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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, 2024

Financial Performance Highlights

Revenue	HK\$6,547 million
Loss attributable to owners of the Company	HK\$415 million
Basic loss per share	HK52.29 cents
Equity attributable to owners of the Company per share	HK\$9.42

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, 2024 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30TH JUNE, 2024

		Six months ended 30th June,	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue from goods and services	3	6,546,977	6,077,053
Cost of sales		(5,936,187)	(5,320,060)
Gross profit		610,790	756,993
Other income	5	72,299	75,274
Other gains and losses	6	(65,360)	(112,633)
Selling and distribution costs		(51,356)	(46,410)
Administrative expenses		(354,979)	(328,701)
Finance costs	7	(50,545)	(52,179)
Share of results of associates		(448,644)	(539,876)
Share of results of joint ventures		(45,454)	(1,982)
Loss before tax	8	(333,249)	(249,514)
Income tax expense	9	(22,253)	(82,527)
Loss for the period		(355,502)	(332,041)
(Loss) profit for the period attributable to:			
Owners of the Company		(414,693)	(433,028)
Non-controlling interests		59,191	100,987
		(355,502)	(332,041)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	11		
- Basic		(52.29)	(54.60)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE, 2024**

	Six months ended 30th June,	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(355,502)</u>	<u>(332,041)</u>
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(9,327)	(18,070)
Fair value losses on hedging instruments designated in cash flow hedges	(10,288)	(11,910)
Exchange differences arising on translation of an associate	(194,203)	(77,563)
Share of cash flow hedging reserve of an associate	438	1,927
Other comprehensive expense for the period	<u>(213,380)</u>	<u>(105,616)</u>
Total comprehensive expense for the period	<u>(568,882)</u>	<u>(437,657)</u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(623,675)	(530,024)
Non-controlling interests	54,793	92,367
	<u>(568,882)</u>	<u>(437,657)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2024

		30th June, 2024 (Unaudited) HK\$'000	31st December, 2023 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		453,369	450,927
Right-of-use assets		101,427	121,034
Intangible assets		300,667	313,829
Goodwill		29,838	29,838
Interests in associates		6,361,600	7,005,866
Interests in joint ventures		4,530	58,149
Financial assets at fair value through profit or loss ("FVTPL")		1,220	874,123
Other financial asset at amortised cost		27,973	29,799
Derivative financial instruments		-	30,621
		7,280,624	8,914,186
Current assets			
Inventories	12	460,418	490,354
Debtors, deposits and prepayments	13	963,537	1,046,733
Contract assets	14	3,437,509	3,646,488
Loan to an associate		2,331	2,331
Amounts due from associates		13,835	13,813
Amount due from a joint venture		317	647
Amounts due from other partners of joint operations		9,976	28,950
Tax recoverable		17,601	40,408
Financial assets at FVTPL		1,174,657	388,152
Derivative financial instruments		20,333	-
Cash held on behalf of customers		10,521	9,369
Pledged bank deposits		89,320	73,912
Time deposits with original maturity of not less than three months		1,096	35,697
Bank balances and cash		1,513,086	1,664,534
		7,714,537	7,441,388
Current liabilities			
Creditors and accrued charges	15	4,230,582	4,445,888
Contract liabilities		715,518	555,144
Amounts due to associates		25,085	24,061
Amounts due to other partners of joint operations		3,993	32,545
Amounts due to non-controlling shareholders		1,363	1,363
Lease liabilities		60,912	59,373
Tax liabilities		78,454	202,092
Bank loans		1,190,059	381,471
		6,305,966	5,701,937
Net current assets		1,408,571	1,739,451
Total assets less current liabilities		8,689,195	10,653,637

		30th June, 2024 (Unaudited) HK\$'000	31st December, 2023 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Provision for rehabilitation costs		31,724	31,909
Deferred tax liabilities		5,750	5,750
Obligations in excess of interests in associates		13,029	14,886
Amount due to an associate		301	1,035
Lease liabilities		45,245	70,236
Bank loans		-	977,500
Other creditors	16	23,000	355,116
Bonds		80,053	96,835
		199,102	1,553,267
Net assets		8,490,093	9,100,370
Capital and reserves			
Share capital		79,312	79,312
Share premium and reserves		7,395,332	8,019,007
Equity attributable to owners of the Company		7,474,644	8,098,319
Non-controlling interests		1,015,449	1,002,051
Total equity		8,490,093	9,100,370

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 D2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL 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, 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st December, 2023.

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, 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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,	
	2024	2023
	HK\$'000	HK\$'000
Type of goods and services		
Construction contracts	6,342,402	5,845,883
Sewage treatment plant operation	24,455	24,179
Steam fuel plant operation	84,127	79,139
Sale of construction materials	85,247	85,669
Sale of quarry products	10,746	42,183
	<u>6,546,977</u>	<u>6,077,053</u>
Timing of revenue recognition		
At a point in time	95,993	127,852
Over time	6,450,984	5,949,201
	<u>6,546,977</u>	<u>6,077,053</u>

4. SEGMENT INFORMATION

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

Construction, sewage treatment and steam fuel

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

Construction materials

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

Quarrying

- production and sale of quarry products

Property development and investment, toll road, investment and asset management

- strategic investment in Road King Infrastructure Limited, an associate of the Group

Segment revenue and results

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

Six months ended 30th June, 2024

	Segment revenue			Segment profit (loss)
	Gross	Inter-segment	External	
	HK\$'000	elimination	HK\$'000	HK\$'000
		HK\$'000		
Construction, sewage treatment and steam fuel	6,472,335	(21,351)	6,450,984	86,444
Construction materials	323,685	(238,438)	85,247	50,721
Quarrying	90,499	(79,753)	10,746	(4,791)
Property development and investment, toll road, investment and asset management	-	-	-	(457,165)
Total	6,886,519	(339,542)	6,546,977	(324,791)

Six months ended 30th June, 2023

	Segment revenue			Segment profit (loss) HK\$ '000
	Gross HK\$ '000	Inter-segment elimination HK\$ '000	External HK\$ '000	
Construction, sewage treatment and steam fuel	5,973,534	(24,333)	5,949,201	145,972
Construction materials	285,571	(199,902)	85,669	30,274
Quarrying	111,126	(68,943)	42,183	16,199
Property development and investment, toll road, investment and asset management	-	-	-	(543,263)
Total	6,370,231	(293,178)	6,077,053	(350,818)

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 loss to loss attributable to owners of the Company

	Six months ended 30th June,	
	2024 HK\$ '000	2023 HK\$ '000
Total segment loss	(324,791)	(350,818)
Unallocated items		
Other income	32,843	33,883
Other gains and losses	(53,280)	(40,399)
Administrative expenses	(33,410)	(41,962)
Finance costs	(37,336)	(35,073)
Share of results of associates	250	1,263
Share of results of joint ventures	1,031	78
Loss attributable to owners of the Company	(414,693)	(433,028)

5. OTHER INCOME

	Six months ended 30th June,	
	2024	2023
	HK\$'000	HK\$'000
Other income includes:		
Dividend income from financial asset at FVTPL	515	277
Interest on financial asset at FVTPL	10,882	12,138
Interest on other receivables	1,447	5,683
Interest on bank deposits	13,188	13,753
Interest on loan to an associate	32	32
Interest on other financial asset at amortised cost	341	370
Interest on interest rate swap contracts	14,590	11,298
Operation fee income	21,117	25,904
Rental income from land and buildings	157	224
Rental income from plant and machinery	308	308
Service income from an associate	30	30

6. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2024	2023
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment, net	1,170	6,560
Loss on change in fair value of financial assets at FVTPL, net	(23,670)	(117,213)
Allowance for credit losses	(130)	(1,980)
Impairment loss on interest in a joint venture	(6,691)	-
Written down to net realisable value of inventory	(36,039)	-
	(65,360)	(112,633)

7. FINANCE COSTS

	Six months ended 30th June,	
	2024	2023
	HK\$'000	HK\$'000
Interest on bank loans	47,296	48,919
Interest on other borrowings	679	511
Interest on lease liabilities	2,199	2,389
Imputed interest on non-current amount due to an associate	371	360
	50,545	52,179

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30th June,	
	2024	2023
	HK\$'000	HK\$'000
Amortisation of intangible assets (<i>note</i>)	6,802	7,995
Depreciation of property, plant and equipment (<i>note</i>)	34,523	35,955
Depreciation of right-of-use assets	28,552	29,952
Exchange loss, net	13,811	28,526
Share of income tax expense of associates (included in share of results of associates)	191,813	103,526

Note: Included in amortisation of intangible assets and depreciation of property, plant and equipment, nil (six months ended 30th June, 2023: HK\$1,223,000) and HK\$18,000 (six months ended 30th June, 2023: HK\$22,000) were capitalised in inventories respectively.

9. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2024	2023
	HK\$'000	HK\$'000
Current tax		
Hong Kong	18,016	80,200
Other regions in the People's Republic of China (the "PRC")	1,928	-
	19,944	80,200
(Over) under provision in prior years		
Hong Kong	(15)	1,944
The PRC	2,324	383
	2,309	2,327
	22,253	82,527

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.

In July 2023, a subsidiary of the Company received tax assessments for the year of assessment 2016/17 and 2017/18 from the Inland Revenue Department in which a certain deductible item in relation to the operation of that subsidiary was disallowed.

Subsequent to the subsidiary's submission of objection with grounds that the expenditure was incurred in the production of assessable profits, the Inland Revenue Department agreed the grounds of objection and issued the revised tax assessments for the year of assessment 2016/17 and 2017/18 allowing the deduction of such expenditure in May 2024.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2024 (six months ended 30th June, 2023: nil).

11. LOSS PER SHARE

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

	Six months ended 30th June,	
	2024	2023
	HK\$'000	HK\$'000
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	(414,693)	(433,028)
	Six months ended 30th June,	
	2024	2023
Number of ordinary shares for the purpose of basic loss per share	793,124,034	793,124,034

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

12. INVENTORIES

	30th June, 2024	31st December, 2023
	HK\$'000	HK\$'000
Property under development		
Freehold land in Malaysia (<i>note a</i>)	47,641	48,657
Leasehold lands in Hong Kong (<i>note b</i>)	334,147	385,059
Raw materials	2,678	2,716
Consumables	5,266	5,852
Uninstalled construction materials	69,105	46,989
Finished goods	1,581	1,081
	460,418	490,354

Notes:

- (a) The carrying amount of the freehold land is stated at lower of cost and net realisable value.

- (b) The leasehold lands were originally acquired for the purpose of redevelopment under the Land Sharing Pilot Scheme (“LSPS”). As disclosed in the joint announcement of the Company and Build King Holdings Limited (“Build King”), a subsidiary of the Company, dated 2nd February, 2024, amongst other things was the reduction of purchase consideration of the leasehold lands by HK\$16,072,000. During the period, the Group incurred additional development costs of HK\$1,199,000 on the leasehold lands. However, the Group received a letter from the Land Sharing Office in March 2024 stating that it was not satisfied with the eligibility of the LSPS Application and would not process further the LSPS Application. On 30th April, 2024, the Group decided not to make any submission of revised or new LSPS Application before the LSPS deadline of 5th May, 2024, the original sale and purchase agreements as amended and supplemented (collectively the “Amended Sale and Purchase Agreements”) were terminated with immediate effect. Pursuant to the Amended Sale and Purchase Agreements, following the termination thereof, the acquisitions of the subsidiaries shall be unwound (the “Unwinding”). The Unwinding is still in progress and upon completion of the Unwinding, the Group will cease to have any interest in the leasehold lands. The leasehold lands are stated at net realisable values at 30th June, 2024, which will be derecognised upon completion of the Unwinding. No depreciation charge is made on the leasehold lands taking into account the estimated residual values at the reporting dates.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2024 HK\$'000	31st December, 2023 HK\$'000
Trade debtors - contracts with customers	592,902	655,474
Less: Allowance for credit losses	(4,090)	(3,960)
	588,812	651,514
Bills receivables	8,771	3,735
Other debtors	236,878	255,034
Deposits	115,178	123,627
Prepayments	13,898	12,823
	963,537	1,046,733

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

	30th June, 2024 HK\$'000	31st December, 2023 HK\$'000
Trade debtors		
0 to 60 days	553,831	616,889
61 to 90 days	5,487	1,905
Over 90 days	29,494	32,720
	588,812	651,514

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\$555,442,000 (31st December, 2023: HK\$610,755,000) and credit-impaired trade debtors with gross amount of HK\$11,866,000 (31st December, 2023: HK\$11,754,000) 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.

14. CONTRACT ASSETS

	30th June, 2024 HK\$'000	31st December, 2023 HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts	2,612,954	2,918,783
Retention receivables of construction contracts	824,555	727,705
	3,437,509	3,646,488
Retention receivables of construction contracts		
Due within one year	285,213	310,406
Due after one year	539,342	417,299
	824,555	727,705

At 30th June, 2024, the Group's unbilled revenue of construction contracts included an amount of HK\$2,000 (31st December, 2023: HK\$24,648,000) 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, 2024. After the assessment performed by the Group, the impairment allowance on contract assets is insignificant to the Group for both periods.

15. CREDITORS AND ACCRUED CHARGES

	30th June, 2024 HK\$'000	31st December, 2023 HK\$'000
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	226,864	363,964
61 to 90 days	65,672	62,782
Over 90 days	17,203	14,639
	309,739	441,385
Retention payables	1,042,520	972,682
Accrued project costs	2,334,901	2,737,107
Other creditors and accrued charges	543,422	294,714
	4,230,582	4,445,888
Retention payables		
Due within one year	337,514	342,930
Due after one year	705,006	629,752
	1,042,520	972,682

At 30th June, 2024, the Group's trade creditors included an amount of HK\$970,000 (31st December, 2023: HK\$376,000) due to a related company which is an associate of a substantial shareholder of the Company.

For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction works and are expected to be settled within the Group's normal operating cycle.

16. OTHER CREDITORS

	30th June, 2024 HK\$'000	31st December, 2023 HK\$'000
Consideration payable on acquisition of subsidiaries (<i>note</i>)	-	332,116
Other creditors	23,000	23,000
	23,000	355,116

Note: In 2023, the Group acquired several subsidiaries and for transaction details, please refer to the joint announcement of the Company and Build King dated 28th April, 2023. According to the Amended Sale and Purchase Agreements, the remaining 90% of the consideration was payable in several stages and the management of the Group originally expected the full amounts to be payable in 2025. Therefore, the amounts were classified as non-current at 31st December, 2023. On 30th April, 2024, the Group terminated the transaction and the Unwinding is still in progress, accordingly the amounts are classified as current and recorded as other creditors and accrued charges at 30th June, 2024, which will be derecognised upon completion of the Unwinding.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2024 (six months ended 30th June, 2023: nil).

BUSINESS REVIEW

For the six months ended 30th June, 2024, the Group recorded revenue of HK\$6,547 million (six months ended 30th June, 2023: HK\$6,077 million) and an unaudited loss attributable to owners of the Company of HK\$415 million (six months ended 30th June, 2023: HK\$433 million).

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

For the six months ended 30th June, 2024, the Group shared a loss of HK\$457 million (six months ended 30th June, 2023: HK\$543 million) from Road King Infrastructure Limited (“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”), a subsidiary of the Company, which is classified under financial assets at fair value through profit or loss).

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, 2024, the fair value of the participation rights was HK\$122 million (31st December, 2023: HK\$138 million). For the six months ended 30th June, 2024, the Group recorded loss on change in fair value on the participation rights of HK\$1 million (six months ended 30th June, 2023: nil) and exchange loss on the participation rights of HK\$3 million (six months ended 30th June, 2023: HK\$9 million).

For the six months ended 30th June, 2024, Road King recorded an unaudited loss attributable to its owners of HK\$1,027 million (six months ended 30th June, 2023: HK\$1,220 million).

Affected by the ongoing downturn in the real estate market and sluggish sales, Road King only achieved total property sales (including joint venture and associate projects) of RMB7,304 million for the first half of 2024. The property sales comprised contracted sales of RMB6,712 million and outstanding subscribed sales of RMB592 million. The Yangtze River Delta Region and Guangdong-Hong Kong-Macao Greater Bay Area are the major sales regions.

In the first half of 2024, the real estate market in Hong Kong was sluggish, and property sales were unsatisfactory. In the first half of 2024, the total sales of the three projects in Hong Kong of Road King amounted to HK\$1,950 million.

Road King temporarily halted participation in land auctions to reserve funds for loan repayment, and therefore did not acquire any new project or land parcel during the period. As at 30th June, 2024, Road King had a total land reserve of approximately 2,950,000 sqm, of which 640,000 sqm were pre-sold but yet to be delivered.

The overall average daily traffic volume and toll revenue of Road King's expressway projects in Indonesia were 89,900 vehicles and HK\$919 million respectively, representing a decrease of 2% and an increase of 16% respectively compared to the corresponding period of last year. The significant increase in toll revenue was mainly because all expressway projects in Indonesia obtained approvals for the increase in toll rates in the second half of 2023, in particular, the approvals for the increase of approximately 25% and 29% in the special toll rates for the Solo Ngawi Expressway and Semarang Batang Expressway projects, respectively. Another two projects also obtained approvals for the increase in regular toll rates by approximately 8%.

The overall average daily traffic volume and toll revenue of Road King's expressway projects in Mainland China were 206,600 vehicles and HK\$675 million respectively, representing a decrease of 24% and 54% respectively compared to the corresponding period of last year. This was mainly due to the expiration of Road King's toll concession right of the Tangjin Expressway on 19th April, 2023 and the completion of the disposal of Road King's entire equity interests in the toll road business in Mainland China to Cornerstone Holdings Limited on 22nd April, 2024, resulting in a significant decline in revenue contribution from the toll road business in Mainland China compared to the corresponding period of last year. However, Road King shared a net gain after tax of approximately HK\$1,118 million from the disposal of its interests in the toll road business in Mainland China recognised in the first half of 2024.

After restructuring and rectification, the business scale of the remaining original investment and asset management businesses, which mainly comprised property fund investment as well as cultural and tourist businesses, has been significantly reduced, with non-core businesses closed and non-core assets sold. Going forward, Road King will continue to review the operation of its remaining businesses and take appropriate action in due course.

Throughout the years, Road King's property business has been operated under a well-established model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. In the second half of the year, the property management and operation team of Road King will continue its pragmatic approach and strive to ensure property delivery and strictly control its cash flow.

For toll road business, Road King will focus on optimising the operation of expressway projects in Indonesia to reduce costs, increase efficiency, and improve returns. Road King will actively follow the economic development policies of the Asia-Pacific region. Meanwhile, Road King will continue to identify and calibrate the toll road project portfolio to optimise Road King's toll road business.

Construction, Sewage Treatment and Steam Fuel

For the six months ended 30th June, 2024, the Group shared a profit of HK\$86 million (six months ended 30th June, 2023: HK\$146 million) from Build King. As of the date of this announcement, the Group holds 58.33% interest in Build King.

For the six months ended 30th June, 2024, Build King recorded revenue of HK\$6,472 million (six months ended 30th June, 2023: HK\$5,974 million) and an unaudited profit attributable to its owners of HK\$148 million (six months ended 30th June, 2023: HK\$250 million), a decrease of 41% as compared with that of 2023.

In Hong Kong, Build King provides a full spectrum of construction services from building construction and civil engineering to foundation, electrical and mechanical, interior refurbishments and fitting out works.

Since the beginning of the year, Build King has secured new construction contracts with an attributable contract value of approximately HK\$8.2 billion. As of the date of this announcement, the value of Build King's outstanding contracts to be completed was approximately HK\$33 billion, comprising HK\$22 billion from its civil division and HK\$11 billion from its building division.

In the Mainland China, Build King operates a sewage treatment plant in Wuxi for treating household and industrial wastewater and steam supply plants in Gansu and Hubei for providing steam to factories in industrial parks. Total revenue generated from its environmental projects in the Mainland China was HK\$109 million for the period (six months ended 30th June, 2023: HK\$103 million). The increase in revenue was primarily attributable to an improved performance of Build King's steam plant operation. During the period, Build King's four operating plants supplied an average of 91 tons of steam per hour, 15% higher than 79 tons of steam per hour in the same period last year. After deducting directly attributable expenses, segment loss narrowed to HK\$14 million (six months ended 30th June, 2023: HK\$27 million). The improvement arose mainly from increased revenue and deceleration in the depreciation of RMB, partially offset by a provision for impairment of HK\$7 million in Build King's cost of investment in its 49% joint venture operation of supplying heat to the Dezhou District.

During the period, the status of Build King's major investments is as follows:

- (i) As disclosed in the joint announcement of the Company and Build King dated 30th April, 2024, Build King unwound the sale and purchase agreements dated 28th April, 2023 (as amended and supplemented) (the "Amended Agreements") regarding the acquisition of two parcels of land located at Pak Shing Kok Road in Tsuen Kwan O, New Territories, Hong Kong, which was intended to be rezoned for development under the Land Sharing Pilot Scheme.

Build King currently anticipates a loss of HK\$36 million arising from the unwinding of the Amended Agreements and has therefore provided the loss in full in the period. Build King is negotiating with the vendors and their solicitors on the unwinding documents.

- (ii) Build King holds a 20% interest in an urban renewal project referred to as Haitao Garden, which was built in the 1980s and is located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the PRC. This project is to be redeveloped for residential and commercial use (the "Shenzhen Project"). As of the date of this announcement, the developer of the Shenzhen Project, which is a 20% owned associate of Build King, has entered into contracts with over 98% of the 1,281 owners on the site, covering over 98% of the gross floor area, for resettlement purposes. The demolition of Haitao Garden and the cancellation of the ownership rights and land title associated with the demolished properties are currently in progress. Barring unforeseen circumstances, it is expected that the acquisition of the remaining interest in the site could soon be completed, paving the way for the commencement of construction in the second quarter of 2025. The remaining 80% interest of the associate is held by Road King.

Construction Materials

For the six months ended 30th June, 2024, the construction materials division recorded revenue of HK\$324 million (six months ended 30th June, 2023: HK\$286 million) and a net profit of HK\$51 million (six months ended 30th June, 2023: HK\$30 million).

The significant increase in profit for the construction materials division compared to that of the same period in 2023 was mainly attributable to substantial improvement in results of concrete business in the first half of 2024, driven by increased sales volumes and higher profit margins. In 2024, the construction industry returned to its normal pace, which led to a surge in construction activities, subsequently boosting both the demand and prices of concrete. In addition, the order book for concrete remained stable, with most of the orders coming from our construction flagship. This steady stream of orders helped to mitigate fluctuations in sales turnover and contributed to the stabilization of the division's profitability.

Similar to 2023, the asphalt business recorded a minimal profit in the first half of 2024. The business continues to face significant challenges, including intense competition, as other competitors have adopted aggressive pricing strategies to secure orders.

Management remains dedicated to implementing prudent cost control measures and is committed to delivering high quality services to our customers to enhance competitiveness.

Quarrying

For the six months ended 30th June, 2024, the quarrying division recorded revenue of HK\$90 million (six months ended 30th June, 2023: HK\$111 million) and a net loss of HK\$5 million (six months ended 30th June, 2023: net profit of HK\$16 million).

As the volume of rock imported to the Lam Tei Quarry was below expectations which pushed up the unit cost of aggregates produced, the results of the quarrying division turned from a net profit to a net loss due to the significant decrease both in sales volume and profit margins of aggregates sold.

With all rock in Lam Tei Quarry almost excavated, the division's aggregates production depends heavily on the volume of rock imported. The volume and purchase costs of rock imported to Lam Tei Quarry are crucial factors influencing the division's performance. Consequently, the division's performance in the second half of 2024 will be closely tied to the volume of rock imported to Lam Tei Quarry.

Market prices of aggregates remains stable, though they experienced a slight decrease in the first quarter of 2024 due to abundant supplies of aggregates from Mainland China.

Fund Management Service and Securities Brokerage

WK Fund Management Limited (“WKFML”), which holds Type 4 (Advising on Securities) and Type 9 (Asset Management) licenses, and WK Securities Limited (“WKSL”), which holds Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) licenses, are both wholly-owned subsidiaries of the Group. WKFML focuses on fund management services, while WKSL specializes in securities brokerage.

Despite ongoing efforts, the client bases for both WKFML and WKSL remain limited. As a result, the division reported a loss of HK\$2 million (six months ended 30th June, 2023: HK\$2 million) for the six months ended 30th June, 2024.

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, 2024, the fair value of the equity securities of Emmaus was HK\$0.3 million (31st December, 2023: HK\$0.7 million), of which nil (31st December, 2023: HK\$0.4 million) was invested by Build King.

The Group holds certain listed equity securities in Hong Kong. At 30th June, 2024, the fair value of the listed equity securities in Hong Kong was HK\$19 million (31st December, 2023: HK\$19 million), of which (including 3,000,000 Road King Shares) HK\$5 million (31st December, 2023: HK\$7 million) was invested by Build King.

The Group also invested in quoted debt securities which are bonds and interest linked notes. At 30th June, 2024, the fair value of the Group’s portfolio of quoted debt securities was HK\$230 million (31st December, 2023: HK\$331 million), of which HK\$11 million (31st December, 2023: HK\$10 million) was invested by Build King.

Build King invested in an unlisted equity investment fund issued by a private entity incorporated in Hong Kong and an unlisted convertible bond issued by Emmaus. At 30th June, 2024, the fair value of the unlisted equity investment fund and the unlisted convertible bond were HK\$31 million (31st December, 2023: HK\$29 million) and nil (31st December, 2023: HK\$8 million) respectively.

For the six months ended 30th June, 2024, 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\$49 million (six months ended 30th June, 2023: HK\$64 million), of which the net loss of HK\$7 million (six months ended 30th June, 2023: HK\$33 million) was from the investments by Build King, mainly as a result of the significant drop in the quoted prices of the debt securities at 30th June, 2024.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the period, total borrowings decreased from HK\$1,478 million to HK\$1,293 million, which included bonds with carrying amounts of HK\$80 million (31st December, 2023: HK\$97 million) carrying no interest, with the maturity profile summarised as follows:

	30th June, 2024 HK\$'million	31st December, 2023 HK\$'million
Within one year	1,178	381
In the second year	24	1,000
In the third to fifth year inclusive	91	97
	1,293	1,478
Classified under:		
Current liabilities (<i>note</i>)	1,190	381
Non-current liabilities	103	1,097
	1,293	1,478

Note: At 30th June, 2024, 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\$12 million (31st December, 2023: nil) have been classified as current liabilities.

At 30th June, 2024, the Group had certain interest rate swap contracts, with an aggregate notional amount of HK\$720 million (31st December, 2023: HK\$760 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, 2024, the fair value of the interest rate swaps under derivative financial assets is HK\$20 million (31st December, 2023: HK\$31 million). For the six months ended 30th June, 2024, the Group recorded interest income on interest rate swap contracts of HK\$15 million (six months ended 30th June, 2023: HK\$11 million).

At 30th June, 2024, bank loans of HK\$13 million (31st December, 2023: HK\$41 million) carried interest at fixed rate.

At 30th June, 2024, total amount of the Group's time deposits, bank balances and cash was HK\$1,604 million (31st December, 2023: HK\$1,774 million), of which bank deposits amounting to HK\$89 million (31st December, 2023: HK\$74 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\$1,462 million (31st December, 2023: HK\$1,436 million).

For the six months ended 30th June, 2024, the Group recorded finance costs of HK\$51 million (six months ended 30th June, 2023: HK\$52 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. For the six months ended 30th June, 2024, the Group recorded net exchange loss of HK\$14 million (six months ended 30th June, 2023: HK\$29 million). The Group will continue to monitor its exposure to the currency risks closely.

Capital Structure and Gearing Ratio

At 30th June, 2024, the equity attributable to owners of the Company amounted to HK\$7,475 million, representing HK\$9.42 per share (31st December, 2023: HK\$8,098 million, representing HK\$10.21 per share).

At 30th June, 2024, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 17.3% (31st December, 2023: 18.3%) 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 -4.2% (31st December, 2023: -3.6%) as a result of total amount of time deposits, bank balances and cash exceeding total borrowings amount.

Pledge of Assets

At 30th June, 2024, apart from the bank deposits pledged to secure certain banking facilities granted to the Group, the quoted debt securities with an aggregate carrying amount of HK\$211 million (31st December, 2023: HK\$309 million) were also pledged to secure certain banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

At 30th June, 2024, the Group committed capital expenditure contracted for but not provided in the Group's condensed consolidated financial statements of HK\$85 million (31st December, 2023: HK\$32 million) in respect of acquisition of property, plant and equipment. At 30th June, 2024 and 31st December, 2023, the Group had no contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

At 30th June, 2024, the Group had 3,827 employees (31st December, 2023: 3,736 employees), of which 3,502 (31st December, 2023: 3,426) were located in Hong Kong, 318 (31st December, 2023: 303) were located in the PRC and 7 (31st December, 2023: 7) were located in Philippines. For the six months ended 30th June, 2024, the Group's total staff costs were HK\$989 million (six months ended 30th June, 2023: HK\$883 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 of the Company with reference to salaries paid by comparable companies, their responsibilities, employment conditions and prevailing market conditions.

FUTURE OUTLOOK

The construction division sustained strong momentum in securing new projects during the first half of 2024. However, it will adopt a more conservative approach in the second half of the year when bidding for new projects. The existing contracts in hand are expected to secure the division's turnover for the next one or even two years. As the economy slows down, the business environment is becoming increasingly competitive and challenging for all contractors. This heightened competition is likely to put significant pressure on tender prices and profit margins, making it difficult for the division to surpass its 2023 performance.

For the construction materials division, steady orders from our construction division are expected to sustain positive performance in 2024. However, the performance of the quarrying division will heavily depend on the volume of rock imported to the Lam Tei Quarry.

Regarding the Group's other investments, their performance will be closely monitored, with periodic reviews of the investment strategy.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions in Part 2 of Corporate Governance Code (the "Code") set out in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30th June, 2024.

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 C3 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, 2024.

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, 2024.

AUDIT COMMITTEE

The Audit Committee of the Company 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, 2024.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's website (www.waikee.com) and the Stock Exchange's website (www.hkexnews.hk). The Interim Report 2024 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, 22nd August, 2024

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, and four independent non-executive directors, namely Dr. Steve Wong Che Ming, Mr. Samuel Wan Siu Kau, Mr. Francis Wong Man Chung and Ms. Tsang Wing Yee.