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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, 2022**

#### **Financial Performance Highlights**

Revenue	<b>HK\$5,914 million</b>
Profit attributable to owners of the Company	<b>HK\$43 million</b>
Basic earnings per share	<b>HK\$0.05</b>
Equity attributable to owners of the Company per share	<b>HK\$13.15</b>

## 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, 2022 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

		Six months ended 30th June,	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from goods and services	3	5,913,857	4,833,310
Cost of sales		(5,362,498)	(4,400,997)
Gross profit		551,359	432,313
Other income	5	70,919	60,586
Other gains and losses	6	(175,178)	4,027
Selling and distribution costs		(36,040)	(45,010)
Administrative expenses		(258,862)	(208,092)
Finance costs	7	(33,362)	(27,497)
Share of results of associates		38,148	143,571
Share of results of joint ventures		34,882	4,353
Profit before tax	8	191,866	364,251
Income tax expense	9	(66,008)	(39,476)
<b>Profit for the period</b>		<b>125,858</b>	<b>324,775</b>
Profit for the period attributable to:			
Owners of the Company		42,889	261,744
Non-controlling interests		82,969	63,031
		<b>125,858</b>	<b>324,775</b>
		<i>HK\$</i>	<i>HK\$</i>
<b>Earnings per share</b>	<i>11</i>		
- Basic		<b>0.05</b>	0.33

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2022**

	<b>Six months ended 30th June,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period	<u>125,858</u>	<u>324,775</u>
<b>Other comprehensive (expense) income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising on translation of foreign operations	(20,307)	3,836
Fair value gains (losses) on hedging instruments designated in cash flow hedges	36,495	(1,430)
Exchange differences arising on translation of an associate	(226,371)	290,734
Exchange differences arising on translation of joint ventures	174	272
Share of cash flow hedging reserve of an associate	(2,825)	22,912
Other comprehensive (expense) income for the period	<u>(212,834)</u>	<u>316,324</u>
<b>Total comprehensive (expense) income for the period</b>	<u>(86,976)</u>	<u>641,099</u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(159,926)	576,126
Non-controlling interests	72,950	64,973
	<u>(86,976)</u>	<u>641,099</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30TH JUNE, 2022**

		<b>30th June, 2022</b>	31st December, 2021
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		549,225	551,602
Right-of-use assets		62,635	60,136
Intangible assets		361,510	446,148
Goodwill		29,838	29,838
Interests in associates		9,701,249	9,960,246
Loan to an associate		2,700	2,700
Interests in joint ventures		132,995	278,333
Financial assets at fair value through profit or loss ("FVTPL")		255,561	117,644
Other financial asset at amortised cost		34,444	36,782
Derivative financial instruments		47,916	11,421
Debtors, deposits and prepayments	12	-	24,561
		<b>11,178,073</b>	<b>11,519,411</b>
<b>Current assets</b>			
Inventories		73,835	48,234
Debtors, deposits and prepayments	12	811,032	784,083
Contract assets	13	2,661,732	2,883,915
Amounts due from associates		13,604	12,006
Amount due from a joint venture		689	720
Amounts due from other partners of joint operations		40,483	22,521
Tax recoverable		28,023	41,195
Financial assets at FVTPL		553,432	912,549
Cash held on behalf of customers		28,481	25,729
Pledged bank deposits		77,247	90,910
Time deposits with original maturity of not less than three months		94,696	20,210
Bank balances and cash		2,096,920	2,042,022
		<b>6,480,174</b>	<b>6,884,094</b>
<b>Current liabilities</b>			
Creditors and accrued charges	14	3,758,458	4,099,308
Contract liabilities		569,131	405,696
Amounts due to associates		22,529	21,416
Amounts due to other partners of joint operations		12,210	344
Amounts due to non-controlling shareholders		3,860	3,359
Lease liabilities		34,185	27,936
Tax liabilities		159,690	82,996
Bank loans		502,696	943,798
		<b>5,062,759</b>	<b>5,584,853</b>
<b>Net current assets</b>		<b>1,417,415</b>	<b>1,299,241</b>
<b>Total assets less current liabilities</b>		<b>12,595,488</b>	<b>12,818,652</b>

	<b>30th June, 2022 (Unaudited) HK\$'000</b>	31st December, 2021 (Audited) HK\$'000
<b>Non-current liabilities</b>		
Deferred tax liabilities	5,750	18,468
Obligations in excess of interests in associates	15,437	15,949
Obligations in excess of interests in joint ventures	-	130
Amount due to an associate	1,071	1,827
Lease liabilities	16,930	23,286
Bank loans	1,149,250	1,150,000
Other creditors	23,000	23,000
Bonds	124,289	121,293
	<u>1,335,727</u>	<u>1,353,953</u>
<b>Net assets</b>	<u>11,259,761</u>	<u>11,464,699</u>
<b>Capital and reserves</b>		
Share capital	79,312	79,312
Share premium and reserves	10,348,689	10,595,859
Equity attributable to owners of the Company	<u>10,428,001</u>	<u>10,675,171</u>
Non-controlling interests	831,760	789,528
<b>Total equity</b>	<u>11,259,761</u>	<u>11,464,699</u>

*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”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st December, 2021.

## 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 Group's annual period beginning on 1st January, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

The application of the amendments to HKFRSs in the current interim period has 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 the condensed consolidated financial statements.

### 3. REVENUE FROM GOODS AND SERVICES

#### Disaggregation of revenue from contracts with customers

	Six months ended 30th June,	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Type of goods and services</b>		
Construction contracts	5,723,244	4,589,268
Sewage treatment plant operation	27,482	27,352
Steam fuel plant operation	55,169	19,792
Sale of construction materials	73,309	120,500
Sale of quarry products	34,653	76,398
	5,913,857	4,833,310
<b>Timing of revenue recognition</b>		
At a point in time	107,962	196,898
Over time	5,805,895	4,636,412
	5,913,857	4,833,310

#### 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 a sewage treatment plant
- operation of steam fuel plants

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 for each reportable and operating segment:

#### Six months ended 30th June, 2022

	Segment revenue			Segment profit <i>HK\$'000</i>
	Gross <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	External <i>HK\$'000</i>	
Construction, sewage treatment and steam fuel	5,833,020	(27,125)	5,805,895	113,076
Construction materials	204,840	(131,531)	73,309	759
Quarrying	89,611	(54,958)	34,653	13,986
Property development and investment, toll road, investment and asset management	-	-	-	38,034
Total	<u>6,127,471</u>	<u>(213,614)</u>	<u>5,913,857</u>	<u>165,855</u>

Six months ended 30th June, 2021

	Segment revenue			Segment profit <i>HK\$'000</i>
	Gross <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	External <i>HK\$'000</i>	
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
<b>Total</b>	<b>5,044,745</b>	<b>(211,435)</b>	<b>4,833,310</b>	<b>264,844</b>

Segment profit represents profit 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,	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total segment profit	<b>165,855</b>	264,844
Unallocated items		
Other income	<b>20,128</b>	12,175
Other gains and losses	<b>(117,000)</b>	25,267
Administrative expenses	<b>(28,691)</b>	(29,437)
Finance costs	<b>(21,684)</b>	(13,546)
Share of results of associates	<b>176</b>	387
Share of results of joint ventures	<b>24,105</b>	2,054
<b>Profit attributable to owners of the Company</b>	<b>42,889</b>	261,744



## 5. OTHER INCOME

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Other income includes:		
Dividend income from financial asset at FVTPL	1,170	1,650
Interest on financial assets at FVTPL	16,826	20,339
Interest on other receivables	6,105	5,210
Interest on bank deposits	1,211	1,208
Interest on loan to an associate	37	37
Interest on other financial asset at amortised cost	434	470
Employment Support Scheme	17,104	-
Government subsidy for a project in the People's Republic of China ("PRC")	-	7,868
Operation fee income	16,474	14,822
Rental income from land and buildings	304	225
Rental income from plant and machinery	1,803	1,803
Service income from an associate	30	30

## 6. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Gain on bargain purchase on acquisition of additional interest in an associate	-	26,679
Remeasurement gain on interest previously held in a joint venture	6,138	-
Gain on disposal of property, plant and equipment, net	4,524	790
Loss on change in fair value of financial assets at FVTPL, net	(185,301)	(22,814)
Loss on disposal of a subsidiary	-	(628)
Loss on disposal of partial interest in an associate	(539)	-

## 7. FINANCE COSTS

	Six months ended 30th June,	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	24,477	16,442
Interest on bonds	-	472
Interest on other borrowings	474	456
Interest on interest rate swap contracts	1,783	838
Interest on lease liabilities	491	941
Imputed interest on bonds	2,996	2,853
Imputed interest on payable for extraction right	1,911	4,297
Imputed interest on provision for rehabilitation costs	881	860
Imputed interest on non-current interest-free amount due to an associate	349	338
	<u>33,362</u>	<u>27,497</u>

## 8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30th June,	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of intangible assets ( <i>note</i> )	95,029	24,029
Depreciation of property, plant and equipment ( <i>note</i> )	67,237	56,911
Depreciation of right-of-use assets	16,607	15,882
Exchange loss, net	11,874	725
Share of income tax expense of associates (included in share of results of associates)	149,760	191,910
	<u>149,760</u>	<u>191,910</u>

*Note:* Included in amortisation of intangible assets and depreciation of property, plant and equipment, HK\$11,423,000 (six months ended 30th June, 2021: HK\$18,933,000) and HK\$13,513,000 (six months ended 30th June, 2021: HK\$12,892,000) were capitalised in inventories respectively.

## 9. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Current tax		
Hong Kong	73,858	39,925
The PRC	1,602	-
	<u>75,460</u>	<u>39,925</u>
(Overprovision) underprovision in prior years		
Hong Kong	(42)	(1,205)
The PRC	3,308	756
	<u>3,266</u>	<u>(449)</u>
Deferred tax		
Credit for the period	(12,718)	-
	<u>66,008</u>	<u>39,476</u>

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.

## 10. DIVIDEND

Dividend paid and recognised as distribution during the period:

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
2021 final dividend – HK11 cents per share (six months ended 30th June, 2021: 2020 final dividend - HK24 cents per share)	<u>87,244</u>	<u>190,350</u>

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2022 (six months ended 30th June, 2021: HK7 cents per ordinary share).

## 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,	
	2022	2021
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<u>42,889</u>	<u>261,744</u>

	Six months ended 30th June,	
	2022	2021
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 periods. Accordingly, no diluted earnings per share information is presented.

## 12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2022	31st December, 2021
	HK\$'000	HK\$'000
Trade debtors - contracts with customers	419,843	438,680
<i>Less</i> : Allowance for credit losses	(623)	(623)
	<u>419,220</u>	<u>438,057</u>
Bills receivables	9,468	26,638
Other debtors	248,546	235,438
Deposits and prepayments	133,798	108,511
	<u>811,032</u>	<u>808,644</u>
Classified under:		
Non-current assets	-	24,561
Current assets	<u>811,032</u>	<u>784,083</u>
	<u>811,032</u>	<u>808,644</u>

At 30th June, 2022, the Group's trade debtors included an amount of HK\$855,000 (31st December, 2021: HK\$3,276,000) due from a related company which is 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>30th June, 2022 HK\$'000</b>	31st December, 2021 HK\$'000
Trade debtors		
0 to 60 days	<b>385,307</b>	401,111
61 to 90 days	<b>1,997</b>	2,391
Over 90 days	<b>31,916</b>	34,555
	<b>419,220</b>	438,057

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 trade debtors with significant balances of HK\$385,581,000 (31st December, 2021: HK\$403,076,000) and credit-impaired trade debtors with gross amount of HK\$623,000 (31st December, 2021: HK\$623,000) 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

	<b>30th June, 2022 HK\$'000</b>	31st December, 2021 HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts	<b>1,978,946</b>	2,228,564
Retention receivables of construction contracts	<b>682,786</b>	655,351
	<b>2,661,732</b>	2,883,915
Retention receivables of construction contracts		
Due within one year	<b>97,613</b>	83,803
Due after one year	<b>585,173</b>	571,548
	<b>682,786</b>	655,351

At 30th June, 2022, the Group’s unbilled revenue of construction contracts included an amount of HK\$24,648,000 receivable from related companies which are subsidiaries of a substantial shareholder of the Company.

At 31st December, 2021, the Group’s unbilled revenue and retention receivables of construction contracts included amounts of HK\$9,901,000 and HK\$6,748,000 respectively receivable 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, 2022. 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

	<b>30th June, 2022 HK\$'000</b>	31st December, 2021 HK\$'000
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	<b>325,788</b>	374,742
61 to 90 days	<b>78,016</b>	81,625
Over 90 days	<b>41,637</b>	13,941
	<b>445,441</b>	470,308
Retention payables	<b>736,103</b>	641,789
Accrued project costs	<b>2,334,746</b>	2,651,185
Payable for extraction right	<b>46,036</b>	90,831
Other creditors and accrued charges	<b>196,132</b>	245,195
	<b>3,758,458</b>	4,099,308
Retention payables		
Due within one year	<b>135,799</b>	88,528
Due after one year	<b>600,304</b>	553,261
	<b>736,103</b>	641,789

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2022 (six months ended 30th June, 2021: HK7 cents per ordinary share).

## BUSINESS REVIEW

For the six months ended 30th June, 2022, the Group's revenue was HK\$5,914 million (six months ended 30th June, 2021: HK\$4,833 million), generating an unaudited profit attributable to owners of the Company of HK\$43 million (six months ended 30th June, 2021: HK\$262 million), a decrease of 84% as compared with that of 2021.

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

For the six months ended 30th June, 2022, the Group shared a profit of HK\$38 million (six months ended 30th June, 2021: HK\$143 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 six months ended 30th June, 2021, the Group purchased 1,500,000 Road King Shares and hence recognised gain on bargain purchase of HK\$27 million on acquisition of additional interest in Road King. During the six months ended 30th June, 2022, the Group did not purchase any Road King Shares.

The Group and Road King had entered into a participation agreement in November 2021 pursuant to which Road King granted participation rights to the Group which allow the Group to enjoy a pro rata portion of 32.5% of the economic interest attributable to Road King's 70% interest (or 22.75% attributable interest) in a property development project with the parcel of land located in Guangzhou, the PRC. At 30th June, 2022, the fair value of the participation rights was HK\$250 million (31st December, 2021: HK\$112 million).

For the six months ended 30th June, 2022, Road King recorded an unaudited profit attributable to its owners of HK\$85 million (six months ended 30th June, 2021: HK\$325 million), a decrease of 74% as compared with that of 2021.

By closely monitoring the market and seizing the window of opportunity, Road King achieved total property sales (including joint venture and associate projects) of RMB14,787 million in Mainland China and Hong Kong for the first half year of 2022, comprising the contracted sales of RMB12,514 million and outstanding subscribed sales of RMB2,273 million. The sales mainly concentrated in Yangtze River Delta Region and the Bohai Rim Region with an average selling price of RMB22,700 per sqm. In the first half year of 2021, Road King's total property sales recorded a substantial increase of about 90% as the property sales in Hong Kong increased significantly to HK\$14,476 million due to the overwhelming responses on the sales of the new property project Southland in Wong Chuk Hang, Hong Kong. In the first half year of 2022, no pre-sale of new property was launched in Hong Kong, resulting in a significant drop in total sales as compared with the corresponding period of last year.

In March 2022, Road King's property segment acquired through co-development model a residential land parcel in Beijing with a total gross floor area of approximately 71,000 sqm at a total consideration of approximately RMB1,400 million. Road King shared a 49% equity interest in the project. As at 30th June, 2022, Road King had a total land reserve of approximately 5,710,000 sqm, of which the total area pre-sold but yet to be delivered was 1,340,000 sqm.

In the first half of 2022, Road King's average daily traffic volume and toll revenue of the expressway projects reached 275,100 vehicles and RMB1,820 million, representing a decrease of 17% and 4% respectively, as compared with the corresponding period of last year.

In the first half year of 2022, the toll revenue from Road King's expressways in Mainland China declined by 16% to RMB1,376 million as compared with the corresponding period of last year. With better control of the novel coronavirus pandemic in Mainland China and a series of governmental stimulus packages, it is expected that the domestic economy will return to a stable upward momentum, and the toll revenue and traffic volume of Road King's expressways in Mainland China will both increase in the second half year.

In the first half year of 2022, in addition to the year-on-year increase of 69% in the toll revenue from Road King's expressways in Indonesia, Road King also implemented cost-saving measures on expressways in Mainland China to offset the impact of toll revenue reduction from certain expressways in Mainland China.

After reorganisation and rectification, the business scale of the remaining original investment and asset management businesses, which mainly comprised real estate fund investment as well as cultural and entertainment businesses, has been significantly reduced and investment in new businesses has been ceased. Going forward, Road King will continue to review the operation of its remaining businesses and take appropriate action in due course.

Road King stays cautiously optimistic in regard to the outlook of property development business in Mainland China. 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 year, the property management and operation team of Road King will continue its pragmatic approach and strive to ensure property delivery and enhance its control on cash flow.

For its toll road segment, Road King will continue to look for new expressway projects with promising returns in Mainland China and the Asia-Pacific region, especially Indonesia, to strengthen its toll road business.

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

For the six months ended 30th June, 2022, the Group shared a profit of HK\$113 million (six months ended 30th June, 2021: HK\$84 million) from 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, 2022, Build King recorded revenue of HK\$5,833 million (six months ended 30th June, 2021: HK\$4,678 million) and an unaudited profit attributable to its owners of HK\$199 million (six months ended 30th June, 2021: HK\$147 million), an increase of 35% as compared with that of 2021.

With outstanding works on hand having been on increasing trend last year, the turnover of Build King for the first half year continued rising. The turnover growth rate was in fact lower than the budget because the fifth wave of novel coronavirus pandemic caused intermittent closure of many construction sites in the first half year of 2022. With the novel coronavirus pandemic situation becoming stable and several new major projects awarded in late 2021 rolling out smoothly, Build King is confident that the turnover for the whole year of 2022 will surpass the last year.

The increase in the gross profit attributable not only to the rising turnover but also improvement of gross margin. The improved margin was mainly attributable to significant contribution from few projects where major additional works were concluded with reasonable profits.

During the period, newly awarded contracts were only HK\$1.4 billion, falling short of the HK\$10 billion target for 2022. However, Build King is still working hard on a few major tenders which if successful may bring it much closer to the target. As of the date of this announcement, the total outstanding contract works was HK\$24 billion. Looking forward, although the competition is going to be fiercer than ever, Build King still maintains an optimistic view to future opportunities in construction industry.

The infrastructure investment projects in the PRC recorded a loss of HK\$16 million, although the turnover increased from HK\$76 million to HK\$106 million.

Due to unexpected novel coronavirus pandemic situation in Gansu Province during the period, the plan that four additional steam plants started operation during the period could not materialize. Overall, the total steam production volume was still below breakeven level and the operation is expected to run at a loss in the remaining of 2022 until the restraints due to novel coronavirus pandemic are lifted.

The sewage treatment plant operated smoothly and maintained its stable profit.



## **Construction Materials**

For the six months ended 30th June, 2022, the construction materials division recorded revenue of HK\$205 million (six months ended 30th June, 2021: HK\$243 million) and a net profit of HK\$1 million (six months ended 30th June, 2021: HK\$17 million).

The concrete business recorded slight profit in the first half year of 2022. The significant decrease in profit for concrete business in comparison with the corresponding period of 2021 was mainly due to substantial increase in depreciation and fixed production costs in the first half year of 2022 for the additional concrete batching facilities upon the completion of relocation of the facilities at Lam Tei Quarry in the first quarter of 2022. Furthermore, the novel coronavirus pandemic, especially in the first quarter of 2022 when there were record high novel coronavirus cases in Hong Kong, has disrupted all industries including construction and construction materials industries. Slowdown of the construction activities in Hong Kong and delay in delivery of the construction materials from Mainland China caused lower demand of concrete and higher material costs for production of concrete.

For the asphalt business, slight loss was still recorded in the first half year of 2022. The performance of the asphalt business continues facing difficulties and fierce competition 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 six months ended 30th June, 2022, the quarrying division recorded revenue of HK\$90 million (six months ended 30th June, 2021: HK\$124 million) and a net profit of HK\$14 million (six months ended 30th June, 2021: HK\$21 million).

The quarrying division recorded a notable decline in profit compared with the corresponding period of last year mainly due to decrease in sales quantity of aggregates in the current period despite the sales prices of aggregates was in average higher than those of last period. The disruption of the novel coronavirus pandemic on the activities of construction caused lower demand for aggregates used for concrete production. Another reason that affected the performance of quarrying division in the first half year of 2022 was the low volume of rock imported to Lam Tei which led to the lower production and sales volume of aggregates than the budget.

The aggregates supply from Mainland China was tight hence the market price of aggregates stayed at high level in the first quarter of 2022. The supply resumed since the second quarter of 2022 and the market price of aggregates remains stable.

The management continues exercising cost control measures to minimise the production cost of aggregates.

## **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 held a 4-storey residential rental property in Houston and JV Fund II holds a 3-storey residential rental property in Stafford of Texas.

On 23rd February, 2022, JV Fund I entered into a purchase and sale agreement to dispose the residential rental property in Houston to an independent third party at the consideration of US\$55.6 million. The disposal was completed in April 2022 and the Group received cash distribution of its share of the net sale proceeds from JV Fund I in June 2022.

In June 2022, the occupancy rate of the residential property held by JV Fund II was around 98%. For the six months ended 30th June, 2022, Lion Trade shared profit of HK\$35 million (for the six months ended 30th June, 2021: HK\$3 million) from these two US joint venture companies. During the period, the Group received cash distribution of US\$23.0 million from these two US joint venture companies (for the six months ended 30th June, 2021: US\$0.2 million).

## **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, 2021: HK\$2 million) for the six months ended 30th June, 2022.

## **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 30th June, 2022, the fair value of the equity securities of Emmaus was HK\$3 million (31st December, 2021: HK\$11 million), of which HK\$2 million (31st December, 2021: HK\$7 million) was invested by Build King.

The Group holds certain listed equity securities in Hong Kong. At 30th June, 2022, the fair value of the listed equity securities in Hong Kong was HK\$33 million (31st December, 2021: HK\$51 million), of which (including 3,000,000 Road King Shares) HK\$20 million (31st December, 2021: HK\$37 million) was invested by Build King.

The Group also utilizes its surplus fund to invest in quoted debt securities which are bonds and interest linked notes. At 30th June, 2022, the fair value of the Group’s portfolio of quoted debt securities was HK\$518 million (31st December, 2021: HK\$850 million), of which HK\$172 million (31st December, 2021: HK\$336 million) was invested by Build King.

For the six months ended 30th June, 2022, 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\$167 million (six months ended 30th June, 2021: HK\$1 million), of which the net loss of HK\$62 million (six months ended 30th June, 2021: HK\$8 million) was from the investments by Build King, as a result of the significant drop in the quoted prices of the debt securities, particularly those issued by the PRC property developers, at 30th June, 2022.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

During the period, total borrowings decreased from HK\$2,238 million to HK\$1,799 million, which included bonds with carrying amounts of HK\$124 million (31st December, 2021: HK\$121 million) carrying no interest, with the maturity profile summarised as follows:

	<b>30th June, 2022</b>	31st December, 2021
	<i>HK\$'million</i>	<i>HK\$'million</i>
Within one year	<b>360</b>	775
In the second year	<b>257</b>	153
In the third to fifth year inclusive	<b>1,182</b>	1,310
	<b>1,799</b>	2,238
Classified under:		
Current liabilities ( <i>note</i> )	<b>503</b>	944
Non-current liabilities	<b>1,296</b>	1,294
	<b>1,799</b>	2,238

*Note:* At 30th June, 2022, 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\$143 million (31st December, 2021: HK\$169 million) have been classified as current liabilities.

At 30th June, 2022, the Group had certain interest rate swap contracts, 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, 2022, the fair value of the interest rate swaps under derivative financial assets is HK\$48 million (31st December, 2021: HK\$11 million).

At 30th June, 2022, bank loans of HK\$47 million (31st December, 2021: HK\$51 million) carried interest at fixed rate.

At 30th June, 2022, total amount of the Group's time deposits, bank balances and cash was HK\$2,269 million (31st December, 2021: HK\$2,153 million), of which bank deposits amounting to HK\$77 million (31st December, 2021: HK\$91 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\$2,032 million (31st December, 2021: HK\$1,772 million).

The Group utilizes its surplus fund to invest in quoted debt securities. At 30th June, 2022, the fair value of the Group's portfolio of quoted debt securities was HK\$518 million (31st December, 2021: HK\$850 million).

For the six months ended 30th June, 2022, the Group recorded finance costs of HK\$33 million (six months ended 30th June, 2021: HK\$27 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, 2022, the equity attributable to owners of the Company amounted to HK\$10,428 million, representing HK\$13.15 per share (31st December, 2021: HK\$10,675 million, representing HK\$13.46 per share).

At 30th June, 2022, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 17.3% (31st December, 2021: 21.0%) 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 -4.5% (31st December, 2021: 0.8%) as a result of total amount of time deposits, bank balances and cash exceeding total borrowings amount.

### **Pledge of Assets**

At 30th June, 2022, 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\$518 million (31st December, 2021: HK\$850 million) were also pledged to secure certain banking facilities granted to the Group.

### **Capital Commitments and Contingent Liabilities**

At 30th June, 2022, the Group committed capital expenditure contracted for but not provided in the Group's condensed consolidated financial statements of HK\$84 million (31st December, 2021: HK\$88 million) in respect of acquisition of property, plant and equipment. At 30th June, 2022 and 31st December, 2021, the Group had no contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

At 30th June, 2022, the Group had 3,483 employees (31st December, 2021: 3,374 employees), of which 3,183 (31st December, 2021: 3,095) were located in Hong Kong, 299 (31st December, 2021: 278) were located in the PRC and 1 (31st December, 2021: 1) was located in UAE. For the six months ended 30th June, 2022, the Group's total staff costs were HK\$823 million (six months ended 30th June, 2021: HK\$682 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**

As more mega projects rolled out by Government which will benefit the construction division in the short and medium term. With the contracts on hand in the construction division, it is cautiously optimistic that performance in 2022 will be better than in 2021.

For construction materials division, due to substantial increase in depreciation and fixed production costs for additional concrete batching facilities at Lam Tei Quarry, it is expected that the performance of the construction materials division in 2022 will be worse than that in 2021.

With the site formation works is approaching towards the advanced stage, the production and sales volume of aggregates of quarrying division will heavily rely on the volume of rock imported to Lam Tei Quarry from the second half year of 2022. There is a positive response from both sides in the dialogue with the Government to explore the possibility to continue the operations on Lam Tei Quarry after completion of the site formation works.

For other investments made by the Group, the Group would monitor closely their performance and review the investment strategy periodically. The Group continues actively to explore the co-investment opportunities with 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, 2022.

## **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, 2022.

## **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, 2022.

## **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, 2022.

## **PUBLICATION OF THE INTERIM RESULTS AND INTERIM 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 Interim Report 2022 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, 24th August, 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.*