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WAI KEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

Financial Performance Highlights

Revenue	HK\$4,833 million
Profit attributable to owners of the Company	HK\$262 million
Basic earnings per share	HK\$0.33
Interim dividend per share	HK7 cents
Equity attributable to owners of the Company per share	HK\$12.88

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, 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

		Six months ended 30th June,	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue from goods and services	3	4,833,310	3,892,407
Cost of sales		(4,400,997)	(3,425,584)
Gross profit		432,313	466,823
Other income	5	60,586	43,621
Other gains and losses	6	4,027	120,865
Selling and distribution costs		(45,010)	(37,976)
Administrative expenses		(208,092)	(228,758)
Finance costs	7	(27,497)	(34,814)
Share of results of associates		143,571	188,239
Share of results of joint ventures		4,353	(12,262)
Profit before tax	8	364,251	505,738
Income tax expense	9	(39,476)	(13,185)
Profit for the period		324,775	492,553
Profit for the period attributable to:			
Owners of the Company		261,744	403,935
Non-controlling interests		63,031	88,618
		324,775	492,553
		HK\$	HK\$
Earnings per share	11		
- Basic		0.33	0.51

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE, 2021**

	Six months ended 30th June,	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>324,775</u>	<u>492,553</u>
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	3,836	(5,268)
Fair value losses on hedging instruments designated in cash flow hedges	(1,430)	-
Share of translation reserve of an associate	290,734	(93,483)
Share of translation reserves of joint ventures	272	(892)
Share of cash flow hedging reserve of an associate	22,912	(41,432)
Other comprehensive income (expense) for the period	<u>316,324</u>	<u>(141,075)</u>
Total comprehensive income for the period	<u>641,099</u>	<u>351,478</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	576,126	265,556
Non-controlling interests	64,973	85,922
	<u>641,099</u>	<u>351,478</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2021

		30th June, 2021 (Unaudited) HK\$'000	31st December, 2020 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		463,798	427,965
Right-of-use assets		53,733	57,464
Intangible assets		330,420	323,812
Goodwill		29,838	29,838
Interests in associates		9,490,420	9,172,564
Loan to an associate		2,700	2,700
Interests in joint ventures		296,767	288,874
Other financial asset at amortised cost		36,431	36,955
Debtors, deposits and prepayments	12	24,463	24,424
		10,728,570	10,364,596
Current assets			
Inventories		33,817	30,238
Debtors, deposits and prepayments	12	579,258	601,547
Contract assets	13	1,912,254	1,775,017
Amounts due from associates		676,466	10,208
Amount due from a joint venture		707	701
Amounts due from other partners of joint operations		30,689	61,373
Tax recoverable		32,086	38,738
Financial assets at fair value through profit or loss ("FVTPL")		900,895	682,495
Cash held on behalf of customers		15,933	17,168
Pledged bank deposits		76,993	40,661
Time deposits with original maturity of not less than three months		263,028	79,540
Bank balances and cash		1,769,639	1,649,636
		6,291,765	4,987,322
Current liabilities			
Creditors and accrued charges	14	3,057,947	2,827,088
Contract liabilities		366,358	568,706
Amount due to an associate		21,002	19,896
Amounts due to other partners of joint operations		1,148	1,176
Amounts due to non-controlling shareholders		3,359	3,359
Lease liabilities		34,326	39,878
Tax liabilities		50,503	33,109
Bank loans		1,482,276	874,065
Bonds		10,990	13,965
		5,027,909	4,381,242
Net current assets		1,263,856	606,080
Total assets less current liabilities		11,992,426	10,970,676

	30th June, 2021 (Unaudited) HK\$'000	31st December, 2020 (Audited) HK\$'000
Non-current liabilities		
Payable for extraction right	46,036	90,831
Provision for rehabilitation costs	19,871	22,770
Deferred tax liabilities	5,750	5,750
Obligations in excess of interests in associates	16,054	16,094
Obligations in excess of interests in joint ventures	116	106
Amount due to an associate	1,490	2,258
Lease liabilities	23,141	33,531
Bank loans	800,000	136,800
Other creditors	23,000	23,000
Bonds	118,370	115,517
Derivative financial instruments	1,430	-
	1,055,258	446,657
Net assets	10,937,168	10,524,019
Capital and reserves		
Share capital	79,312	79,312
Share premium and reserves	10,134,039	9,775,627
Equity attributable to owners of the Company	10,213,351	9,854,939
Non-controlling interests	723,817	669,080
Total equity	10,937,168	10,524,019

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 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”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2021 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31st December, 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the current period for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2"

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Hedge accounting

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flow hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in reserve for the cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Leases

The Group as a lessee

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans and derivative financial instruments. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the current interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31st December, 2021.

3. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Type of goods and services		
Construction contracts	4,589,268	3,667,777
Sewage treatment plant operation	27,352	13,367
Steam fuel plant operation	19,792	8,233
Sale of construction materials	120,500	157,466
Sale of quarry products	76,398	45,564
	4,833,310	3,892,407
Timing of revenue recognition		
At a point in time	196,898	203,030
Over time	4,636,412	3,689,377
	4,833,310	3,892,407

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 "Operating Segments" 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, 2021

	Segment revenue			Segment profit
	Gross	Inter-segment	External	
	HK\$'000	elimination	HK\$'000	HK\$'000
		HK\$'000	HK\$'000	
Construction, sewage treatment and steam fuel	4,677,801	(41,389)	4,636,412	83,658
Construction materials	242,668	(122,168)	120,500	16,815
Quarrying	124,276	(47,878)	76,398	20,919
Property development and investment, toll road, investment and asset management	-	-	-	143,452
Total	5,044,745	(211,435)	4,833,310	264,844

Six months ended 30th June, 2020

	Segment revenue			Segment profit (loss) HK\$ '000
	Gross HK\$ '000	Inter-segment elimination HK\$ '000	External 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

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,	
	2021 HK\$ '000	2020 HK\$ '000
Total segment profit	264,844	307,902
Unallocated items		
Other income	12,175	4,825
Other gains and losses	25,267	141,957
Administrative expenses	(29,437)	(22,525)
Finance costs	(13,546)	(17,301)
Share of results of associates	387	(235)
Share of results of joint ventures	2,054	(10,688)
Profit attributable to owners of the Company	261,744	403,935

5. OTHER INCOME

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Other income includes:		
Dividend income from financial asset at FVTPL	1,650	2,642
Interest on financial asset at FVTPL	20,339	923
Interest on other receivables	5,210	4,234
Interest on bank deposits	1,208	8,685
Interest on loan to an associate	37	-
Interest on other financial asset at amortised cost	470	454
Government subsidy for project in the People's Republic of China ("PRC")	7,868	-
Operation fee income	14,822	18,666
Rental income from land and buildings	225	231
Rental income from plant and machinery	1,803	1,342
Service income from an associate	30	30

6. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Gain on bargain purchase on acquisition of additional interest in an associate	26,679	81,996
(Loss) gain on change in fair value of financial assets at FVTPL, net	(22,814)	45,361
Gain on disposal of property, plant and equipment, net	790	518
Loss on disposal of a subsidiary	(628)	-
Impairment loss on amount due from other partner of a joint operation	-	(7,010)
	4,027	120,865

7. FINANCE COSTS

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Interest on bank loans	17,280	20,667
Interest on bonds	472	2,900
Interest on other borrowings	456	-
Interest on lease liabilities	941	835
Imputed interest on bonds	2,853	2,717
Imputed interest on payable for extraction right	4,297	6,555
Imputed interest on provision for rehabilitation costs	860	814
Imputed interest on non-current interest-free amount due to an associate	338	326
	27,497	34,814

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Amortisation of intangible assets (<i>note</i>)	24,029	21,262
Depreciation of property, plant and equipment (<i>note</i>)	56,911	43,958
Depreciation of right-of-use assets	15,882	15,221
Share of income tax expense of associates (included in share of results of associates)	191,910	356,501

Note: Included in amortisation of intangible assets and depreciation of property, plant and equipment, HK\$18,933,000 (six months ended 30th June, 2020: HK\$19,739,000) and HK\$12,892,000 (six months ended 30th June, 2020: HK\$12,382,000) were capitalised in inventories respectively.

9. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Current tax		
Hong Kong	39,925	13,454
(Overprovision) underprovision in prior years		
Hong Kong	(1,205)	(269)
The PRC	756	-
	(449)	(269)
	39,476	13,185

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,	
	2021	2020
	HK\$'000	HK\$'000
2020 final dividend - HK24 cents per share (six months ended 30th June, 2020: 2019 final dividend - HK24 cents per share)	190,350	190,350

An interim dividend for the six months ended 30th June, 2021 of HK7 cents (six months ended 30th June, 2020: HK8 cents) per ordinary share amounting to HK\$55,519,000 (six months ended 30th June, 2020: HK\$63,450,000) was approved by the Board on 18th August, 2021. 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,	
	2021	2020
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	261,744	403,935

	Six months ended 30th June,	
	2021	2020
Number of ordinary shares for the purpose of basic earnings per share	793,124,034	793,124,034

The Company has no potential ordinary shares in issue during both periods. Accordingly, no diluted earnings per share information is presented.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2021 HK\$'000	31st December, 2020 HK\$'000
Trade debtors - contracts with customers	297,541	348,266
Less: Allowance for credit losses	(1,047)	(3,258)
	<u>296,494</u>	<u>345,008</u>
Bills receivables	6,574	10,537
Other debtors	207,622	190,240
Deposits and prepayments	93,031	80,186
	<u>603,721</u>	<u>625,971</u>

Classified under:

Non-current assets	24,463	24,424
Current assets	579,258	601,547
	<u>603,721</u>	<u>625,971</u>

At 30th June, 2021, the Group's trade debtors included an amount of HK\$9,150,000 (31st December, 2020: HK\$23,553,000) 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, 2021 HK\$'000	31st December, 2020 HK\$'000
Trade debtors		
0 to 60 days	240,757	309,529
61 to 90 days	1,787	3,463
Over 90 days	53,950	32,016
	<u>296,494</u>	<u>345,008</u>

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. Except for debtors with significant balances of HK\$257,799,000 (31st December, 2020: HK\$277,719,000) and credit-impaired debtors with gross amount of HK\$2,719,000 (31st December, 2020: HK\$5,498,000) which are assessed individually, the exposure to credit risk for trade debtors are assessed on a collective basis within lifetime expected credit losses ("ECL") (not credit-impaired). After the assessment performed by the Group, the impairment allowance on trade debtors which are assessed on a collective basis is insignificant to the Group for both periods.

13. CONTRACT ASSETS

	30th June, 2021 HK\$'000	31st December, 2020 HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts	1,408,389	1,279,587
Retention receivables of construction contracts	503,865	495,430
	<u>1,912,254</u>	<u>1,775,017</u>
Retention receivables of construction contracts		
Due within one year	91,400	148,699
Due after one year	412,465	346,731
	<u>503,865</u>	<u>495,430</u>

At 30th June, 2021, the Group's unbilled revenue and retention receivables included amounts of HK\$9,956,000 (31st December, 2020: HK\$14,948,000) and HK\$7,713,000 (31st December, 2020: HK\$15,155,000) respectively 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 at 30th June, 2021. 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, 2021 HK\$'000	31st December, 2020 HK\$'000
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	370,295	293,060
61 to 90 days	55,906	27,476
Over 90 days	19,605	35,924
	<u>445,806</u>	<u>356,460</u>
Retention payables	505,666	471,869
Accrued project costs	1,901,537	1,736,502
Payable for extraction right	88,375	85,989
Other creditors and accrued charges	116,563	176,268
	<u>3,057,947</u>	<u>2,827,088</u>
Retention payables		
Due within one year	108,178	163,973
Due after one year	397,488	307,896
	<u>505,666</u>	<u>471,869</u>

INTERIM DIVIDEND

The Board has declared an interim dividend of HK7 cents (six months ended 30th June, 2020: HK8 cents) per ordinary share for the six months ended 30th June, 2021 to the shareholders of the Company whose names appear in the register of members of the Company on Monday, 6th September, 2021.

It is expected that the payment of the interim dividend will be made on or before Thursday, 7th October, 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 3rd September, 2021 to Monday, 6th September, 2021, 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 Thursday, 2nd September, 2021.

BUSINESS REVIEW

For the six months ended 30th June, 2021, the Group's revenue was HK\$4,833 million (six months ended 30th June, 2020: HK\$3,892 million), generating an unaudited profit attributable to owners of the Company of HK\$262 million (six months ended 30th June, 2020: HK\$404 million), a decrease of 35% as compared with that of 2020.

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

For the six months ended 30th June, 2021, the Group shared a profit of HK\$143 million (six months ended 30th June, 2020: HK\$189 million) from Road King, an associate of the Group. As of the date of this announcement, the Group holds 43.96% interest in Road King.

During the six months ended 30th June, 2021, the Group purchased 1,500,000 (six months ended 30th June, 2020: 6,000,000) ordinary shares in Road King and hence recognised gain on bargain purchase of HK\$27 million (six months ended 30th June, 2020: HK\$82 million) on acquisition of additional interest in Road King.

For the six months ended 30th June, 2021, Road King recorded an unaudited profit attributable to its owners of HK\$325 million (six months ended 30th June, 2020: HK\$430 million), a decrease of 24% as compared with that of 2020.

By closely following the market trend and adhering to the operating principle of ensuring a balance between sales volume and profitability, Road King achieved total property sales (including joint venture and associate projects) of RMB26,000 million in Mainland China in the first half of 2021, comprising the contracted sales of RMB22,767 million and outstanding subscribed sales of RMB3,233 million. Property sales in Mainland China increased by 33% as compared with the corresponding period of last year, mainly contributed from projects in Yangtze River Delta Region. The overall average sales price was approximately RMB21,800 per sqm.

In the first half of 2021, Road King acquired six pieces of land for residential development through listing-for-sale and/or co-development, with an aggregate floor area of 740,000 sqm. As of 30th June, 2021, Road King's land reserves in Mainland China and Hong Kong were approximately 7,240,000 sqm in total and the total area of properties pre-sold but yet to be delivered was 2,150,000 sqm. In August 2021, Road King further acquired a piece of land for residential development with a floor area of approximately 88,000 sqm through co-development. The three projects in Hong Kong are operating smoothly.

In the first half of 2021, Road King's average daily traffic volume and toll revenue of the expressway projects reached 331,000 vehicles and RMB1,895 million, representing an increase of 23% and 126% respectively as compared with the corresponding period of last year.

In the first half of 2021, the toll revenue in Mainland China increased by 143% to RMB1,632 million as compared with the corresponding period of last year. The average daily traffic volume increased by 15% as compared with the corresponding period of last year. However, the number of confirmed cases of the novel coronavirus in some regions of Mainland China has been increasing since the end of July 2021, the government has taken measures such as traffic control again to prevent the outbreak of the pandemic, which will have a negative impact on the performance of certain projects in the second half of the year.

The toll revenue in Indonesia in the first half of the year increased by 58% to RMB263 million as compared to the first half of 2020, and the average daily traffic volume increased by 130%. However, the pandemic in Indonesia has become serious since June 2021, the imposition of strict measures in Java such as lockdowns and traffic restrictions will have a negative impact on the project's performance in the second half of the year.

The novel coronavirus pandemic continues to influence the investment mode, consumption habit, travel pattern and working style. After conducting an in-depth review of the business model of investment and asset management business, Road King has merged the cultural, tourist and commercial business and property development business of investment and asset management segment into its existing property segment to centralise its management. After reorganisation and rectification, the business scale of remaining original investment and asset management businesses has been significantly reduced.

Throughout the years, Road King's property business has developed a well-established model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. In the second half of the year, 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.

Going forward, Road King will continue to look for suitable new expressway projects in Mainland China and the countries along the Belt and Road, especially Indonesia, to strengthen its toll road business.

Construction, Sewage Treatment and Steam Fuel

For the six months ended 30th June, 2021, the Group shared a profit of HK\$84 million (six months ended 30th June, 2020: HK\$119 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, 2021, Build King recorded revenue of HK\$4,678 million (six months ended 30th June, 2020: HK\$3,719 million) and an unaudited profit attributable to its owners of HK\$147 million (six months ended 30th June, 2020: HK\$209 million), a decrease of 30% as compared with that of 2020.

During the six months ended 30th June, 2021, Build King successfully bided five projects of a total contract sum of HK\$5.2 billion, of which the largest one is the HK\$4 billion infrastructure works which need to be completed in 2026. As at the date of this announcement, the total outstanding works was at HK\$27 billion, the similar level as at the end of 2020.

With the current satisfactory progress of construction projects, Build King expects the financial performance for the second half of this year will be comparable to the first half of this year, and therefore, for the whole year of 2021, the financial performance would be comparable to 2020 if the one-off government subsidy of HK\$116 million under Employment Support Scheme in 2020 had not been received.

The infrastructure investment projects in the PRC recorded the turnover of HK\$76 million and segmental profit of HK\$11 million. Though these results fell short of the expectation, it was significant improvement as compared with the turnover of HK\$22 million and a loss of HK\$2 million for the corresponding period of 2020.

For the sewage treatment plant in Wuxi City, the operation after the equipment being upgraded in 2020 runs smoothly; the sewage fee income was doubled; and operation profit exceeded the budget.

For the centralized provision of steam to factories in industrial parks, the operation of two steam plants, one in Gao Tai County and one in Yumen City, lagged behind the expectation. The demand of steam fuel by factories was lower than the budget because the factory production was slowed down by the tightened environmental and safety requirements. Currently, these two steam plants were operating at breakeven level only. Build King expects once the factories fully comply with the new requirements and more new factories move into the industrial parks, the demand of steam will rise quickly. Ongoing construction of steam plants in other four sites in Gansu Province and Hebei Province are planned to be completed in the second half of 2021. By end of 2021, the six steam plants will be in operation and are expected to make significant contribution to the profit of Build King in years ahead.

Construction Materials

For the six months ended 30th June, 2021, the construction materials division recorded revenue of HK\$243 million (six months ended 30th June, 2020: HK\$202 million) and a net profit of HK\$17 million (six months ended 30th June, 2020: HK\$0.2 million).

The improvement for the construction materials division in comparison with the corresponding period of 2020 was mainly due to reduction in amortisation of intangible assets and depreciation of property, plant and equipment at Lam Tei Quarry and depreciation of right-of-use assets at Yau Tong resulting from the impairment losses of those assets made in previous years.

The concrete business recorded profit in the first half year of 2021. Although the concrete market remains very competitive, the profit margin of concrete business was slightly improved in the first half year of 2021. In early 2021, the construction industry was disrupted by the novel coronavirus pandemic which caused lower concrete demand. Fortunately, the concrete demand was restored to normal in the second quarter of 2021. Besides, the Government has imposed additional stringent environmental control measures at Yau Tong region which have direct impact on the overall production capacity of the concrete plants at Yau Tong region. The sales quantities delivered from the Group's Yau Tong concrete plant is also inevitably suffered from the reduction of its production capacity by more than one-third. In order to alleviate the pressure at Yau Tong plant, some orders need to be shifted to our concrete plants at Lam Tei Quarry. The concrete orders from the construction division have grown steadily since 2020 and is now contributing significant turnover to the construction materials division.

For the asphalt business, slight loss was still recorded in the first half year of 2021. The performance of the asphalt business continues facing difficulties and fierce competition in 2021 as low activity in large scale infrastructure projects.

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, 2021, the quarrying division recorded revenue of HK\$124 million (six months ended 30th June, 2020: HK\$86 million) and a net profit of HK\$21 million (six months ended 30th June, 2020: net loss of HK\$0.3 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 2021 resulting from the decline in aggregates supply from Mainland China to Hong Kong and maintains stable since the second quarter of 2021.

Since the expansion of the production capacity by establishing a new crushing facility at Lam Tei Quarry was completed in 2020, profit margin was improved from securing additional sales volume of aggregates with higher prices in the second quarter of 2021. Nevertheless, it is anticipated that the aggregates supply contracts at low selling prices committed in previous years still need to be fulfilled until the fourth quarter of 2021. The rock available to production of aggregates will be less than the production capacity of the crushing facility in the coming few months as the progress of rock excavation is affected during the period of the planned site formation works coupled with relocation of concrete plants and asphalt plant in Lam Tei Quarry until October 2021. Hence, the performance of the division will be affected in the second half of 2021.

The management continues 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, 2021. 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, 2021 (six months ended 30th June, 2020: nil).

Property Funds

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 2021, the occupancy rates of these two residential properties were around 89.76% and 97.39% respectively. For the six months ended 30th June, 2021, Lion Trade shared profit of HK\$3 million (six months ended 30th June, 2020: shared loss of HK\$15 million) from these two US joint venture companies. During the period, the Group received cash distribution of US\$0.2 million from these two US joint venture companies.

Fund Management Service and Securities Brokerage

WK Fund Management Limited (“WKFML”), which secured Type 4 (Advising on Securities) and Type 9 (Asset Management) registrations, and WK Securities Limited (“WKSL”), which secured Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) registrations, are two wholly owned subsidiaries of the Group carrying out the fund management service and securities brokerage businesses respectively.

As the existing client bases of WKFML and WKSL remain small, the division recorded a loss of HK\$2 million (six months ended 30th June, 2020: a loss of HK\$4 million) for the six months ended 30th June, 2021.

Investment in equity securities and debt securities

The Group holds certain equity securities of Emmaus Life Sciences, Inc. (“Emmaus”), a company incorporated and engaged in manufacture and sale of pharmaceutical products in the USA. The equity securities of Emmaus are available for trading at the USA’s Over-the-Counter (“OTC”) market. At 30th June, 2021, the fair value of the equity securities of Emmaus was HK\$10 million (31st December, 2020: HK\$8 million), of which HK\$6 million (31st December, 2020: HK\$5 million) was invested by Build King.

The Group holds certain listed equity securities in Hong Kong. At 30th June, 2021, the fair value of the listed equity securities in Hong Kong was HK\$39 million (31st December, 2020: HK\$38 million), all of which was invested by Build King.

The Group also utilizes its surplus fund to invest in quoted debt securities. At 30th June, 2021, the fair value of the Group’s portfolio of quoted debt securities was HK\$852 million (31st December, 2020: HK\$636 million), of which HK\$426 million (31st December, 2020: HK\$447 million) was invested by Build King.

For the six months ended 30th June, 2021, the net loss of the above investments, being the net amount of change in fair value of the investments, dividend income and interest income, was HK\$1 million (six months ended 30th June, 2020: net loss of HK\$12 million), of which net loss of HK\$8 million (six months ended 30th June, 2020: net loss of HK\$11 million) was from the investments by Build King.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the period, total borrowings increased from HK\$1,163 million to HK\$2,435 million, which included bonds with carrying amounts of HK\$11 million (31st December, 2020: HK\$14 million) carrying fixed coupon interest of 7% per annum and HK\$118 million (31st December, 2020: HK\$116 million) carrying no interest respectively, with the maturity profile summarised as follows:

	30th June, 2021 HK\$'million	31st December, 2020 HK\$'million
Within one year	1,287	768
In the second year	161	238
In the third to fifth year inclusive	987	157
	2,435	1,163
Classified under:		
Current liabilities (<i>note</i>)	1,494	888
Non-current liabilities	941	275
	2,435	1,163

Note: At 30th June, 2021, 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\$207 million (31st December, 2020: HK\$120 million) have been classified as current liabilities.

During the six months ended 30th June, 2021, the Group entered into certain interest rate swaps, with an aggregate notional amount of HK\$800 million and maturity date of 25th March, 2025, designated as effective hedging instruments in order to minimise its exposures to forecast cash flow interest rate risk on certain bank loans. At 30th June, 2021, the fair value of the interest rate swaps under derivative financial liabilities is HK\$1 million (31st December, 2020: nil).

At 30th June, 2021, apart from the bonds described above, bank loans of HK\$51 million (31st December, 2020: HK\$38 million) also carried interest at fixed rate.

At 30th June, 2021, total amount of the Group's time deposits, bank balances and cash was HK\$2,110 million (31st December, 2020: HK\$1,770 million), of which bank deposits amounting to HK\$77 million (31st December, 2020: HK\$41 million) were pledged to banks to secure certain banking facilities granted to the Group. In addition, the Group has available unutilised banking facilities of HK\$1,382 million (31st December, 2020: HK\$1,281 million).

The Group utilizes its surplus fund to invest in quoted debt securities. At 30th June, 2021, the fair value of the Group's portfolio of quoted debt securities was HK\$852 million (31st December, 2020: HK\$636 million).

At 30th June, 2021, there was an amount of HK\$664 million (31st December, 2020: nil) due from Road King for the purpose of participating in a bid submitted by Road King for a piece of land for residential use. The Group and Road King agreed to form a joint venture for development of the project upon successful bid of the land. However, the bid for this land submitted by Road King was unsuccessful and the joint venture in respect of this specific land would not proceed. Subsequent to the reporting period, the amount has been fully refunded by Road King.

For the six months ended 30th June, 2021, the Group recorded finance costs of HK\$27 million (six months ended 30th June, 2020: HK\$35 million).

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, 2021, the equity attributable to owners of the Company amounted to HK\$10,213 million, representing HK\$12.88 per share (31st December, 2020: HK\$9,855 million, representing HK\$12.43 per share).

At 30th June, 2021, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 23.8% (31st December, 2020: 11.8%) 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 3.2% (31st December, 2020: -6.2%).

Pledge of Assets

At 30th June, 2021, apart from the bank deposits pledged to secure certain banking facilities granted to the Group, the share of a subsidiary of the Company and quoted debt securities with an aggregate carrying amount of HK\$852 million (31st December, 2020: HK\$636 million) were also pledged to secure certain bank loans and banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

At 30th June, 2021, the Group committed capital expenditure contracted for but not provided in the Group's condensed consolidated financial statements of HK\$98 million (31st December, 2020: HK\$21 million) in respect of acquisition of property, plant and equipment. At 30th June, 2021, the Group had no contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

At 30th June, 2021, the Group had 3,097 employees (not include contract/temporary employees) (31st December, 2020: 2,861 employees), of which 2,879 (31st December, 2020: 2,697) were located in Hong Kong, 217 (31st December, 2020: 163) were located in the PRC and 1 (31st December, 2020: 1) was located in UAE. For the six months ended 30th June, 2021, the Group's total staff costs were HK\$682 million (six months ended 30th June, 2020: HK\$633 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 fierce competition remains in the construction market particularly in civil works. As the construction division so far has been able to contain the overhead costs, the performance of the division in 2021 is expected to be in line with its budget.

The Group has taken proactive measures to enhance health monitoring and control measures at the production sites of both quarrying and construction materials divisions and also implements the compulsory testing of all personnel at sites. The production sites of both quarrying and construction materials divisions so far maintain operation without novel coronavirus pandemic interruption.

In consideration of the progress of the site formation works and relocation of concrete plants and asphalt plant at Lam Tei Quarry in the coming months, the output of rock will be affected and will have negative impact on the performance of the quarrying division in the second half of 2021.

For construction materials division, after the relocation of concrete plants and asphalt plant in the second half of 2021, additional concrete production lines will be established, hence the concrete production capacity at Lam Tei Quarry will be increased.

For other investments made by the Group, the Group would monitor closely its performance and review the investment strategy periodically. The Group continues actively to explore the co-investment opportunities with Build King and Road King that will create synergy for the sustainable growth of the Group as a whole.

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, 2021.

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, 2021.

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, 2021.

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, 2021.

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 2021 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, 2021

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.