WAI KEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

Financial Performance Highlights

Revenue	**HK$3,892 million**
Profit attributable to owners of the Company	**HK$404 million**
Basic earnings per share	**HK$0.51**
Interim dividend per share	**HK8 cents**
Equity attributable to owners of the Company per share	**HK$10.83**

RESULTS

The board of directors (the "Board") of Wai Kee Holdings Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

		Six months ended 30th June,	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue from goods and services	*3*	**3,892,407**	3,738,115
Cost of sales		**(3,425,584)**	(3,367,956)
Gross profit		**466,823**	370,159
Other income	*5*	**43,621**	41,859
Other gains and losses	*6*	**120,865**	23,139
Selling and distribution costs		**(37,976)**	(45,007)
Administrative expenses		**(228,758)**	(221,068)
Finance costs	*7*	**(34,814)**	(37,437)
Share of results of associates		**188,239**	375,917
Share of results of joint ventures		**(12,262)**	(2,309)
Profit before tax	*8*	**505,738**	505,253
Income tax expense	*9*	**(13,185)**	(45,205)
Profit for the period		**492,553**	460,048
Profit for the period attributable to:			
Owners of the Company		**403,935**	397,660
Non-controlling interests		**88,618**	62,388
		492,553	460,048
		HK$	*HK$*
Earnings per share	*11*		
- Basic		**0.51**	0.50

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

	Six months ended 30th June,	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**492,553**	460,048
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(5,268)**	(237)
Share of translation reserve of an associate	**(93,483)**	7,273
Share of translation reserves of joint ventures	**(892)**	(374)
Share of cash flow hedging reserve of an associate	**(41,432)**	-
Other comprehensive (expense) income for the period	**(141,075)**	6,662
Total comprehensive income for the period	**351,478**	466,710
Total comprehensive income for the period attributable to:		
Owners of the Company	**265,556**	404,256
Non-controlling interests	**85,922**	62,454
	351,478	466,710

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2020

	Notes	**30th June, 2020 (Unaudited) *HK$'000***	31st December, 2019 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**419,373**	300,436
Right-of-use assets		**28,807**	31,537
Intangible assets		**201,570**	224,270
Goodwill		**29,838**	29,838
Interests in associates		**7,970,539**	8,053,725
Interests in joint ventures		**275,257**	276,681
Financial assets at fair value through profit or loss ("FVTPL")		**-**	60,805
Other financial asset at amortised cost		**34,447**	36,144
Debtors, deposits and prepayments	*12*	**82,374**	55,875
		9,042,205	9,069,311
Current assets			
Inventories		**51,670**	49,706
Debtors, deposits and prepayments	*12*	**745,802**	572,218
Contract assets	*13*	**1,528,616**	2,135,584
Amounts due from associates		**10,026**	10,089
Amounts due from other partners of joint operations		**43,596**	176,910
Tax recoverable		**28,412**	6,015
Financial assets at FVTPL		**196,329**	87,710
Cash held on behalf of customers		**15,283**	42,960
Pledged bank deposits		**64,678**	64,170
Time deposits with original maturity of not less than three months		**284**	76,782
Bank balances and cash		**2,038,497**	2,061,360
		4,723,193	5,283,504
Current liabilities			
Creditors and accrued charges	*14*	**2,412,737**	2,899,210
Contract liabilities		**813,934**	779,716
Amount due to an associate		**19,896**	18,791
Amounts due to joint ventures		**-**	1,142
Amounts due to other partners of joint operations		**6,405**	2,152
Amounts due to non-controlling shareholders		**3,359**	3,359
Lease liabilities		**33,839**	33,769
Tax liabilities		**55,021**	175,596
Bank loans		**626,293**	563,731
Bonds		**41,948**	115,829
		4,013,432	4,593,295
Net current assets		**709,761**	690,209
Total assets less current liabilities		**9,751,966**	9,759,520

	30th June, 2020 (Unaudited) *HK$'000*	31st December, 2019 (Audited) *HK$'000*
Non-current liabilities		
Payable for extraction right	**134,411**	176,820
Provision for rehabilitation costs	**22,131**	21,517
Deferred tax liabilities	**5,750**	5,750
Obligations in excess of interests in associates	**15,289**	15,511
Obligations in excess of interests in joint ventures	**110**	27
Amount due to an associate	**1,933**	2,712
Lease liabilities	**16,036**	23,837
Bank loans	**289,900**	382,050
Bonds	**123,680**	123,925
	609,240	752,149
Net assets	**9,142,726**	9,007,371
Capital and reserves		
Share capital	**79,312**	79,312
Share premium and reserves	**8,507,964**	8,432,758
Equity attributable to owners of the Company	**8,587,276**	8,512,070
Non-controlling interests	**555,450**	495,301
Total equity	**9,142,726**	9,007,371

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2020 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31st December, 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1st January, 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31st December, 2020.

3. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30th June, 2020 *HK$'000*	2019 *HK$'000*
Type of goods and services		
Construction contracts	**3,667,777**	3,529,495
Sewage treatment plant operation	**13,367**	11,468
Steam fuel plant operation	**8,233**	-
Sale of construction materials	**157,466**	167,388
Sale of quarry products	**45,564**	29,764
	3,892,407	3,738,115
Timing of revenue recognition		
At a point in time	**203,030**	197,152
Over time	**3,689,377**	3,540,963
	3,892,407	3,738,115

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. This is also the basis upon which the Group is organised. No operating segments have been aggregated in arriving at the reportable segments of the Group. The Group's reportable and operating segments under HKFRS 8 are summarised as follows:

Construction, sewage treatment and steam fuel
- construction of civil engineering and building projects
- operation of sewage treatment plant
- operation of steam fuel plant

Construction materials
- production and sale of concrete
- production, sale and laying of asphalt

Quarrying
- production and sale of quarry products

Property development and investment, toll road, investment and asset management
- strategic investment in Road King Infrastructure Limited ("Road King"), an associate of the Group

Segment revenue and results

The following is an analysis of the segment revenue and profit (loss) for each reportable and operating segment:

Six months ended 30th June, 2020

	Segment revenue			
	Gross *HK$'000*	**Inter-segment elimination** *HK$'000*	**External** *HK$'000*	**Segment profit (loss)** *HK$'000*
Construction, sewage treatment and steam fuel	**3,719,131**	**(29,754)**	**3,689,377**	**118,702**
Construction materials	**201,748**	**(44,282)**	**157,466**	**176**
Quarrying	**85,597**	**(40,033)**	**45,564**	**(328)**
Property development and investment, toll road, investment and asset management	**-**	**-**	**-**	**189,352**
Total	**4,006,476**	**(114,069)**	**3,892,407**	**307,902**

Six months ended 30th June, 2019

	Segment revenue			
	Gross *HK$'000*	Inter-segment elimination *HK$'000*	External *HK$'000*	Segment profit (loss) *HK$'000*
Construction and sewage treatment	3,569,361	(28,398)	3,540,963	93,109
Construction materials	230,057	(62,669)	167,388	(44,420)
Quarrying	88,284	(58,520)	29,764	(14,873)
Property development and investment, toll road, investment and asset management	-	-	-	368,090
Total	3,887,702	(149,587)	3,738,115	401,906

Segment profit (loss) represents profit (loss) after tax and non-controlling interests for each reportable and operating segment and includes other income, other gains and losses, share of results of associates and share of results of joint ventures which are attributable to reportable and operating segments, but excluding corporate income and expenses (including staff costs, other administrative expenses and finance costs), other gains and losses, share of results of associates and share of results of joint ventures which are not attributable to any of the reportable and operating segments and are classified as unallocated items. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Reconciliation of total segment profit to profit attributable to owners of the Company

	Six months ended 30th June, 2020 HK$'000	2019 HK$'000
Total segment profit	**307,902**	401,906
Unallocated items		
Other income	**4,825**	5,388
Other gains and losses	**141,957**	21,342
Administrative expenses	**(22,525)**	(20,341)
Finance costs	**(17,301)**	(17,559)
Share of results of associates	**(235)**	9,600
Share of results of joint ventures	**(10,688)**	(2,676)
Profit attributable to owners of the Company	**403,935**	397,660

5. OTHER INCOME

	Six months ended 30th June, 2020 HK$'000	2019 HK$'000
Other income includes:		
Dividend income from financial asset at FVTPL	**2,642**	2,641
Interests on financial assets at FVTPL	**923**	-
Interest on other debtors	**4,234**	253
Interest on bank deposits	**8,685**	9,878
Interest on amounts due from associates	**-**	74
Interest on loans to a joint venture	**-**	1,576
Interest on other financial asset at amortised cost	**454**	496
Operation fee income	**18,666**	8,954
The People's Republic of China (the "PRC") value-added tax refund	**-**	851
Rental income from land and buildings	**231**	275
Rental income from plant and machinery	**1,342**	1,320
Service income from associates	**30**	40

6. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2020	2019
	HK$'000	*HK$'000*
Gain on bargain purchase on acquisition of additional interest in an associate	**81,996**	-
Gain on change in fair value of financial assets at FVTPL, net	**45,361**	5,531
Gain (loss) on disposal of property, plant and equipment, net	**518**	(2,602)
Gain on modification of terms of bond	**-**	19,842
Gain on bargain purchase on acquisition of a subsidiary	**-**	368
Impairment loss on amount due from other partner of a joint operation	**(7,010)**	-
	120,865	23,139

7. FINANCE COSTS

	Six months ended 30th June,	
	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans	**20,667**	19,175
Interest on bonds	**2,900**	4,770
Imputed interest on bonds	**2,717**	2,157
Imputed interest on payable for extraction right	**6,555**	8,693
Imputed interest on provision for rehabilitation costs	**814**	1,167
Imputed interest on non-current interest-free amount due to an associate	**326**	312
Interest on lease liabilities	**835**	1,163
	34,814	37,437

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30th June,	
	2020	2019
	HK$'000	*HK$'000*
Amortisation of intangible assets *(note)*	**21,262**	21,651
Depreciation of property, plant and equipment *(note)*	**43,958**	101,998
Depreciation of right-of-use assets	**15,221**	15,344
Share of income tax expense of associates (included in share of results of associates)	**356,501**	447,471

Note: Amortisation of intangible assets of HK$19,739,000 (six months ended 30th June, 2019: HK$20,959,000) and depreciation of property, plant and equipment of HK$12,382,000 (six months ended 30th June, 2019: HK$3,947,000) were capitalised in inventories.

9. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2020	2019
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**13,454**	45,207
(Overprovision) underprovision in prior years		
Hong Kong	**(269)**	(40)
The PRC	**-**	38
	(269)	(2)
	13,185	45,205

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% for both periods. No provision for the PRC income tax has been made as there is no assessable profits for both periods.

10. DIVIDEND

Dividend paid and recognised as distribution during the period:

	Six months ended 30th June, 2020	2019
	HK$'000	*HK$'000*
2019 final dividend - HK24.0 cents per share (six months ended 30th June, 2019: 2018 final dividend - HK23.4 cents per share)	**190,350**	185,591

An interim dividend for the six months ended 30th June, 2020 of HK8 cents (six months ended 30th June, 2019: HK8 cents) per ordinary share amounting to HK$63,450,000 (six months ended 30th June, 2019: HK$63,450,000) was approved by the Board on 18th August, 2020. This interim dividend has not been included as a liability in the condensed consolidated financial statements.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30th June, 2020	2019
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**403,935**	397,660

The Company has no dilutive potential ordinary shares in issue during both periods.

	Six months ended 30th June, 2020	2019
Number of ordinary shares for the purpose of basic earnings per share	**793,124,034**	793,124,034

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2020 HK$'000	31st December, 2019 HK$'000
Trade debtors - contracts with customers	**576,683**	343,643
Less: Allowance for credit losses	**(5,187)**	(5,187)
	571,496	338,456
Bills receivables	**2,872**	20,733
Other debtors	**161,284**	157,958
Deposits and prepayments	**92,524**	110,946
	828,176	628,093
Classified under:		
Non-current assets	**82,374**	55,875
Current assets	**745,802**	572,218
	828,176	628,093

At 30th June, 2020, the Group's trade debtors included an amount of HK$22,795,000 (31st December, 2019: HK$11,433,000) due from related companies which are a subsidiary and an associate of a substantial shareholder of the Company.

The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade debtors (net of allowance for credit losses) presented based on the invoice date:

	30th June, 2020 HK$'000	31st December, 2019 HK$'000
Trade debtors		
0 to 60 days	**524,706**	298,617
61 to 90 days	**13,800**	8,167
Over 90 days	**32,990**	31,672
	571,496	338,456

Bills receivables of the Group normally mature within 90 days from the bills receipt date.

As part of the internal credit risk management, the Group applies internal credit rating for its customers. The exposure to credit risk for trade debtors are assessed collectively based on provision matrix within lifetime expected credit losses ("ECL") (not credit-impaired) /individually. After the assessment performed by the Group, the impairment allowance on trade debtors based on the provision matrix is insignificant to the Group for both periods.

13. CONTRACT ASSETS

	30th June, 2020 *HK$'000*	31st December, 2019 *HK$'000*
Analysed as current:		
Unbilled revenue of construction contracts	**1,007,378**	1,573,075
Retention receivables of construction contracts	**521,238**	562,509
	1,528,616	2,135,584
Retention receivables of construction contracts		
Due within one year	**104,953**	194,721
Due after one year	**416,285**	367,788
	521,238	562,509

At 30th June, 2020, the Group's unbilled revenue and retention receivables included amounts of HK$39,120,000 (31st December, 2019: HK$78,883,000) and HK$14,761,000 (31st December, 2019: HK$35,100,000) respectively due from related companies which are subsidiaries of a substantial shareholder of the Company.

As part of the internal credit risk management, the Group applies internal credit rating for its customers in relation to construction contracts. The exposure to credit risk and ECL for contract assets are assessed individually. After the assessment performed by the Group, the impairment allowance on contract assets is insignificant to the Group for both periods.

14. CREDITORS AND ACCRUED CHARGES

	30th June, 2020 *HK$'000*	31st December, 2019 *HK$'000*
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	**149,798**	290,780
61 to 90 days	**3,514**	94,823
Over 90 days	**24,798**	66,431
	178,110	452,034
Retention payables	**441,406**	434,822
Accrued project costs	**1,584,502**	1,751,318
Payable for extraction right	**83,665**	81,406
Other creditors and accrued charges	**125,054**	179,630
	2,412,737	2,899,210
Retention payables		
Due within one year	**128,912**	154,626
Due after one year	**312,494**	280,196
	441,406	434,822

INTERIM DIVIDEND

The Board has declared an interim dividend of HK8 cents (six months ended 30th June, 2019: HK8 cents) per ordinary share for the six months ended 30th June, 2020 to the shareholders of the Company whose names appear in the register of members of the Company on Friday, 4th September, 2020.

It is expected that the payment of the interim dividend will be made on or before Wednesday, 7th October, 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3rd September, 2020 to Friday, 4th September, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 2nd September, 2020.

BUSINESS REVIEW

For the six months ended 30th June, 2020, the Group's revenue was HK$3,892 million (six months ended 30th June, 2019: HK$3,738 million), generating an unaudited profit attributable to owners of the Company of HK$404 million (six months ended 30th June, 2019: HK$398 million), an increase of 2% as compared with that of 2019.

Property Development and Investment, Toll Road, Investment and Asset Management

For the six months ended 30th June, 2020, the Group shared a profit of HK$189 million (six months ended 30th June, 2019: HK$368 million) from Road King, an associate of the Group. As of the date of this announcement, the Group holds 43.42% interest in Road King.

During the six months ended 30th June, 2020, the Group purchased 6,000,000 (six months ended 30th June, 2019: nil) ordinary shares in Road King and hence recognised gain on bargain purchase of HK$82 million (six months ended 30th June, 2019: nil) on acquisition of additional interest in Road King.

For the six months ended 30th June, 2020, Road King recorded an unaudited profit attributable to its owners of HK$430 million (six months ended 30th June, 2019: HK$868 million), a decrease of 50% as compared with that of 2019.

By closely following the market trend and adhering to the operating principle of ensuring a balance between sales volume and profitability, the operation team of Road King concerted their efforts and recorded property sales in Mainland China (including joint venture and associate projects) of RMB19,571 million in the first half of 2020, comprising the contracted sales of RMB17,451 million and outstanding subscribed sales of RMB2,120 million.

In the first half of 2020, property delivery of Road King (including joint venture and associate projects) in Mainland China were approximately RMB11,694 million, representing an increase of 39% as compared with the corresponding period of last year. The three projects in Hong Kong are going on well, one of which in Yuen Long is expected to be delivered for occupancy by end of the year and the other two projects are under construction.

For land reserve replenishment, Road King acquired four pieces of land in Mainland China for residential purpose through listing-for-sale and/or co-development in the first half of the year, with an aggregate floor area of 313,000 sqm. As of 30th June, 2020, Road King has a land reserve of 7,010,000 sqm in total, of which, the total area of properties pre-sold but yet to be delivered was 1,930,000 sqm. In July 2020, Road King further acquired four pieces of land for residential purpose through listing-for-sale, with an aggregate floor area of 438,000 sqm.

In the first half of 2020, the average daily traffic volume and toll revenue of Road King's expressway projects (including projects in Mainland China and Indonesia) reached 268,500 vehicles and an amount equivalent to RMB837 million respectively, representing an increase of 2% and a decrease of 48% as compared with the corresponding period of last year. Due to the outbreak of the novel coronavirus pandemic and the implementation of toll-free policy, the toll revenue of the expressway projects in Mainland China recorded a decrease. After the resumption of toll fee collection in May 2020, the toll revenue has gradually restored to the normal. The expressways recently acquired in Indonesia were also affected by the outbreak of the novel coronavirus pandemic during the period. As a result of the decrease in toll revenue in Mainland China and Indonesia, Road King's share of profits of infrastructure joint ventures decreased to HK$8 million for the first half of 2020, representing a significant decrease as compared with that of the corresponding period last year.

The novel coronavirus pandemic has imposed, to varying degrees, impacts on the investment mode, consumption habit, travel pattern and working style in the long run. Road King is conducting an in-depth review of its businesses and will, based on the review results, make appropriate adjustments to the non-core businesses such as property fund, cultural, tourist and commercial, entertainment and content development businesses.

With the gradual containment of the novel coronavirus pandemic, it is expected that the property market in Mainland China will recover in the second half of the year with stable and mildly increasing land supply. Road King stays cautiously optimistic in regard to the outlook of property business development in Mainland China.

In the second half of the year, the property management and operation team of Road King will continue its pragmatic approach and adhere to the operating strategy of striking a balance between profitability and sales volume, as well as striving to maintain the sales volume and the profit target. Road King will also continue to increase toll road assets and make adjustments to optimise its non-core businesses.

Construction, Sewage Treatment and Steam Fuel

For the six months ended 30th June, 2020, the Group shared a profit of HK$119 million (six months ended 30th June, 2019: HK$93 million) from Build King Holdings Limited ("Build King"). As of the date of this announcement, the Group holds 56.76% interest in Build King.

For the six months ended 30th June, 2020, Build King recorded revenue of HK$3,719 million (six months ended 30th June, 2019: HK$3,569 million) and an unaudited profit attributable to its owners of HK$209 million (six months ended 30th June, 2019: HK$164 million), an increase of 27% as compared with that of 2019.

At the early stage of the outbreak of the novel coronavirus pandemic in January 2020, Build King encountered logistic problems in construction materials and procurement of sanitizing supplies and tools. However, the problems were solved quickly and the disruption was contained to the least extent. Coupled with efforts in close monitoring of on-going projects and satisfactory settlement of some major projects, the gross profit margin of Build King increased from 9.9% to 11.2%.

As anticipated, sizable tenders of civil engineering projects are scarce, but in building sector the tendering results are encouraging. Since the publishing of Annual Report 2019 of Build King, Build King has won eight projects of total contract sum of HK$12 billion. Of these new projects, four projects are civil engineering of total contract sum of HK$2 billion and four are building projects of total contract sum of HK$10 billion. At the date of this announcement, the outstanding works was increased to HK$28 billion, an order book sufficient for turnover of coming three years.

The current projects were progressing well as planned. A few major projects were satisfactorily completed and final accounts agreed with the clients. Several projects were also completed on time and being handed over to the clients.

Build King’s investment in PRC environmental infrastructure projects had significant progress.

For the sewage treatment plant in Wuxi, the current operation run smoothly and the upgrading works will be completed within its budget of HK$106 million in the third quarter of this year. Upon completion, the sewage treatment fee will then be increased by 80% and its profit contribution to Build King will increase significantly in future.

For the centralised provision of steam to factories in industrial parks, two steam plants in Gansu Province started trial operation in late 2019 but its resumption of works after Chinese New Year in 2020 was delayed to April 2020 due to the novel coronavirus pandemic. They are picking up its production volume and Build King expects each of them will reach 80% of the total design capacity of 50 tonnes per hour by end of 2020. In the past six months, Build King committed to further invest HK$220 million in building four steam plants of similar capacity of 50 tonnes per hour in Gansu Province and Hubei Province. Build King expects the construction of these new plants will be completed progressively in 2021 and start to contribute meaningful profit to Build King in 2022.

Construction Materials

For the six months ended 30th June, 2020, the construction materials division recorded revenue of HK$202 million (six months ended 30th June, 2019: HK$230 million) and a net profit of HK$0.2 million (six months ended 30th June, 2019: net loss of HK$44 million).

The substantial improvement for the construction materials division in comparison with the corresponding period of 2019 was mainly due to reduction in amortisation of intangible assets and depreciation of property, plant and equipment at Lam Tei Quarry resulting from the impairment losses of those assets made in 2018 and 2019. In addition, it was also due to savings of relevant costs including rental of land, fixed operation costs and dismantling costs incurred at Tin Wan concrete batching facilities which were ceased operation in March 2019.

In the first half year of 2020, the concrete business recorded slight profit. The performance of the concrete business remains challenge in 2020 as there is no sign of improvement in the concrete market. The concrete prices remained at low levels resulting in very low profit margins. As construction industry is disrupted by the novel coronavirus pandemic, construction projects are in general slowing down and being delayed thus directly affect the demand of concrete in the market.

For the asphalt business, slight loss was still recorded in the first half year of 2020. Due to low demand of the asphalt market, we strategically formed an alliance with another asphalt operator at Lam Tei Quarry in January 2020 for sharing the operating and fixed costs of asphalt production plant. There is no sign of improvement in the asphalt market as large infrastructure projects were delayed.

The construction materials division continues facing difficult market conditions and intensive competition. Delay of mega infrastructure projects in Hong Kong coupled with the outbreak of the novel coronavirus pandemic affect the market demands for concrete and asphalt. As a result of keen competition, the market prices of concrete and asphalt remain at low levels. Unless the concrete and asphalt prices rebound significantly, the performance of construction materials division will hardly be improved. The management continues to adopt prudent cost control measures and is committed to providing high quality of services to our customers in order to strengthen competitiveness.

Quarrying

For the six months ended 30th June, 2020, the quarrying division recorded revenue of HK$86 million (six months ended 30th June, 2019: HK$88 million) and a net loss of HK$0.3 million (six months ended 30th June, 2019: net loss of HK$15 million).

The result of quarrying division had noticeable improvement compared with the corresponding period of last year. Market prices of aggregates rose in the first quarter of 2020 resulting from the decline in aggregates supply from Mainland China to Hong Kong and then maintained stable since the second quarter of 2020. However, selling prices of our aggregates supply contracts committed with customers in previous years remained at low levels and the production capacity of the existing crushing facilities at Lam Tei Quarry limited the production volume of aggregates to secure additional sales volume with higher prices.

In order to increase the production capacity at Lam Tei Quarry, establishment of the new crushing facility with double production capacity of the existing crushing facilities was commenced in the fourth quarter of 2019. Due to the outbreak of the novel coronavirus pandemic since early 2020, the progress of establishment of the new crushing facility and the time for attending the environmental rules and regulations were delayed. The establishment was completed in the second quarter of 2020 and approval for compliance with the relevant environmental rules and regulations was obtained in July 2020. Fine tune of the new crushing facility is in progress and its production rate is picking up. The existing crushing facilities are being dismantled in order to vacant the area for the upcoming site formation work to be carried out in the remaining contract period as planned. The management has also been exercising cost control measures to minimise the production cost of aggregates.

Impairment Loss of Lam Tei Quarry

The management has performed impairment assessment on the carrying amounts of property, plant and equipment, and the intangible assets (representing the extraction right of rock reserve and the rehabilitation costs to be incurred) for Lam Tei Quarry during the six months ended 30th June, 2020. For the purpose of impairment assessment, assets of Lam Tei Quarry have been allocated to three individual cash generating units ("CGUs"), i.e. quarrying, concrete and asphalt CGUs, and the recoverable amounts of these CGUs have been determined based on the value in use calculation. The calculation uses cash flow projections based on financial budgets covering the remaining contract period of Lam Tei Quarry and discounted at a discount rate to calculate the present value. Other key assumptions for the value in use calculation relate to the estimation of the prices and budgeted gross margins of aggregates, concrete and asphalt, and the volume of rock reserve to be extracted for the remaining contract period. Based on the impairment assessment, the management considers that no further impairment on intangible assets and property, plant and equipment is necessary for the six months ended 30th June, 2020 (six months ended 30th June, 2019: nil).

Property Funds

The Group holds 30% effective interest in the Sunnyvale project by investment in a US investment company ("US Company") which in turn made capital contribution to another US company (the "Project Company") for the development of 3-storey townhouses on three lots of land in Sunnyvale. The Project Company sold one of the three lots of land in 2017 and gradually built and sold all of 314 townhouses on the remaining two lots of land from 2017 to the first half year of 2020. For the six months ended 30th June, 2020, the Group received the final cash distribution of US$15.3 million from US Company and recognised gain of HK$58 million on change in fair value of investment in US Company.

Lion Trade Global Limited ("Lion Trade"), which is owned 70% by a wholly owned subsidiary of the Company and 30% by a wholly owned subsidiary of Build King, indirectly holds 75% interest in Wisdom H6 LLC ("JV Fund I") and 34.35% interest in Estates at Fountain Lake LLC ("JV Fund II"), both of which are US joint venture companies. JV Fund I holds a 4-storey residential rental property in Houston and JV Fund II holds a 3-storey residential rental property in Stafford of Texas. In June 2020, the occupancy rates of these two residential properties were around 93.9% and 96.4% respectively. For the six months ended 30th June, 2020, Lion Trade shared loss of HK$15 million from these two US joint venture companies due to drop in revaluation amounts of both properties from December 2019 to June 2020. During the period, the Group received cash distribution of US$0.3 million from these two US joint venture companies.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the period, total borrowings decreased from HK$1,186 million to HK$1,082 million, which included bonds with carrying amounts of HK$53 million (31st December, 2019: HK$130 million) carrying fixed coupon interest of 7% per annum and HK$113 million (31st December, 2019: HK$110 million) carrying no interest respectively, with the maturity profile summarised as follows:

	30th June, 2020 *HK$'million*	31st December, 2019 *HK$'million*
Within one year	**570**	576
In the second year	**371**	363
In the third to fifth year inclusive	**141**	247
	1,082	1,186
Classified under:		
Current liabilities *(note)*	**668**	680
Non-current liabilities	**414**	506
	1,082	1,186

Note: At 30th June, 2020, bank loans that are repayable over one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of HK$98 million (31st December, 2019: HK$104 million) have been classified as current liabilities.

During the period, the Group had no financial instruments for hedging purpose. At 30th June, 2020, apart from the bonds described above, bank loans of HK$63 million also carried interest at fixed rate.

At 30th June, 2020, total amount of the Group's time deposits, bank balances and cash was HK$2,103 million (31st December, 2019: HK$2,202 million), of which bank deposits of Build King amounting to HK$65 million (31st December, 2019: HK$64 million) were pledged to banks to secure certain banking facilities granted to Build King. In addition, the Group has available unutilised banking facilities of HK$1,186 million (31st December, 2019: HK$1,389 million).

For the six months ended 30th June, 2020, the Group recorded finance costs of HK$35 million (six months ended 30th June, 2019: HK$37 million).

At 30th June, 2020, included in the financial assets at fair value through profit or loss, there were investment in equity securities listed in Hong Kong of HK$34 million (31st December, 2019: HK$49 million), investment in quoted equity securities of HK$11 million (31st December, 2019: HK$13 million) issued by a private entity engaged in manufacture and sale of pharmaceutical products in USA (the "USA Entity") and investment in quoted debt securities issued by listed entities of HK$151 million (31st December, 2019: nil). At 31st December, 2019, there was also investment in unlisted convertible bonds of HK$26 million issued by the USA Entity which was matured on 15th January, 2020, on which and on 15th June, 2020, the repayment of the principal amount was agreed by the USA Entity and the Group to extend to 15th June, 2020 and further extend to 15th June, 2023 respectively. The principal amount has been reclassified to other debtors at 30th June, 2020. Out of these investments, HK$192 million (31st December, 2019: HK$57 million) was invested by Build King. For the six months ended 30th June, 2020, the Group recorded a net loss (net amount of change in fair value, dividend income and interest income) of HK$9 million (six months ended 30th June, 2019: net gain of HK$7 million) from these investments, of which net loss of HK$11 million (six months ended 30th June, 2019: net gain of HK$7 million) was derived from the investments made by Build King.

The Group's borrowings, investments, time deposits and bank balances are principally denominated in Hong Kong dollar, Renminbi and United States dollar. As a result, the Group is exposed to the currency risks for fluctuation in exchange rates of Renminbi and United States dollar. However, there is no significant exposure to foreign exchange rate fluctuations during the period. The Group will continue to monitor its exposure to the currency risks closely.

Capital Structure and Gearing Ratio

At 30th June, 2020, the equity attributable to owners of the Company amounted to HK$8,587 million, representing HK$10.83 per share (31st December, 2019: HK$8,512 million, representing HK$10.73 per share).

At 30th June, 2020, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 12.6% (31st December, 2019: 13.9%) and the net gearing ratio, representing the ratio of net borrowings (total borrowings less time deposits, bank balances and cash) to equity attributable to owners of the Company, was -11.9% (31st December, 2019: -11.9%) as a result of total amount of time deposits, bank balances and cash exceeding total borrowings amount.

Pledge of Assets

At 30th June, 2020, apart from the bank deposits pledged to secure certain banking facilities granted to the Group, the shares of certain subsidiaries of the Company were also pledged to secure certain bank loans and banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

At 30th June, 2020, the Group committed capital expenditure contracted for but not provided in the Group's condensed consolidated financial statements of HK$44 million (31st December, 2019: HK$56 million) in respect of acquisition of property, plant and equipment. At 30th June, 2020, the Group had no contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

At 30th June, 2020, the Group had 2,562 employees (31st December, 2019: 2,364 employees), of which 2,430 (31st December, 2019: 2,308) were located in Hong Kong, 131 (31st December, 2019: 55) were located in the PRC and 1 (31st December, 2019: 1) was located in UAE. For the six months ended 30th June, 2020, the Group's total staff costs were HK$633 million (six months ended 30th June, 2019: HK$645 million).

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as the performance of the individual.

The emoluments of executive directors and senior management are determined by the Remuneration Committee with reference to salaries paid by comparable companies, their responsibilities, employment conditions and prevailing market conditions.

FUTURE OUTLOOK

The order book of the Group's construction, sewage treatment and steam fuel division on hand is HK$28 billion, representing approximately three years' current turnover. With this solid base, we projected a positive outlook for the construction division amid the novel coronavirus pandemic disruption of all industries and economy downturn in Hong Kong. The division continues seeking investment opportunities in environmental infrastructure projects in the PRC.

The government's stricter containment measures and higher alert levels of the public in response to the novel coronavirus pandemic has had impacts on the Group's operations. Facing with those challenges such as delay and slow down on construction activities, the Group has taken measures such as enhanced health monitoring at the production sites of both construction materials and quarrying divisions in order to avoid interruption proactively.

Since the new crushing facility with double production capacity at Lam Tei Quarry commences operation in the third quarter of 2020, the management has secured aggregates sales at higher prices. With the production rate of the new crushing facility is picking up and stable aggregates market prices, the performance of the quarrying division is expected to improve.

For construction materials division, there is no sign of improvements in prices and market demand of concrete and asphalt yet to be determined by recoverability of the construction industry. The operators of concrete and asphalt industries continue to face extremely challenging time in 2020. The Group would continue implementing cost control measures to strengthen our competitiveness.

The performance of the property funds in the first half of 2020 is in line with budget. The Group continues monitoring closely the performance of the property funds.

We are cautiously seeking investment opportunities that create synergy for the sustainable growth of the Group.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' Securities Transactions. All directors of the Company have confirmed, following specific enquiry, that they have complied with the Model Code throughout the six months ended 30th June, 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed with management, internal auditor and external auditor the accounting policies adopted by the Group and the unaudited interim financial information for the six months ended 30th June, 2020.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's website (www.waikee.com) and the Stock Exchange's website (www.hkexnews.hk). The Interim Report 2020 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange, and despatched to the shareholders of the Company in due course.

APPRECIATION

The Board would like to take this opportunity to extend its heartiest thanks to our shareholders, business partners, directors and our loyal and dedicated staff.

By Order of the Board
Wai Kee Holdings Limited
William Zen Wei Pao
Chairman

Hong Kong, 18th August, 2020

At the date of this announcement, the Board comprises three executive directors, namely Mr. William Zen Wei Pao, Mr. Derek Zen Wei Peu and Miss Anriena Chiu Wai Yee, two non-executive directors, namely Mr. Brian Cheng Chi Ming and Mr. Ho Gilbert Chi Hang, and three independent non-executive directors, namely Dr. Steve Wong Che Ming, Mr. Samuel Wan Siu Kau and Mr. Francis Wong Man Chung.