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## **WAI KEE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

### **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2021**

#### **Financial Performance Highlights**

Revenue	<b>HK\$10,277 million</b>
Profit attributable to owners of the Company	<b>HK\$676 million</b>
Basic earnings per share	<b>HK\$0.85</b>
Dividend per share (interim and proposed final)	<b>HK\$0.18</b>
Equity attributable to owners of the Company per share	<b>HK\$13.46</b>

## RESULTS

The board of directors (the “Board”) of Wai Kee Holdings Limited (the “Company”) announces the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2021 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST DECEMBER, 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from goods and services	2	<b>10,276,850</b>	7,976,955
Cost of sales		<b>(9,374,569)</b>	(7,176,966)
Gross profit		<b>902,281</b>	799,989
Other income	4	<b>122,884</b>	210,875
Other gains and losses	5	<b>(17,802)</b>	112,055
Selling and distribution costs		<b>(86,744)</b>	(83,117)
Administrative expenses		<b>(465,962)</b>	(444,492)
Finance costs	6	<b>(64,720)</b>	(58,978)
Share of results of associates		<b>458,907</b>	755,512
Share of results of joint ventures		<b>36,828</b>	6,917
Profit before tax	7	<b>885,672</b>	1,298,761
Income tax expense	8	<b>(84,964)</b>	(27,391)
<b>Profit for the year</b>		<b>800,708</b>	1,271,370
Profit for the year attributable to:			
Owners of the Company		<b>676,165</b>	1,083,462
Non-controlling interests		<b>124,543</b>	187,908
		<b>800,708</b>	1,271,370
		<i>HK\$</i>	<i>HK\$</i>
<b>Earnings per share</b>	10		
– Basic		<b>0.85</b>	1.37

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER, 2021**

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<b>800,708</b>	1,271,370
<b>Other comprehensive income (expense)</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising on translation of foreign operations	<b>12,094</b>	23,971
Fair value gains on hedging instruments designated in cash flow hedges	<b>11,421</b>	-
Exchange differences arising on translation of an associate	<b>376,040</b>	524,542
Exchange differences arising on translation of joint ventures	<b>974</b>	(751)
Share of cash flow hedging reserve of an associate	<b>22,912</b>	(22,912)
Other comprehensive income for the year	<b>423,441</b>	524,850
<b>Total comprehensive income for the year</b>	<b>1,224,149</b>	1,796,220
Total comprehensive income for the year attributable to:		
Owners of the Company	<b>1,093,464</b>	1,596,669
Non-controlling interests	<b>130,685</b>	199,551
	<b>1,224,149</b>	1,796,220

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31ST DECEMBER, 2021**

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		551,602	427,965
Right-of-use assets		60,136	57,464
Intangible assets		446,148	323,812
Goodwill		29,838	29,838
Interests in associates		9,960,246	9,172,564
Loan to an associate		2,700	2,700
Interests in joint ventures		278,333	288,874
Financial assets at fair value through profit or loss ("FVTPL")		117,644	-
Other financial asset at amortised cost		36,782	36,955
Derivative financial instruments		11,421	-
Debtors, deposits and prepayments	<i>11</i>	24,561	24,424
		<b>11,519,411</b>	<b>10,364,596</b>
<b>Current assets</b>			
Inventories		48,234	30,238
Debtors, deposits and prepayments	<i>11</i>	784,083	601,547
Contract assets	<i>12</i>	2,883,915	1,775,017
Amounts due from associates		12,006	10,208
Amount due from a joint venture		720	701
Amounts due from other partners of joint operations		22,521	61,373
Tax recoverable		41,195	38,738
Financial assets at FVTPL		912,549	682,495
Cash held on behalf of customers		25,729	17,168
Pledged bank deposits		90,910	40,661
Time deposits with original maturity of not less than three months		20,210	79,540
Bank balances and cash		2,042,022	1,649,636
		<b>6,884,094</b>	<b>4,987,322</b>
<b>Current liabilities</b>			
Creditors and accrued charges	<i>13</i>	4,099,308	2,827,088
Contract liabilities		405,696	568,706
Amount due to an associate		21,416	19,896
Amounts due to other partners of joint operations		344	1,176
Amounts due to non-controlling shareholders		3,359	3,359
Lease liabilities		27,936	39,878
Tax liabilities		82,996	33,109
Bank loans		943,798	874,065
Bonds		-	13,965
		<b>5,584,853</b>	<b>4,381,242</b>
<b>Net current assets</b>		<b>1,299,241</b>	<b>606,080</b>
<b>Total assets less current liabilities</b>		<b>12,818,652</b>	<b>10,970,676</b>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Payable for extraction right	-	90,831
Provision for rehabilitation costs	-	22,770
Deferred tax liabilities	<b>18,468</b>	5,750
Obligations in excess of interests in associates	<b>15,949</b>	16,094
Obligations in excess of interests in joint ventures	<b>130</b>	106
Amount due to an associate	<b>1,827</b>	2,258
Lease liabilities	<b>23,286</b>	33,531
Bank loans	<b>1,150,000</b>	136,800
Other creditors	<b>23,000</b>	23,000
Bonds	<b>121,293</b>	115,517
	<b>1,353,953</b>	446,657
<b>Net assets</b>	<b>11,464,699</b>	10,524,019
<b>Capital and reserves</b>		
Share capital	<b>79,312</b>	79,312
Share premium and reserves	<b>10,595,859</b>	9,775,627
Equity attributable to owners of the Company	<b>10,675,171</b>	9,854,939
Non-controlling interests	<b>789,528</b>	669,080
<b>Total equity</b>	<b>11,464,699</b>	10,524,019

*Notes:*

## 1. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021 for the preparation of the 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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June, 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

***Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16  
“Interest Rate Benchmark Reform - Phase 2”***

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 “Financial Instruments: Disclosures”.

At 1st January, 2021, the Group has certain bank loans with the interests of which are indexed to benchmark rate that may be subject to interest rate benchmark reform. At 31st December, 2021, the outstanding contracts are banks loans with carrying amount of HK\$2,093,798,000 and derivative financial assets with notional amount of HK\$800,000,000, the interests of which are indexed to Hong Kong Interbank Offered Rate as benchmark rate that may be subject to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost.

***Impacts on application of the agenda decision of the Committee - Cost necessary to sell inventories (HKAS 2 “Inventories”)***

In June, 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

## **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st April, 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### ***Amendments to HKFRS 3 “Reference to the Conceptual Framework”***

The amendments:

- update a reference in HKFRS 3 “Business Combinations” so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “Conceptual Framework”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC) - Int 21 “Levies”, an acquirer applies HKAS 37 or HK(IFRIC) - Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1st January, 2022. The application of the amendments is not expected to have material impact on the Group’s financial position and performance.

***Amendments to HKFRS 10 and HKAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”***

The amendments to HKFRS 10 “Consolidated Financial Statements” and HKAS 28 “Investments in Associates and Joint Ventures” deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The application of the amendments is not expected to have material impact on the Group’s financial position and performance.

***Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

At 31st December, 2021, the Group’s right to defer settlement for borrowings of HK\$1,150,000,000 are subject to compliance with certain financial ratios within 12 months from the reporting date. Such borrowings were classified as non-current as the Group met such ratios at 31st December, 2021. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess the potential impacts of the amendments in relation to the borrowings with financial and other covenants. The impacts on application, if any, will be disclosed in the Group’s future consolidated financial statements.



### ***Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”***

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have material impact on the Group’s financial position or performance but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

### ***Amendments to HKAS 8 “Definition of Accounting Estimates”***

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have material impact on the Group’s consolidated financial statements.

### ***Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income Taxes” so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1st January, 2023, with early application permitted. At 31st December, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$47,813,000 and HK\$51,222,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

### ***Amendments to HKAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”***

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have material impact on the Group’s financial position and performance.

## 2. REVENUE FROM GOODS AND SERVICES

### Disaggregation of revenue from contracts with customers

Year ended 31st December, 2021

	Construction, sewage treatment and steam fuel <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Quarrying <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Type of goods and services</b>				
Construction contracts	9,842,516	-	-	9,842,516
Sewage treatment plant operation	57,553	-	-	57,553
Steam fuel plant operation	59,875	-	-	59,875
Sale of construction materials	-	204,958	-	204,958
Sale of quarry products	-	-	111,948	111,948
<b>Total</b>	<b><u>9,959,944</u></b>	<b><u>204,958</u></b>	<b><u>111,948</u></b>	<b><u>10,276,850</u></b>
<b>Geographical markets</b>				
Hong Kong	9,777,351	204,958	111,948	10,094,257
Other regions in the People's Republic of China (the "PRC")	182,593	-	-	182,593
<b>Total</b>	<b><u>9,959,944</u></b>	<b><u>204,958</u></b>	<b><u>111,948</u></b>	<b><u>10,276,850</u></b>
<b>Timing of revenue recognition</b>				
At a point in time	-	204,958	111,948	316,906
Over time	9,959,944	-	-	9,959,944
<b>Total</b>	<b><u>9,959,944</u></b>	<b><u>204,958</u></b>	<b><u>111,948</u></b>	<b><u>10,276,850</u></b>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Segment revenue <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>			
Construction, sewage treatment and steam fuel	10,030,017	(70,073)	9,959,944
Construction materials	482,264	(277,306)	204,958
Quarrying	212,655	(100,707)	111,948
	<b><u>10,724,936</u></b>	<b><u>(448,086)</u></b>	<b><u>10,276,850</u></b>

Year ended 31st December, 2020

	Construction, sewage treatment and steam fuel <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Quarrying <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Type of goods and services</b>				
Construction contracts	7,501,399	-	-	7,501,399
Sewage treatment plant operation	35,073	-	-	35,073
Steam fuel plant operation	26,514	-	-	26,514
Sale of construction materials	-	305,414	-	305,414
Sale of quarry products	-	-	108,555	108,555
Total	<u>7,562,986</u>	<u>305,414</u>	<u>108,555</u>	<u>7,976,955</u>
<b>Geographical markets</b>				
Hong Kong	7,341,892	305,414	108,555	7,755,861
The PRC	221,094	-	-	221,094
Total	<u>7,562,986</u>	<u>305,414</u>	<u>108,555</u>	<u>7,976,955</u>
<b>Timing of revenue recognition</b>				
At a point in time	-	305,414	108,555	413,969
Over time	7,562,986	-	-	7,562,986
Total	<u>7,562,986</u>	<u>305,414</u>	<u>108,555</u>	<u>7,976,955</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Segment revenue <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>			
Construction, sewage treatment and steam fuel	7,628,388	(65,402)	7,562,986
Construction materials	428,643	(123,229)	305,414
Quarrying	192,587	(84,032)	108,555
	<u>8,249,618</u>	<u>(272,663)</u>	<u>7,976,955</u>

### 3. 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:

#### Year ended 31st December, 2021

	Segment revenue			Segment profit HK\$'000
	Gross HK\$'000	Inter-segment elimination HK\$'000	External HK\$'000	
Construction, sewage treatment and steam fuel	10,030,017	(70,073)	9,959,944	167,180
Construction materials	482,264	(277,306)	204,958	33,131
Quarrying	212,655	(100,707)	111,948	28,057
Property development and investment, toll road, investment and asset management	-	-	-	457,486
Total	<u>10,724,936</u>	<u>(448,086)</u>	<u>10,276,850</u>	<u>685,854</u>

#### Year ended 31st December, 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	7,628,388	(65,402)	7,562,986	250,259
Construction materials	428,643	(123,229)	305,414	14,068
Quarrying	192,587	(84,032)	108,555	(9,148)
Property development and investment, toll road, investment and asset management	-	-	-	755,856
Total	<u>8,249,618</u>	<u>(272,663)</u>	<u>7,976,955</u>	<u>1,011,035</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total segment profit	<b>685,854</b>	1,011,035
Unallocated items		
Other income	<b>34,450</b>	14,084
Other gains and losses	<b>42,339</b>	134,810
Administrative expenses	<b>(64,195)</b>	(41,005)
Finance costs	<b>(36,063)</b>	(27,278)
Share of results of associates	<b>1,176</b>	1,410
Share of results of joint ventures	<b>12,604</b>	(9,594)
Profit attributable to owners of the Company	<b>676,165</b>	1,083,462

### 4. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income mainly includes:		
Dividend income from financial asset at FVTPL	<b>2,695</b>	3,243
Interest on financial asset at FVTPL	<b>46,907</b>	13,980
Interest on other receivables	<b>10,715</b>	9,716
Interest on bank deposits	<b>2,571</b>	11,311
Interest on loan to an associate	<b>74</b>	-
Interest on other financial asset at amortised cost	<b>958</b>	987
Government subsidy for project in the PRC	<b>8,110</b>	-
Government subsidy	<b>1,256</b>	1,058
Employment Support Scheme	<b>-</b>	123,030
Operation fee income	<b>30,523</b>	30,127
Rental income from land and buildings	<b>528</b>	436
Rental income from plant and machinery	<b>3,606</b>	3,068
Service income from an associate	<b>60</b>	60

### 5. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on bargain purchase on acquisition of additional interest in an associate	<b>111,612</b>	121,475
(Loss) gain on change in fair value of financial assets at FVTPL, net	<b>(143,322)</b>	32,705
Gain on disposal of property, plant and equipment, net	<b>2,481</b>	6,078
Loss on disposal of a subsidiary	<b>(628)</b>	-
Remeasurement gain of interest in a joint operation	<b>40,617</b>	-
Impairment loss on intangible assets	<b>-</b>	(13,463)
Impairment loss on property, plant and equipment	<b>-</b>	(30,601)
Impairment loss on interest in a joint venture	<b>(34,265)</b>	-
Impairment loss on amount due from other partner of a joint operation	<b>-</b>	(7,013)
Gain on lease modification and rent concession	<b>3,068</b>	945
Reversal of allowance for credit losses	<b>2,635</b>	1,929
	<b>(17,802)</b>	112,055

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans	46,034	33,099
Interest on bonds	650	4,199
Interest on other borrowings	920	351
Interest on lease liabilities	1,494	1,519
Imputed interest on bonds	5,776	5,501
Imputed interest on payable for extraction right	7,423	12,006
Imputed interest on provision for rehabilitation costs	1,748	1,652
Imputed interest on non-current interest-free amount due to an associate	675	651
	<u>64,720</u>	<u>58,978</u>

## 7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		
Current year	3,794	3,679
(Overprovision) underprovision in prior year	(9)	28
	<u>3,785</u>	<u>3,707</u>
Amortisation of intangible assets ( <i>note</i> )	59,663	51,524
Depreciation of property, plant and equipment ( <i>note</i> )	117,181	103,017
Depreciation of right-of-use assets	33,252	30,731
Exchange gain, net	(7,212)	(3,887)
Hire charges for plant and machinery	340,058	316,426
Share of income tax expense of associates (included in share of results of associates)	1,016,778	849,735
Staff costs	1,462,566	1,279,010
Write-down of inventories	609	3,115

*Note:* Included in amortisation of intangible assets and depreciation of property, plant and equipment, HK\$30,943,000 (2020: HK\$47,647,000) and HK\$25,885,000 (2020: HK\$29,067,000) were capitalised in inventories respectively.

## 8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Hong Kong	73,207	27,748
The PRC	5,653	42
	<u>78,860</u>	<u>27,790</u>
Underprovision (overprovision) in prior years		
Hong Kong	8,352	843
The PRC	771	(1,242)
	<u>9,123</u>	<u>(399)</u>
Deferred tax		
Credit for the year	(3,019)	-
	<u>84,964</u>	<u>27,391</u>

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

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 years.

## 9. DIVIDENDS

Dividends paid and recognised as distributions during the year:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
2020 final dividend – HK24 cents per share (2020: 2019 final dividend – HK24 cents per share)	190,350	190,350
2021 interim dividend – HK7 cents per share (2020: 2020 interim dividend – HK8 cents per share)	55,518	63,450
	<u>245,868</u>	<u>253,800</u>

A final dividend for the year ended 31st December, 2021 of HK11 cents (2020: HK24 cents) per ordinary share amounting to HK\$87,244,000 (2020: HK\$190,350,000) has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.



## 10. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	<u>676,165</u>	<u>1,083,462</u>
	2021	2020
Number of ordinary shares for the purpose of basic earnings per share	<u>793,124,034</u>	<u>793,124,034</u>

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

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade debtors – contracts with customers	438,680	348,266
<i>Less: Allowance for credit losses</i>	<u>(623)</u>	<u>(3,258)</u>
	438,057	345,008
Bills receivables	26,638	10,537
Other debtors	235,438	190,240
Deposits and prepayments	<u>108,511</u>	<u>80,186</u>
	<u>808,644</u>	<u>625,971</u>
Classified under:		
Non-current assets	24,561	24,424
Current assets	<u>784,083</u>	<u>601,547</u>
	<u>808,644</u>	<u>625,971</u>

At 1st January, 2020, trade receivables (net of allowance for credit losses) from contracts with customers amounted to HK\$338,456,000.

At 31st December, 2021, the Group's trade debtors included an amount of HK\$3,276,000 (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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade debtors		
0 to 60 days	<b>401,111</b>	309,529
61 to 90 days	<b>2,391</b>	3,463
Over 90 days	<b>34,555</b>	32,016
	<u><b>438,057</b></u>	<u>345,008</u>

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limit by customer. Limits and scores attributed to customers are reviewed periodically.

## 12. CONTRACT ASSETS

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysed as current:		
Unbilled revenue of construction contracts	<b>2,228,564</b>	1,279,587
Retention receivables of construction contracts	<b>655,351</b>	495,430
	<u><b>2,883,915</b></u>	<u>1,775,017</u>
Retention receivables of construction contracts		
Due within one year	<b>83,803</b>	148,699
Due after one year	<b>571,548</b>	346,731
	<u><b>655,351</b></u>	<u>495,430</u>

At 1st January, 2020, contract assets amounted to HK\$2,135,584,000.

At 31st December, 2021, the Group's unbilled revenue and retention receivables of construction contracts included amounts of HK\$9,901,000 (2020: HK\$14,948,000) and HK\$6,748,000 (2020: HK\$15,155,000) respectively receivables from related companies which are subsidiaries of a substantial shareholder of the Company.

The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

### 13. CREDITORS AND ACCRUED CHARGES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	374,742	293,060
61 to 90 days	81,625	27,476
Over 90 days	13,941	35,924
	<u>470,308</u>	356,460
Retention payables	641,789	471,869
Accrued project costs	2,651,185	1,736,502
Payable for extraction right	90,831	85,989
Other creditors and accrued charges	245,195	176,268
	<u>4,099,308</u>	<u>2,827,088</u>
Retention payables		
Due within one year	88,528	163,973
Due after one year	553,261	307,896
	<u>641,789</u>	<u>471,869</u>

The Group has financial risk management policies in place to ensure that all payables are within the credit time frame. For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction works.

### DIVIDENDS

The Board recommends the payment of a final dividend of HK11 cents (2020: HK24 cents) per ordinary share payable to shareholders whose names appear in the register of members of the Company on Monday, 6th June, 2022. This dividend together with the interim dividend of HK7 cents (2020: HK8 cents) per ordinary share paid during the year represent total dividend distributions of HK18 cents (2020: HK32 cents) per ordinary share for the year ended 31st December, 2021.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, it is expected that the payment of final dividend will be made on Wednesday, 15th June, 2022.

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 27th May, 2022, the register of members of the Company will be closed from Tuesday, 24th May, 2022 to Friday, 27th May, 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers 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 not later than 4:00 p.m. on Monday, 23rd May, 2022.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is on Monday, 6th June, 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 2nd June, 2022 to Monday, 6th June, 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers 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 not later than 4:00 p.m. on Wednesday, 1st June, 2022.

## **BUSINESS REVIEW**

For the year ended 31st December, 2021, the Group's revenue was HK\$10,277 million (2020: HK\$7,977 million), generating an audited consolidated profit attributable to owners of the Company of HK\$676 million (2020: HK\$1,083 million), a decrease of 38% as compared with that of 2020.

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

For the year ended 31st December, 2021, the Group shared a profit of HK\$457 million (2020: HK\$756 million) from Road King, an associate of the Group. As of the date of this announcement, the Group holds 44.52% interest in Road King (excluding 3,000,000 ordinary shares in Road King ("Road King Shares"), representing 0.40% interest in Road King, held by Build King Holdings Limited ("Build King") which is classified under financial assets at fair value through profit or loss).

During the year ended 31st December, 2021, the Group purchased 5,717,000 (2020: 8,579,000) Road King Shares and hence recognised gain on bargain purchase of HK\$112 million (2020: HK\$121 million) on acquisition of additional interest in Road King.

For the year ended 31st December, 2021, Road King recorded an audited profit attributable to its owners of HK\$1,028 million (2020: HK\$1,723 million), a decrease of 40% as compared with that of 2020.

Despite the complex and volatile market environment, by adhering to the operating principle of striking a balance between sales volume and profitability and closely following the market trend, Road King achieved total property sales (including joint venture and associate projects) of RMB39,562 million in Mainland China in 2021, comprising the contracted sales of RMB36,663 million and outstanding subscribed sales of RMB2,899 million. The sales were mainly from projects in the Yangtze River Delta region and the overall average selling price increased by 10% as compared with last year.

In 2021, Road King acquired twelve pieces of land for residential purpose through listing-for-sale and co-development, with an aggregate floor area of 1,480,000 sqm. to replenish its land reserves and support its development scale in the next two years. As of 31st December, 2021, Road King's land reserves in Mainland China and Hong Kong were approximately 6,520,000 sqm in total. The three projects in Hong Kong are operating smoothly.

In 2021, Road King's overall average daily traffic volume and toll revenue of its expressway projects in Mainland China and Indonesia reached 321,800 vehicles and RMB3,779 million respectively, representing an increase of 13% and 39% respectively as compared with last year. As a result of the increase in toll revenue, profit of Road King's toll road segment rose to HK\$579 million.

With the pandemic under control, toll road business operations gradually restored to normal. Road King's toll revenue from its expressways in Mainland China increased by 36% to RMB3,153 million in 2021 as compared with last year, with an average daily traffic volume of approximately 274,600 vehicles. The increment was mainly due to a lower revenue base as a result of the implementation of the toll-free policy for all toll roads during the pandemic prevention and control period in 2020, and a recovery to the pre-pandemic level in 2021.

Road King's total revenue from expressway projects in Indonesia increased by 55% to RMB626 million in 2021 as compared with last year, with an average daily traffic volume of approximately 47,200 vehicles. The increment was mainly due to the overall situation eased compared to last year despite the pandemic continued to resurface in 2021, as well as three projects in Indonesia successfully secured toll rate increments during 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. The business scale of other original investment and asset management businesses has been significantly reduced after the restructuring and rectification.

Through years of development, Road King's property business has a well-established business model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. In 2022, Road King will continue its pragmatic approach and adhere to the operating strategy of striking a balance between profitability and sales volume. To establish Road King as a more widely recognised developer, it will continue to research and develop market-oriented products and promote brand name of Road King. Road King will continue to optimise the land reserve portfolio in the Mainland China and Hong Kong in a cautious manner and seek for more development opportunities with business partners in the future.

Going forward, Road King will continue to look for new expressway projects with reasonable investment returns in Mainland China and the Asia-Pacific Region to further strengthen its toll road business.

### **Construction, Sewage Treatment and Steam Fuel**

For the year ended 31st December, 2021, the Group shared a profit of HK\$167 million (2020: HK\$250 million) from Build King. As of the date of this announcement, the Group holds 56.76% interest in Build King.

For the year ended 31st December, 2021, Build King recorded revenue of HK\$10,030 million (2020: HK\$7,628 million) and an audited profit attributable to its owners of HK\$295 million (2020: HK\$441 million), a decrease of 33% as compared with that of 2020. This comprises profit of HK\$342 million (2020: HK\$452 million) from construction, sewage treatment and steam fuel operations and loss of HK\$47 million (2020: HK\$11 million) from investment in securities.

With the record-high successful tender in 2020 and also smooth progress of major projects as planned, Build King's turnover for the year 2021 increased by 31% and its gross profit also increased by 7%. The gross margin, however, dropped from 9% to 7% in 2021, reflecting the severe competition for the new works. Despite this competitive environment, Build King would continue its strategy not to compete only on price but also on technical excellence and quality of work. Leveraging on this proven strategy, Build King could keep winning new tenders without being the lowest price bidder and hence increase turnover as well as overall profit despite lower margin of individual projects.

Despite the continued increase of profit from construction in Hong Kong, the profit after tax of Build King for the year decreased by 34%. The decrease of profit was mainly contributed by three factors. First, the Hong Kong Government's subsidy of HK\$116 million received in 2020 was one-off. Second, the investment in corporate bonds recorded a net loss of HK\$54 million after taking into account of decrease of market values and accrued interest income. Third, the tax expenses increased by three times as a result of timing difference in utilization of tax losses.

Since the issue of Build King's Annual Report 2020, Build King successfully bided new projects of HK\$8.1 billion, of which HK\$6.8 billion were civil engineering projects for Hong Kong Government and HK\$1.3 billion were building works for private developers. At the date of this announcement, the outstanding work on hand was maintained at HK\$25.5 billion, similar to that at end of 2020. Looking forward, with enormous public works in developing northern Metropolis as proposed by Hong Kong Government in Policy Address 2021, Build King is cautiously optimistic to tendering new works and maintain its market share.

The infrastructure investment projects in the PRC recorded turnover of HK\$183 million and loss of HK\$15 million. The district heating in Dezhou ceased operation because the sole steam supplier was forced by the local authority to close. Pending on result of negotiation with the local authority for compensation, Build King had allowed for an impairment loss of HK\$34 million. Sewage treatment plant in Wuxi, the sole profit contributor in the PRC in 2021, doubled its profit to HK\$31 million as the treatment fees were increased by over 70% upon completion of its upgrade of equipment in 2020. Tianjin Wai Kee Earth Investment Co., Ltd., the operator of centralized steam fuel provider in industrial parks, recorded a loss of HK\$12 million. At present, Build King has completed construction of six steam fuel plants. Two of them were operating at breakeven capacity while the remaining four plants are yet to start due to low demand of steam fuel by factories. However, Build King has recently seen the steam production of two operating plants were picking up and two more plants may start operation during 2022. Therefore, Build King is confident the loss may turn to profit next year.

## **Construction Materials**

For the year ended 31st December, 2021, the construction materials division recorded revenue of HK\$482 million (2020: HK\$429 million) and a net profit of HK\$33 million (2020: HK\$14 million).

The concrete business recorded better result in 2021 as compared with the corresponding period of last year. The improvement 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 plant resulting from the impairment losses of those assets made in previous years.

Although the concrete market remains competitive, the profit margin of concrete business was slightly improved in 2021. Other than mild disruption caused by novel coronavirus pandemic in early 2021, the market demand for concrete remained stable throughout 2021. Nevertheless, novel coronavirus cases in Hong Kong hit record high in March 2022 which has disrupted all kinds of industries including the construction materials. It is expected that the performance of the construction materials division would be affected in the first half of 2022.

In consideration of the uncertainty in operation of concrete plant at Yau Tong due to the unsettled issue of specified process licence between the landlord and Environmental Protection Department, coupled with substantial reduction of production capacity of our concrete plant as a result of additional stringent environmental control measures imposed by the Government at Yau Tong region, the operation at Yau Tong ceased in December 2021 upon termination of the lease of concrete plant with the landlord. As additional concrete batching facilities have been established after the relocation of concrete plants during the progress of the formation works at Lam Tei Quarry, loss of production capacity due to termination of the lease of the plant at Yau Tong is compensated by the expansion of production capacity of concrete plants at Lam Tei Quarry.

The concrete orders from Build King, have been contributing significant turnover to the construction materials division, the construction materials division will shift its strategy for serving mainly to the construction division.

For the asphalt business, slight loss was still recorded in 2021. The performance of the asphalt business continues facing difficulties and fierce competition in 2021 and further onward to 2022 as low activity in large scale infrastructure projects. The profit margin further deteriorated as other competitors have adopted aggressive pricing strategy for secure orders.

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 year ended 31st December, 2021, the quarrying division recorded revenue of HK\$213 million (2020: HK\$193 million) and a net profit of HK\$28 million (2020: a net loss of HK\$9 million).

The result of quarrying division had noticeable improvement compared with the corresponding period of last year. The market price of aggregates rose in the first quarter of 2021 resulting from the decline in aggregates supply from Mainland China to Hong Kong and has maintained stable since the second quarter of 2021. There is no significant improvement in aggregates supply from Mainland China in the first quarter of 2022, hence, the current market price of aggregates remains at high level.

After 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 price in the second quarter of 2021.

As the expansion of production capacity of the concrete batching facilities had consumed substantial part of the aggregates produced, there is only small portion available to sell to other customers. Hence, the aggregates supply contracts at low selling prices committed in previous years need further extension to 2022.

The relocation of concrete plants and asphalt plant at Lam Tei Quarry which had been completed in October 2021 affected the progress of site formation works at Lam Tei Quarry in the second half of 2021. As such, it delayed the rock available for production of aggregates. Hence, the performance of the division in the first half of 2021 is better than that 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 year ended 31st December, 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 (2020: impairment of HK\$13 million) and property, plant and equipment (2020: impairment of HK\$31 million) is necessary for the year ended 31st December, 2021.

## **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 December 2021, the occupancy rates of these two residential properties were around 93.86% and 97.71% respectively. For the year ended 31st December, 2021, Lion Trade shared profit of HK\$18 million (2020: shared loss of HK\$14 million) from these two US joint venture companies. During the year, the Group received cash distribution of US\$0.6 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\$4 million (2020: HK\$7 million) for the year ended 31st December, 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 market. At 31st December, 2021, the fair value of the equity securities of Emmaus was HK\$11 million (2020: HK\$8 million), of which HK\$7 million (2020: HK\$5 million) was invested by Build King.

The Group holds certain listed equity securities in Hong Kong. At 31st December, 2021, the fair value of the listed equity securities in Hong Kong was HK\$51 million (2020: HK\$38 million), of which (including 3,000,000 Road King Shares) HK\$37 million (2020: HK\$38 million) was invested by Build King.

The Group also utilizes its surplus fund to invest in quoted debt securities with the intention to hold until their maturity for the purpose to earn higher returns than deposits in banks. At 31st December, 2021, the fair value of the Group’s portfolio of quoted debt securities was HK\$850 million (2020: HK\$636 million), of which HK\$336 million (2020: HK\$447 million) was invested by Build King.

For the year ended 31st December, 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\$94 million (2020: HK\$8 million), of which net loss of HK\$47 million (2020: HK\$11 million) was from the investments by Build King, as a result of the significant drop in the quoted prices of the listed equity securities and the debt securities, particularly those issued by China property companies, at 31st December, 2021.



## FINANCIAL REVIEW

### Liquidity and Financial Resources

During the year, total borrowings increased from HK\$1,163 million to HK\$2,238 million, which included bonds with carrying amounts of HK\$121 million (2020: HK\$116 million) carrying no interest, with the maturity profile summarised as follows:

	31st December,	
	2021	2020
	HK\$'million	HK\$'million
Within one year	775	768
In the second year	153	238
In the third to fifth year inclusive	1,310	157
	<u>2,238</u>	<u>1,163</u>
Classified under:		
Current liabilities ( <i>note</i> )	944	888
Non-current liabilities	1,294	275
	<u>2,238</u>	<u>1,163</u>

*Note:* At 31st December, 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\$169 million (2020: HK\$120 million) have been classified as current liabilities.

During the year, 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 31st December, 2021, the fair value of the interest rate swaps under derivative financial assets is HK\$11 million (2020: nil).

At 31st December, 2021, bank loans of HK\$51 million (2020: HK\$38 million) carried interest at fixed rate. At 31st December, 2020, bonds with carrying amounts of HK\$14 million carried fixed coupon interest of 7% per annum and was fully repaid in 2021.

At 31st December, 2021, total amount of the Group's time deposits, bank balances and cash was HK\$2,153 million (2020: HK\$1,770 million), of which bank deposits amounting to HK\$91 million (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\$1,772 million (2020: HK\$1,281 million).

The Group utilizes its surplus fund to invest in quoted debt securities. At 31st December, 2021, the fair value of the Group's portfolio of quoted debt securities was HK\$850 million (2020: HK\$636 million).

For the year ended 31st December, 2021, the Group recorded finance costs of HK\$65 million (2020: HK\$59 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 year. The Group will continue to monitor its exposure to the currency risks closely.

## **Capital Structure and Gearing Ratio**

At 31st December, 2021, the equity attributable to owners of the Company amounted to HK\$10,675 million, representing HK\$13.46 per share (2020: HK\$9,855 million, representing HK\$12.43 per share).

At 31st December, 2021, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 21.0% (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 0.8% (2020: -6.2%).

## **Pledge of Assets**

At 31st December, 2021, apart from the bank deposits pledged to secure certain banking facilities granted to the Group, a share of a subsidiary of the Company and the quoted debt securities with an aggregate carrying amount of HK\$850 million (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 31st December, 2021, the Group committed capital expenditure contracted for but not provided in the Group's consolidated financial statements of HK\$88 million (2020: HK\$21 million) in respect of acquisition of property, plant and equipment. At 31st December, 2021 and 2020, the Group had no contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

At 31st December, 2021, the Group had 3,374 employees (2020: 3,071 employees), of which 3,095 (2020: 2,907) were located in Hong Kong, 278 (2020: 163) were located in the PRC and 1 (2020: 1) was located in UAE. For the year ended 31st December, 2021, the Group's total staff costs were HK\$1,463 million (2020: HK\$1,279 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**

With the Government announcing the development of mega projects in 2021, more construction projects rolled out which will benefit the construction division in the medium term. In consideration of order book on hand, it is expected that the construction division will maintain similar level of turnover in 2022. Though the fierce competition remains in the construction market particularly in civil works, the construction division is still able to contain the overhead costs, the performance of the division is anticipated to achieve same level as that of 2021.

During the relocation of concrete plants and asphalt plant at Lam Tei Quarry in the second half of 2021, additional concrete batching facilities have been established, hence, the production capacity was increased. With termination of lease of the concrete plant at Yau Tong, we consolidate our resources of production plants at Lam Tei Quarry. To provide a better service to our clients, we continue to explore other locations for establishing other production plants.

The operation of construction materials division had adopted strenuous measures against the spread of the novel coronavirus pandemic through compulsory testing of all personnel on sites. As Hong Kong is reeling under the fifth wave of Omicron infections which disrupted all walks of industries, business activities are slow down and/or temporary suspended to control the Omicron infection cases. The operation of construction materials division is inevitably affected as Omicron infections cases detected at the production plants. The impact of novel coronavirus pandemic on the performance of the construction materials division has yet to be evaluated in the first half of 2022.

With increase of aggregates consumption by the construction materials division, the progress of the site formation works must be well planned to match with the quantity of rock supply for production of aggregates at Lam Tei Quarry. As such, the performance of the quarrying division will also rely on the quantum of rock imported to Lam Tei Quarry in 2022. In view of the progress of site formation works at Lam Tei Quarry, we started the dialogue with the Government to explore the possibility to continue the operations on site after completion of the site formation works. There are positive responses from both sides.

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.

## **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 year ended 31st December, 2021.

## **CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December, 2021.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has conducted a meeting with the management and external auditor to review the accounting policies adopted by the Group, the Group's consolidated financial statements for the year ended 31st December, 2021, the general scope of audit work conducted by the external auditor and assessment of the Group's internal controls.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held at Academy Room I-II, 1st Floor, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 27th May, 2022 at 3:30 p.m. and the Notice of the Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules.

## **PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT**

This announcement is published on the Company's website ([www.waikee.com](http://www.waikee.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The Annual 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 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, 29th March, 2022

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.