Titan Foundation Limited	36,375	2,180
Hsin Chong Construction Company Limited	5	4,051
Leader Joint Venture	512	471
Laing O'Rourke Construction Limited	321	-
	<u>701,858</u>	<u>460,917</u>
Amounts due to related parties – Creditors due after more than one year (see note 12)		
Amazing Reward Group Limited	11,515	11,515
Profound Success Limited	-	43,797
Build King Management Limited	-	48,664
	<u>-</u>	<u>92,461</u>
Amounts due to related parties (see note 11)		
McConnell Dowell Limited	670	660
Build King Civil Engineering Limited	111,096	69,891
Leader Marine Contractors Limited	3,296	2,848
Build King (Zens) Engineering Limited	4,752	4,985
STAMsteel Sdn Bhd	643	894
Gammon Construction Limited	5,550	3,635
Build King Interior & Construction Limited	23,217	2,259
Kier Construction Limited	8,747	14,661
Laing O'Rourke Construction Limited	-	6,139
Excel Concrete Limited	930	8,835
Integral E&M Engineering Limited	11,259	5,714
Chun Wo Construction Engineering Limited	7,830	5,401
	<u>177,990</u>	<u>125,922</u>

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

18 Transactions with related parties (continued)

Profit and loss account

	2017	2016
	HK\$'000	HK\$'000
Jointly controlled entities		
Staff and associated costs	(a) 204,810	157,863
Related companies, being fellow subsidiaries of shareholders		
Interest expenses	(a) 2,304	2,133

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

Included within cash at bank and in hand is HK\$nil (2016: HK\$4,185,000) in relation to cash held with a joint venture which is restricted in its use.

19 Financial instruments

The accounting classification of each category of financial instruments and their carrying amounts as at 31 December 2017 and 31 December 2016 are set out below:

Primary financial instruments	2017	2016
	HK\$'000	HK\$'000
Trade and other receivables*	1,704,384	1,391,354
Cash and cash equivalents	532,529	514,504
Financial assets held at amortised cost	2,236,913	1,905,858
Trade and other payables**	1,304,696	1,063,914
Borrowing and other long term liabilities	378,544	344,809
Financial liabilities held at amortised cost	1,683,240	1,408,723
Financial liabilities held at fair value through profit and loss	-	92,461

* Defined as total trade and other receivables excluding prepayments, accrued income and this includes Tax recoverable

** Defined as total trade and other payables excluding accruals, deferred income, taxation and social security and other non-financial liabilities

Except as detailed the Directors consider that the carrying value amounts of financial assets and liabilities recorded at amortised cost approximate to their fair values.

There were no reclassifications of financial assets classification in the year.

20 Other reserve

Other reserve represents the net effect of the fair value adjustment at initial recognition of subordinated loans classified under creditors: amounts falling due after more than one year.

Build King Construction Limited

Notes to the financial statements For the year ended 31 December 2017

21 Parent undertaking

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. The address of its 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:

Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda