



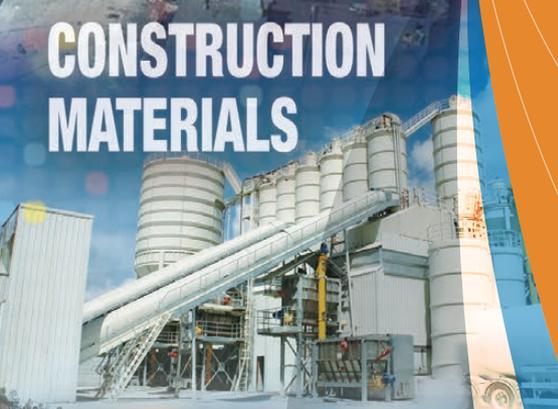
**PROPERTY  
DEVELOPMENT**



**TOLL ROAD**



**CONSTRUCTION**



**CONSTRUCTION  
MATERIALS**



**QUARRYING**



# Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

*INTERIM REPORT 2022*

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# Interim Results Highlights

The board of directors (the “Board”) of Wai Kee Holdings Limited (the “Company”) announces the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2022.

## FINANCIAL PERFORMANCE HIGHLIGHTS

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

# Business Review and Future Outlook

## 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 Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this report, 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.

# Business Review and Future Outlook

## **BUSINESS REVIEW (Cont'd)**

### **Property Development and Investment, Toll Road, Investment and Asset Management (Cont'd)**

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 report, 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.

# Business Review and Future Outlook

## **BUSINESS REVIEW (Cont'd)**

### **Construction, Sewage Treatment and Steam Fuel (Cont'd)**

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 report, 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.

# Business Review and Future Outlook

## BUSINESS REVIEW (Cont'd)

### 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 (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 (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.

# Business Review and Future Outlook

## BUSINESS REVIEW (Cont'd)

### 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.

## 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.

## 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
	<b>HK\$'million</b>	<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.

# Disclosure of Interests

## DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30th June, 2022, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

### (I) The Company

#### Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital
		Long position <i>(note 1)</i>	Short position	
				%
Zen Wei Pao, William	Personal	251,248,843 <i>(note 2)</i>	–	31.68
Zen Wei Peu, Derek	Personal	249,424,078 <i>(note 2)</i>	–	31.45
	Securities interest	45,567,000	–	5.75
Wong Che Ming, Steve	Personal	900,000	–	0.11

#### Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are parties to an agreement that is subject to section 317(1)(b) of the SFO. Each of them is thereby deemed to be interested in shares held by the other. Accordingly, for the purposes of section 317(1)(b) of the SFO, each of Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are deemed to be interested in a total of 500,672,921 shares, representing 63.13% of shares in issue of the Company, as at 30th June, 2022.

# Disclosure of Interests

## DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

### (II) Associated Corporations

#### Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued share capital
			Long position	Short position	
					%
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000 <i>(note 1)</i>	–	0.11 <i>(note 2)</i>
	Wai Kee (Zens) Construction & Transportation Company Limited <i>(note 4)</i>	Personal	2,000,000 <i>(note 1)</i>	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 <i>(note 1)</i>	–	37.50
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	123,725,228 <i>(note 1)</i>	–	9.96
	Road King Infrastructure Limited	Personal	24,649,000 <i>(notes 1 &amp; 3)</i>	–	3.29
	Wai Kee (Zens) Construction & Transportation Company Limited <i>(note 4)</i>	Personal	2,000,000 <i>(note 1)</i>	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 <i>(note 1)</i>	–	37.50
	WK Growth Fund Limited	Personal	3,800 <i>(note 1)</i>	–	16.66 <i>(note 5)</i>
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	1,116,000 <i>(note 1)</i>	–	0.09
	Road King Infrastructure Limited	Personal	205,000 <i>(note 1)</i>	–	0.03
Wong Che Ming, Steve	Build King Holdings Limited	Personal	407,448 <i>(note 1)</i>	–	0.03

#### Notes:

- Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
- As at 30th June, 2022, the issued share capital of Build King was 1,241,877,992 shares. Accordingly, the percentage has been adjusted.
- Included in the balance, 1,000,000 Road King shares are held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
- With effect from 29th February, 2016, the name of Wai Kee (Zens) Construction & Transportation Company Limited has been changed to Build King (Zens) Engineering Limited.
- As at 30th June, 2022, WK Growth Fund Limited had issued 22,809.90 non-voting participating shares. Accordingly, the percentage has been adjusted.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

# Disclosure of Interests

## DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

### (II) Associated Corporations (Cont'd)

#### Interests in debentures

Name of Director	Name of company	Capacity/ Nature of interest	Type of debenture	Principal amount held
Zen Wei Peu, Derek	RKI Overseas Finance 2017 (A) Limited (note 1)	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$800,000 (notes 2 & 3)
	RKPF Overseas 2019 (A) Limited (note 1)	Personal	US\$400 million 7.875% guaranteed senior notes	US\$11,000,000 (note 2)
	RKPF Overseas 2019 (A) Limited (note 1)	Personal	US\$480 million 6.7% guaranteed senior notes	US\$4,500,000 (notes 2 & 4)
Ho Gilbert Chi Hang	RKI Overseas Finance 2017 (A) Limited (note 1)	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$200,000 (note 2)

#### Notes:

1. This company is a wholly owned subsidiary of Road King Infrastructure Limited.
2. Long position.
3. The principal amount of US\$400,000 of US\$300 million 7% senior guaranteed perpetual capital securities is held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
4. The principal amount of US\$3,500,000 of US\$480 million 6.7% guaranteed senior notes is held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

## SHARE OPTIONS

### (I) The Company

A share option scheme (the "Share Option Scheme") adopted by the Company at the annual general meeting held on 15th May, 2012 expired on 14th May, 2022. No options have been granted under the Share Option Scheme since its adoption.

### (II) Associated Corporation

The share option scheme was adopted by Road King on 8th May, 2013 ("Road King Share Option Scheme"). As at 30th June, 2022, Road King has granted 3,500,000 share options under Road King Share Option Scheme to two existing Directors of the Company, all share options granted to those Directors have been exercised.

Save as disclosed above, none of the Directors nor their associates had any interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, none of the Directors nor their spouses or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

# Disclosure of Interests

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2022, so far as is known to any Director of the Company, the following persons (other than Directors of the Company) have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital
		Long position <i>(note 1)</i>	Short position	
				%
Cheng Yu Tung Family (Holdings) Limited <i>(note 2)</i>	Corporate	91,134,000	–	11.49
Cheng Yu Tung Family (Holdings II) Limited <i>(note 3)</i>	Corporate	91,134,000	–	11.49
Chow Tai Fook Capital Limited <i>(note 4)</i>	Corporate	91,134,000	–	11.49
Chow Tai Fook (Holding) Limited <i>(note 5)</i>	Corporate	91,134,000	–	11.49
Chow Tai Fook Enterprises Limited <i>(note 6)</i>	Corporate	91,134,000	–	11.49
New World Development Company Limited <i>(note 7)</i>	Corporate	91,134,000	–	11.49
NWS Holdings Limited <i>(note 8)</i>	Corporate	91,134,000	–	11.49
NWS Service Management Limited (incorporated in the Cayman Islands) <i>(note 9)</i>	Corporate	91,134,000	–	11.49
NWS Service Management Limited (incorporated in the British Virgin Islands) <i>(note 10)</i>	Corporate	91,134,000	–	11.49
Vast Earn Group Limited <i>(note 11)</i>	Beneficial owner	91,134,000	–	11.49

# Disclosure of Interests

## SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.
3. Cheng Yu Tung Family (Holdings II) Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.
4. Chow Tai Fook Capital Limited is deemed to be interested in the shares through its interests in its subsidiary, namely Chow Tai Fook (Holding) Limited.
5. Chow Tai Fook (Holding) Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.
6. Chow Tai Fook Enterprises Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.
7. New World Development Company Limited is deemed to be interested in the shares through its interests in its subsidiary, namely NWS Holdings Limited.
8. NWS Holdings Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands). Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are executive directors of NWS Holdings Limited.
9. NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the British Virgin Islands). Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are directors of NWS Service Management Limited (incorporated in the Cayman Islands).
10. NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited. Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are directors of NWS Service Management Limited (incorporated in the British Virgin Islands).
11. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands). Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are directors of Vast Earn Group Limited.

Save as disclosed above, no other person (other than Directors of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## **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 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.

## Other Information

### 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).

### 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.

### 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.

### DISCLOSURES PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 18th March, 2021, Trend Pacific Limited, a wholly owned subsidiary of the Company, as borrower, the Company as guarantor and five independent third party licensed banks in Hong Kong, one of which also acts as agent for the lending syndicate, entered into a facility agreement in respect of HK\$1,150 million term loan facility (the "2021 Facility") with final maturity date falling on 48 months from the first utilisation date of the 2021 Facility. Throughout the life of the 2021 Facility, (i) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek and such others person(s) nominated by either or both of them should collectively represent a majority of the executive directors of the Company; (ii) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek collectively own (directly or indirectly) at least 40% of the beneficial shareholding interest in the issued share capital of the Company; and (iii) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek collectively maintain to be the largest beneficial shareholder of the Company.

Save as disclosed above, as at 30th June, 2022, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

# Other Information

## DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Upon enquiry by the Company, save as disclosed below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

<b>Name of Director</b>	<b>Details of changes</b>
Ho Gilbert Chi Hang	Mr. Ho ceased to be a committee member of the Industry Advisory Committee of Insurance Authority on 1st June, 2022.
Wong Man Chung, Francis	Mr. Wong has resigned as an independent non-executive director of GCL Technology Holdings Limited (stock code: 3800) with effect from 31st May, 2022.

## 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**  
**Zen Wei Pao, William**  
*Chairman*

Hong Kong, 24th August, 2022



## TO THE BOARD OF DIRECTORS OF WAI KEE HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wai Kee Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 19 to 43, which comprise the condensed consolidated statement of financial position as of 30th June, 2022 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

24th August, 2022

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June, 2022

	Notes	Six months ended 30th June,	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
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>	324,775
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>	324,775
		HK\$	HK\$
<b>Earnings per share</b>	11		
– Basic		0.05	0.33

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2022

	Six months ended 30th June,	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Profit for the period	125,858	324,775
<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	(212,834)	316,324
<b>Total comprehensive (expense) income for the period</b>	<b>(86,976)</b>	641,099
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(159,926)	576,126
Non-controlling interests	72,950	64,973
	<b>(86,976)</b>	641,099

# Condensed Consolidated Statement of Financial Position

At 30th June, 2022

	Notes	<b>30th June, 2022 (Unaudited) HK\$'000</b>	31st December, 2021 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	12	549,225	551,602
Right-of-use assets	12	62,635	60,136
Intangible assets		361,510	446,148
Goodwill		29,838	29,838
Interests in associates	13	9,701,249	9,960,246
Loan to an associate		2,700	2,700
Interests in joint ventures	14	132,995	278,333
Financial assets at fair value through profit or loss ("FVTPL")	15	255,561	117,644
Other financial asset at amortised cost		34,444	36,782
Derivative financial instruments	16	47,916	11,421
Debtors, deposits and prepayments	17	-	24,561
		<b>11,178,073</b>	11,519,411
<b>Current assets</b>			
Inventories		73,835	48,234
Debtors, deposits and prepayments	17	811,032	784,083
Contract assets	18	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	15	553,432	912,549
Cash held on behalf of customers	19	28,481	25,729
Pledged bank deposits	20	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>	6,884,094
<b>Current liabilities</b>			
Creditors and accrued charges	21	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	22	502,696	943,798
		<b>5,062,759</b>	5,584,853
<b>Net current assets</b>		<b>1,417,415</b>	1,299,241
<b>Total assets less current liabilities</b>		<b>12,595,488</b>	12,818,652

# Condensed Consolidated Statement of Financial Position

At 30th June, 2022

	<i>Notes</i>	<b>30th June, 2022 (Unaudited) HK\$'000</b>	31st December, 2021 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>5,750</b>	18,468
Obligations in excess of interests in associates	13	<b>15,437</b>	15,949
Obligations in excess of interests in joint ventures	14	–	130
Amount due to an associate		<b>1,071</b>	1,827
Lease liabilities		<b>16,930</b>	23,286
Bank loans	22	<b>1,149,250</b>	1,150,000
Other creditors		<b>23,000</b>	23,000
Bonds		<b>124,289</b>	121,293
		<b>1,335,727</b>	1,353,953
<b>Net assets</b>			
		<b>11,259,761</b>	11,464,699
<b>Capital and reserves</b>			
Share capital		<b>79,312</b>	79,312
Share premium and reserves		<b>10,348,689</b>	10,595,859
Equity attributable to owners of the Company		<b>10,428,001</b>	10,675,171
Non-controlling interests		<b>831,760</b>	789,528
<b>Total equity</b>			
		<b>11,259,761</b>	11,464,699

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2022

	Equity attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000 (note a)	Assets revaluation reserve HK\$'000	Other reserve HK\$'000 (note b)	Retained profits HK\$'000			
At 1st January, 2021 (audited)	79,312	731,906	550,451	(29,530)	2,319	390,863	8,129,618	9,854,939	669,080	10,524,019
Profit for the period	-	-	-	-	-	-	261,744	261,744	63,031	324,775
Other comprehensive income for the period	-	-	292,900	-	-	21,482	-	314,382	1,942	316,324
Total comprehensive income for the period	-	-	292,900	-	-	21,482	261,744	576,126	64,973	641,099
Sub-total	79,312	731,906	843,351	(29,530)	2,319	412,345	8,391,362	10,431,065	734,053	11,165,118
Capital contribution paid on behalf of the non-controlling interest	-	-	-	-	-	(19,078)	-	(19,078)	19,078	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	(8,286)	-	(8,286)	8,286	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(16)	(16)
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	(37,584)	(37,584)
Dividend paid (note 10)	-	-	-	-	-	-	(190,350)	(190,350)	-	(190,350)
At 30th June, 2021 (unaudited)	79,312	731,906	843,351	(29,530)	2,319	384,981	8,201,012	10,213,351	723,817	10,937,168
At 1st January, 2022 (audited)	79,312	731,906	933,417	(29,530)	2,319	397,832	8,559,915	10,675,171	789,528	11,464,699
Profit for the period	-	-	-	-	-	-	42,889	42,889	82,969	125,858
Other comprehensive (expense) income for the period	-	-	(236,485)	-	-	33,670	-	(202,815)	(10,019)	(212,834)
Total comprehensive (expense) income for the period	-	-	(236,485)	-	-	33,670	42,889	(159,926)	72,950	(86,976)
Sub-total	79,312	731,906	696,932	(29,530)	2,319	431,502	8,602,804	10,515,245	862,478	11,377,723
Acquisition of a subsidiary (note 26)	-	-	-	-	-	-	-	-	1,498	1,498
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	(32,216)	(32,216)
Dividend paid (note 10)	-	-	-	-	-	-	(87,244)	(87,244)	-	(87,244)
<b>At 30th June, 2022 (unaudited)</b>	<b>79,312</b>	<b>731,906</b>	<b>696,932</b>	<b>(29,530)</b>	<b>2,319</b>	<b>431,502</b>	<b>8,515,560</b>	<b>10,428,001</b>	<b>831,760</b>	<b>11,259,761</b>

## Notes:

- (a) The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.
- (b) The other reserve represents (i) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company regarding the changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries; (ii) the share of other reserve of an associate of the Group; (iii) the hedging reserve; and (iv) the capital contribution paid on behalf of the non-controlling interest.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2022

	Notes	Six months ended 30th June,	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>Net cash from (used in) operating activities</b>		<b>657,175</b>	(29,722)
<b>Investing activities</b>			
Interest received		3,162	3,184
Dividends received from associates		66,722	181,263
Distributions received from joint ventures		179,739	1,561
Proceeds from disposal of property, plant and equipment		21,781	904
Purchase of property, plant and equipment		(46,734)	(91,480)
Payments for right-of-use assets		(2,321)	(5,604)
Additions of service concession arrangement		(22,172)	(27,125)
Payments for participation rights of a property development project		(137,917)	–
Net cash inflow arising on acquisition of a subsidiary	26	333	–
Net cash outflow arising on disposal of a subsidiary		–	(4,141)
Proceeds from disposal of partial interest in an associate		176	–
Acquisition of additional interests in associates		–	(15,102)
Advances to associates		(1,598)	(666,258)
Loans to a joint venture		–	(4,819)
Withdrawal (placement) of pledged bank deposits		13,663	(36,332)
Placement of time deposits with original maturity of not less than three months		(74,513)	(262,414)
Withdrawal of time deposits with original maturity of not less than three months		–	78,931
<b>Net cash from (used in) investing activities</b>		<b>321</b>	(847,432)
<b>Financing activities</b>			
Interest paid on bank loans, bonds and other borrowings		(26,734)	(18,183)
Interest paid on lease liabilities		(491)	(941)
Dividend paid	10	(87,244)	(190,350)
Distribution to non-controlling shareholders		(32,216)	(37,584)
Advances from associates		8	–
New bank loans raised		159,708	1,524,434
Repayments of bank loans		(595,035)	(253,782)
Repayment of bonds		–	(3,000)
Repayments of lease liabilities		(17,428)	(22,469)
<b>Net cash (used in) from financing activities</b>		<b>(599,432)</b>	998,125
<b>Net increase in cash and cash equivalents</b>		<b>58,064</b>	120,971
Cash and cash equivalents at the beginning of the period		2,042,022	1,649,636
Effect of foreign exchange rate changes, net		(3,166)	(968)
<b>Cash and cash equivalents at the end of the period</b>		<b>2,096,920</b>	1,769,639
<b>Analysis of the balance of cash and cash equivalents</b>			
Bank balances and cash		2,096,920	1,769,639

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 3. REVENUE FROM GOODS AND SERVICES

### Disaggregation of revenue from contracts with customers

	Six months ended 30th June,	
	2022 HK\$'000	2021 HK\$'000
<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
	<b>5,913,857</b>	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
	<b>5,913,857</b>	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"), the Group's 44.52% (31st December, 2021: 44.52%) associate whose shares are listed on the Main Board of the Stock Exchange

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 4. SEGMENT INFORMATION (Cont'd)

### 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 HK\$'000
	Gross HK\$'000	Inter-segment elimination HK\$'000	External HK\$'000	
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
<b>Total</b>	<b>6,127,471</b>	<b>(213,614)</b>	<b>5,913,857</b>	<b>165,855</b>

#### Six months ended 30th June, 2021

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 4. SEGMENT INFORMATION (Cont'd)

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

	Six months ended 30th June,	
	2022 HK\$'000	2021 HK\$'000
Total segment profit	165,855	264,844
Unallocated items		
Other income	20,128	12,175
Other gains and losses	(117,000)	25,267
Administrative expenses	(28,691)	(29,437)
Finance costs	(21,684)	(13,546)
Share of results of associates	176	387
Share of results of joint ventures	24,105	2,054
Profit attributable to owners of the Company	42,889	261,744

## 5. OTHER INCOME

	Six months ended 30th June,	
	2022 HK\$'000	2021 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 (the "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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 6. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2022 HK\$'000	2021 HK\$'000
Gain on bargain purchase on acquisition of additional interest in an associate ( <i>note</i> )	–	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)	–
	<b>(175,178)</b>	4,027

*Note:* During the six months ended 30th June, 2021, the Group purchased 1,500,000 ordinary shares in Road King at an aggregate consideration of HK\$15,098,000. The Group's interest in Road King increased in aggregate by 0.20% resulting in gain on bargain purchase of HK\$26,679,000 on acquisition of additional interest in Road King.

## 7. FINANCE COSTS

	Six months ended 30th June,	
	2022 HK\$'000	2021 HK\$'000
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
	<b>33,362</b>	27,497

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30th June,	
	2022 HK\$'000	2021 HK\$'000
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

*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 HK\$'000	2021 HK\$'000
Current tax		
Hong Kong	73,858	39,925
The PRC	1,602	–
	75,460	39,925
(Overprovision) underprovision in prior years		
Hong Kong	(42)	(1,205)
The PRC	3,308	756
	3,266	(449)
Deferred tax		
Credit for the period	(12,718)	–
	66,008	39,476

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 10. DIVIDEND

Dividend paid and recognised as distribution during the period:

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

The board of directors of the Company 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 HK\$'000	2021 HK\$'000
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	42,889	261,744

	Six months ended 30th June,	
	2022	2021
Number of ordinary shares for the purpose of basic earnings per share	793,124,034	793,124,034

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the period, the Group spent HK\$49,055,000 (six months ended 30th June, 2021: HK\$97,084,000) on additions to property, plant and equipment and right-of-use assets.

## 13. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	<b>30th June, 2022 HK\$'000</b>	31st December, 2021 HK\$'000
Cost of investments in associates		
Listed in Hong Kong ( <i>note a</i> )	<b>2,029,297</b>	2,029,507
Unlisted	<b>15,415</b>	15,415
	<b>2,044,712</b>	2,044,922
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	<b>7,641,100</b>	7,899,375
	<b>9,685,812</b>	9,944,297
Represented by:		
Interests in associates	<b>9,701,249</b>	9,960,246
Obligations in excess of interests in associates ( <i>note b</i> )	<b>(15,437)</b>	(15,949)
	<b>9,685,812</b>	9,944,297
Fair value of listed investments ( <i>note c</i> )	<b>1,868,207</b>	2,382,136

### Notes:

- (a) Included in the cost of investment in the associate listed in Hong Kong, there is goodwill of HK\$30,964,000 (31st December, 2021: HK\$30,964,000) arising on acquisition of additional interest in the associate during the year ended 31st December, 2007.
- (b) The Group has contractual obligations to share the net liabilities of certain associates.
- (c) The fair value of the listed investments is determined based on the quoted market bid price.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 14. INTERESTS IN JOINT VENTURES/OBLIGATIONS IN EXCESS OF INTERESTS IN JOINT VENTURES

	<b>30th June, 2022 HK\$'000</b>	31st December, 2021 HK\$'000
Cost of investments in unlisted joint ventures <i>Less: Impairment loss</i>	<b>76,056</b> <b>(34,265)</b>	186,048 (34,265)
	<b>41,791</b>	151,783
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>80,607</b>	92,316
	<b>122,398</b>	244,099
Loans to joint ventures ( <i>note a</i> )	<b>10,597</b>	34,104
	<b>132,995</b>	278,203
Represented by:		
Interests in joint ventures	<b>132,995</b>	278,333
Obligations in excess of interests in joint ventures ( <i>note b</i> )	–	(130)
	<b>132,995</b>	278,203

*Notes:*

- (a) The loans to joint ventures are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the loans are considered as part of the Group's net investments in the joint ventures.
- (b) The Group has contractual obligations to share the net liabilities of certain joint ventures.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 15. FINANCIAL ASSETS AT FVTPL

	<b>30th June, 2022 HK\$'000</b>	31st December, 2021 HK\$'000
<b>Financial assets mandatorily measured at FVTPL</b>		
Listed equity securities in Hong Kong	<b>32,622</b>	51,314
Quoted equity securities ( <i>note a</i> )	<b>3,078</b>	11,354
Unlisted equity investment ( <i>note b</i> )	<b>6,000</b>	6,000
Others ( <i>note c</i> )	<b>249,561</b>	111,644
	<b>291,261</b>	180,312
<b>Financial assets designated at FVTPL</b>		
Quoted debt securities ( <i>note d</i> )	<b>517,732</b>	849,881
	<b>808,993</b>	1,030,193
Classified under:		
Non-current assets	<b>255,561</b>	117,644
Current assets	<b>553,432</b>	912,549
	<b>808,993</b>	1,030,193

### Notes:

- (a) The quoted equity securities represent investment in equity securities issued by an entity (the "US Entity") incorporated in the United States of America (the "USA"). The US Entity is engaged in manufacture and sale of pharmaceutical products. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The quoted equity securities are available for trading at the USA's Over-The-Counter ("OTC") market and are revalued according to the available quoted OTC price at the end of each reporting period.
- (b) The unlisted equity investment represents investment in a private entity incorporated in Hong Kong. The fair value of the investment is measured with reference to the adjusted recent transaction price of the private entity.
- (c) On 30th November, 2021, RK Properties Holdings Limited ("RKP"), an indirect wholly owned subsidiary of Road King and Supreme Gain Limited ("Supreme Gain"), an indirect wholly owned subsidiary of the Company entered into a participation agreement and pursuant to which RKP granted participation rights to Supreme Gain which allow Supreme Gain to enjoy a pro rata portion of 32.5% of the economic interest attributable to RKP's 70% interest (or 22.75% attributable interest) in a property development project with the parcel of land located in Guangzhou, the PRC. The participation rights represent the right to share economic benefits and consequences under the relevant pro rata portion of RKP's interests. As the participation rights do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI, it is classified as financial assets at FVTPL. At 30th June, 2022, the fair value of the participation rights was HK\$249,561,000 (31st December, 2021: HK\$111,644,000).
- (d) The quoted debt securities represent investment in bonds and notes. They have been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The quoted debt securities were pledged to banks for securing certain banking facilities granted to the Group.

Details of fair value measurements are set out in note 23.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>30th June, 2022</b>	31st December, 2021
	<b>HK\$'000</b>	HK\$'000
Derivative financial assets (under hedge accounting)		
Cash flow hedges		
– Interest rate swaps	<b>47,916</b>	11,421

During the year ended 31st December, 2021, the Group entered into certain interest rate swap contracts to minimise its exposures to forecast cash flow interest rate risk on certain bank loans.

The terms of the interest rate swap contracts have been negotiated to match the terms of the respective designated hedging items and the directors consider that the interest rate swaps are effective hedging instruments and have designated them as cash flow hedging instruments for hedge accounting purpose. Included in bank loans as disclosed in note 22 were bank loans of HK\$800,000,000 which were under cash flow hedges. The major terms of these swap contracts at 30th June, 2022 are as follows:

Notional amount	HK\$800,000,000
Maturity date	25th March, 2025
Pay fixed rate range	0.62% to 0.73%
Receiving floating rate	One month HKD Hong Kong Interbank Offered Rate

All of the above interest rate swaps are designated and effective as cash flow hedges. The fair value gains of the above interest rate swaps amounting to HK\$36,495,000 (six months ended 30th June, 2021: losses of HK\$1,430,000) are recognised in other comprehensive income/expense and accumulated under the other reserve at 30th June, 2022. The directors of the Company expected the accumulated sum is to be released at various dates in the coming maturity periods after the reporting period. The classification of the fair value measurement of the above derivative financial instruments at 30th June, 2022 is Level 2 under the fair value hierarchy (see note 23 for details).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 17. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 17. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

The Group's other debtors included a loan with principal amount of US\$3,150,000 (equivalent approximately to HK\$24,718,000 (31st December, 2021: HK\$24,561,000)) (the "Loan") receivable from the US Entity. On 15th January, 2020, the Group and the US Entity entered into an agreement and pursuant to which the Loan was repayable on 15th June, 2020 and carried interest at 11% per annum. On 15th June, 2020, the Group and the US Entity further agreed that the Loan was extended to be repayable on 15th June, 2023 ("Loan Due Date") and carries interest at 12% per annum. On 13th July, 2020, the US Entity issued contingent common stock purchase warrant ("Warrant") to the Group to purchase from the US Entity up to its 1,250,000 common shares ("Warrant Shares") at an exercise price of US\$2.05 each. Pursuant to the terms of the Warrant, if full repayment of the Loan ("Repayment") is made on or before 15th June, 2022, the Warrant shall become exercisable for 500,000 Warrant Shares during the period from the date of Repayment to 15th June, 2025. If either Repayment is made during the period from 16th June, 2022 to Loan Due Date or no Repayment is made on Loan Due Date, the Warrant shall become exercisable for 1,250,000 Warrant Shares for the period from either the date of Repayment or Loan Due Date to 15th June, 2025. The directors of the Company consider the fair value of the Warrant is immaterial at the end of both reporting periods.

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.

## 18. CONTRACT ASSETS

	<b>30th June, 2022</b>	31st December, 2021
	<b>HK\$'000</b>	HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts ( <i>note a</i> )	<b>1,978,946</b>	2,228,564
Retention receivables of construction contracts ( <i>note b</i> )	<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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 18. CONTRACT ASSETS (Cont'd)

Notes:

- (a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade debtors when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.
- (b) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade debtors when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

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.

## 19. CASH HELD ON BEHALF OF CUSTOMERS

WK Securities Limited, a wholly owned subsidiary of the Company, maintains segregated accounts with authorised institutions to hold client's money arising from its normal course of business.

The Group has classified the client's money as cash held on behalf of customers under current assets of the condensed consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that it is liable for any loss or misappropriation of client's money.

The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

At 30th June, 2022, cash held on behalf of customers included an aggregate amount of HK\$573,000 (31st December, 2021: HK\$485,000) held on behalf of certain directors of the Company. The same amount is payable to these directors of the Company and included in creditors and accrued charges.

## 20. PLEDGED BANK DEPOSITS

At 30th June, 2022, bank deposits of the Group amounting to HK\$77,247,000 (31st December, 2021: HK\$90,910,000) were pledged to banks for securing certain banking facilities granted to the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 21. 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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 22. BANK LOANS

	<b>30th June, 2022 HK\$'000</b>	31st December, 2021 HK\$'000
The maturity of the bank loans that based on repayment schedules of respective loan agreements is as follows:		
Within one year	<b>360,101</b>	774,476
In the second year	<b>256,845</b>	153,532
In the third to fifth year inclusive	<b>1,035,000</b>	1,165,790
Total	<b>1,651,946</b>	2,093,798
Less: Amount due within one year or contain a repayment on demand clause shown under current liabilities	<b>(502,696)</b>	(943,798)
Amount shown under non-current liabilities	<b>1,149,250</b>	1,150,000
Secured	<b>169,196</b>	303,257
Unsecured	<b>1,482,750</b>	1,790,541
	<b>1,651,946</b>	2,093,798

At 30th June, 2022, bank loans of HK\$466,946,000 (31st December, 2021: HK\$806,998,000) contain a repayment on demand clause have been classified as current liabilities, of which bank loans that are repayable after one year after the end of the reporting period with an aggregate carrying amount of HK\$142,595,000 (31st December, 2021: HK\$169,322,000).

The share of a subsidiary of the Company, certain bank deposits and the quoted debt securities are pledged to secure certain banking facilities granted to the Group.

## 23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair values of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

Fair values of the Group's financial assets that are measured at fair value on a recurring basis (Cont'd)

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30th June, 2022 HK\$'000	31st December, 2021 HK\$'000			
Listed equity securities in Hong Kong	32,622	51,314	Level 1	Quoted bid price in an active market	N/A
Quoted equity securities in the USA	3,078	11,354	Level 1	Quoted bid price in the OTC market	N/A
Quoted debt securities	517,732	849,881	Level 1	Market bid price or quoted price in an active market or OTC market	N/A
Unlisted equity investment	6,000	6,000	Level 3	Adjusted recent transaction price	Adjusted transaction price
Participation rights of a property development project	249,561	111,644	Level 3	Fair value was determined by discount cash flow method	Discount rate
Derivative financial instruments – Interest rate swap contracts	47,916	11,421	Level 2	Fair value was provided by counterparty financial institution which used discount cash flow method	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated statement of financial position approximate to their fair values.

## 24. CAPITAL COMMITMENTS

	30th June, 2022 HK\$'000	31st December, 2021 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	84,460	87,934

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 25. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	Six months ended 30th June,	
	2022 HK\$'000	2021 HK\$'000
<b>Associates</b>		
Construction contract revenue	2,065	29,146
Service income	30	30
<b>Joint operations</b>		
Sale of construction materials	28,942	26,695
<b>Related companies (note)</b>		
Construction contract revenue	–	2,574
Project management fee income recognised (reversed)	20,360	(305)
Sale of construction materials	2,282	24,856
<b>Compensation of key management personnel</b>		
Short-term employee benefits	75,660	69,214
Post-employment benefits	2,730	2,509
	<b>78,390</b>	<b>71,723</b>

Note: The related companies are subsidiaries and an associate of a substantial shareholder of the Company.

## 26. ACQUISITION OF A SUBSIDIARY

On 14th March, 2022, the Group, through Build King Holdings Limited, further acquired 20% attributable interest in Ruyi Residence Development Sdn. Bhd. ("Ruyi Residence") from an independent joint venture partner at a cash consideration of Malaysian ringgit 1,000,000 (equivalent to HK\$1,873,000). Before the acquisition, the Group and other two independent third parties jointly controlled Ruyi Residence because unanimous consent from all joint venture partners was required to make decisions in the board of directors meeting under the constitution of Ruyi Residence. After the acquisition, the Group controls 84% of the voting powers in the board of directors of Ruyi Residence which give the Group the current ability to direct the relevant activities. The interest previously held by the Group in Ruyi Residence is deemed to be disposed with a remeasurement gain amounting to HK\$6,138,000 at the acquisition date. Ruyi Residence becomes a non-wholly owned subsidiary of the Group under HKFRS 10 "Consolidated Financial Statements" and its results, assets and liabilities are consolidated with those of the Group.

Acquisition-related costs had been excluded from the consideration transferred. The costs were insignificant and recognised as an expense within the administrative expenses line item in the condensed consolidated statement of profit or loss for the six months ended 30th June, 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 26. ACQUISITION OF A SUBSIDIARY (Cont'd)

**Assets acquired and liabilities assumed recognised at the date of acquisition are as follows:**

	<i>HK\$'000</i>
Property, plant and equipment	52,563
Other debtors, deposits and prepayments	35
Bank balances and cash	2,206
Amount due to the Group	(41,661)
Amount due to non-controlling interest	(3,781)
	9,362

The fair value of Ruyi Residence's identifiable assets and liabilities has been assessed by the management of the Group and it considered that the fair value of the other debtors, deposits and prepayments at the date of acquisition amounted to HK\$35,000, approximated to gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considered that contractual cash flows not expected to be collected was insignificant.

	<i>HK\$'000</i>
Consideration transferred	1,873
<i>Add:</i> Fair value of interest in a joint venture	5,991
<i>Add:</i> Non-controlling interest ( <i>note</i> )	1,498
<i>Less:</i> Net assets acquired	(9,362)
	–

*Note:* The non-controlling interest of 16% in Ruyi Residence recognised at the acquisition date was measured by reference to the proportionate shares of respective recognised amounts of net assets of relevant subsidiary and amounted to HK\$1,498,000.

### **Net cash inflow on acquisition of Ruyi Residence:**

	<i>HK\$'000</i>
Bank balances and cash acquired	2,206
<i>Less:</i> Cash consideration paid	(1,873)
	333

### **Impacts of acquisition on the results of the Group**

The impact arising from the acquisition of Ruyi Residence to the Group's profit for the period and revenue for the period is immaterial.

# Corporate Information

## EXECUTIVE DIRECTORS

ZEN Wei Pao, William (*Chairman*)  
ZEN Wei Peu, Derek  
(*Vice Chairman and Chief Executive Officer*)  
CHIU Wai Yee, Anriena

## NON-EXECUTIVE DIRECTORS

CHENG Chi Ming, Brian  
HO Gilbert Chi Hang

## INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Che Ming, Steve  
WAN Siu Kau, Samuel  
WONG Man Chung, Francis

## AUDIT COMMITTEE

WONG Man Chung, Francis (*Chairman*)  
WONG Che Ming, Steve  
WAN Siu Kau, Samuel

## NOMINATION COMMITTEE

ZEN Wei Pao, William (*Chairman*)  
WONG Che Ming, Steve  
WAN Siu Kau, Samuel  
WONG Man Chung, Francis  
ZEN Wei Peu, Derek

## REMUNERATION COMMITTEE

WAN Siu Kau, Samuel (*Chairman*)  
WONG Che Ming, Steve  
WONG Man Chung, Francis  
ZEN Wei Pao, William  
ZEN Wei Peu, Derek

## COMPANY SECRETARY

CHIU Wai Yee, Anriena

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditors*

## SOLICITORS

Reed Smith Richards Butler  
Conyers Dill & Pearman

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Bank of Communications (Hong Kong) Limited  
China Minsheng Banking Corp., Ltd.  
Hang Seng Bank Limited  
Cathay United Bank Company, Limited  
Bangkok Bank Public Company Limited  
China CITIC Bank International Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

Unit 1103, 11th Floor  
East Ocean Centre  
98 Granville Road  
Tsimshatsui  
Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor  
North Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited  
17/F., Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## STOCK CODE

The Stock Exchange of Hong Kong Limited – 610

## WEBSITE

[www.waikee.com](http://www.waikee.com)

