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WAI KEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2022

Financial Performance Highlights

Revenue	HK\$12,630 million
Loss attributable to owners of the Company	HK\$7 million
Basic loss per share	HK0.85 cents
Equity attributable to owners of the Company per share	HK\$12.59

RESULTS

The board of directors (the “Board”) of Wai Kee Holdings Limited (the “Company”) announces the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST DECEMBER, 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from goods and services	2	12,630,123	10,276,850
Cost of sales		(11,494,834)	(9,374,569)
Gross profit		1,135,289	902,281
Other income	4	148,430	122,884
Other gains and losses	5	(77,256)	(17,802)
Selling and distribution costs		(84,247)	(86,744)
Administrative expenses		(570,161)	(465,962)
Finance costs	6	(74,282)	(64,720)
Share of results of associates		(215,342)	458,907
Share of results of joint ventures		35,585	36,828
Profit before tax	7	298,016	885,672
Income tax expense	8	(122,043)	(84,964)
Profit for the year		175,973	800,708
(Loss) profit for the year attributable to:			
Owners of the Company		(6,762)	676,165
Non-controlling interests		182,735	124,543
		175,973	800,708
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share	10		
– Basic		(0.85)	85.25

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2022**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>175,973</u>	<u>800,708</u>
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(36,871)	12,094
Fair value gains on hedging instruments designated in cash flow hedges	48,777	11,421
Exchange differences arising on translation of an associate	(640,046)	376,040
Exchange differences arising on translation of joint ventures	120	974
Share of cash flow hedging reserve of an associate	<u>(3,613)</u>	<u>22,912</u>
Other comprehensive (expense) income for the year	<u>(631,633)</u>	<u>423,441</u>
Total comprehensive (expense) income for the year	<u>(455,660)</u>	<u>1,224,149</u>
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	(620,380)	1,093,464
Non-controlling interests	<u>164,720</u>	<u>130,685</u>
	<u>(455,660)</u>	<u>1,224,149</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2022**

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		473,546	551,602
Right-of-use assets		150,125	60,136
Intangible assets		332,527	446,148
Goodwill		29,838	29,838
Interests in associates		9,029,210	9,960,246
Loan to an associate		2,700	2,700
Interests in joint ventures		62,189	278,333
Financial assets at fair value through profit or loss ("FVTPL")		197,523	117,644
Other financial asset at amortised cost		32,507	36,782
Derivative financial instruments		60,198	11,421
Debtors, deposits and prepayments	<i>11</i>	-	24,561
		10,370,363	11,519,411
Current assets			
Inventories		129,840	48,234
Debtors, deposits and prepayments	<i>11</i>	854,517	784,083
Contract assets	<i>12</i>	2,949,620	2,883,915
Amounts due from associates		14,001	12,006
Amount due from a joint venture		663	720
Amounts due from other partners of joint operations		23,885	22,521
Tax recoverable		21,489	41,195
Financial assets at FVTPL		527,161	912,549
Cash held on behalf of customers		33,753	25,729
Pledged bank deposits		113,696	90,910
Time deposits with original maturity of not less than three months		235,101	20,210
Bank balances and cash		2,318,005	2,042,022
		7,221,731	6,884,094
Current liabilities			
Creditors and accrued charges	<i>13</i>	4,076,677	4,099,308
Contract liabilities		512,747	405,696
Amounts due to associates		22,595	21,416
Amounts due to other partners of joint operations		9,063	344
Amounts due to non-controlling shareholders		1,363	3,359
Lease liabilities		43,278	27,936
Tax liabilities		231,470	82,996
Bank loans		391,253	943,798
		5,288,446	5,584,853
Net current assets		1,933,285	1,299,241
Total assets less current liabilities		12,303,648	12,818,652

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Provision for rehabilitation costs	35,149	-
Deferred tax liabilities	5,750	18,468
Obligations in excess of interests in associates	15,445	15,949
Obligations in excess of interests in joint ventures	-	130
Amount due to an associate	1,420	1,827
Lease liabilities	102,363	23,286
Bank loans	1,113,500	1,150,000
Other creditors	23,000	23,000
Bonds	127,358	121,293
	<u>1,423,985</u>	<u>1,353,953</u>
Net assets	<u>10,879,663</u>	<u>11,464,699</u>
Capital and reserves		
Share capital	79,312	79,312
Share premium and reserves	9,904,848	10,595,859
	<u>9,984,160</u>	<u>10,675,171</u>
Equity attributable to owners of the Company	9,984,160	10,675,171
Non-controlling interests	895,503	789,528
	<u>10,879,663</u>	<u>11,464,699</u>

Notes:

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on 1st January, 2022 for the preparation of the 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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1st January, 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1st January, 2024.

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1st January, 2023, with early application permitted. At 31st December, 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$136,852,000 and HK\$145,641,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

2. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

Year ended 31st December, 2022

	Construction, sewage treatment and steam fuel <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Quarrying <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Type of goods and services				
Construction contracts	12,183,180	-	-	12,183,180
Sewage treatment plant operation	51,819	-	-	51,819
Steam fuel plant operation	127,939	-	-	127,939
Sale of construction materials	-	184,532	-	184,532
Sale of quarry products	-	-	82,653	82,653
Total	12,362,938	184,532	82,653	12,630,123
Geographical markets				
Hong Kong	12,160,759	184,532	82,653	12,427,944
Other regions in the People's Republic of China (the "PRC")	202,179	-	-	202,179
Total	12,362,938	184,532	82,653	12,630,123
Timing of revenue recognition				
At a point in time	-	184,532	82,653	267,185
Over time	12,362,938	-	-	12,362,938
Total	12,362,938	184,532	82,653	12,630,123

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

	Segment revenue <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from contracts with customers			
Construction, sewage treatment and steam fuel	12,422,558	(59,620)	12,362,938
Construction materials	472,854	(288,322)	184,532
Quarrying	204,770	(122,117)	82,653
	13,100,182	(470,059)	12,630,123

Year ended 31st December, 2021

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

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

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

3. SEGMENT INFORMATION

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

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

Construction materials
 – production and sale of concrete
 – production, sale and laying of asphalt

Quarrying
 – production and sale of quarry products

Property development and investment, toll road, investment and asset management
 – strategic investment in Road King Infrastructure Limited (“Road King”), an associate of the Group

Segment revenue and results

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

Year ended 31st December, 2022

	Segment revenue			Segment profit (loss) HK\$'000
	Gross HK\$'000	Inter-segment elimination HK\$'000	External HK\$'000	
Construction, sewage treatment and steam fuel	12,422,558	(59,620)	12,362,938	246,431
Construction materials	472,854	(288,322)	184,532	22,524
Quarrying	204,770	(122,117)	82,653	35,919
Property development and investment, toll road, investment and asset management	-	-	-	(220,545)
Total	13,100,182	(470,059)	12,630,123	84,329

Year ended 31st December, 2021

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

Segment profit (loss) represents profit (loss) after tax and non-controlling interests for each reportable and operating segment and includes other income, other gains and losses, share of results of associates and share of results of joint ventures which are attributable to reportable and operating segments, but excluding corporate income and expenses (including staff costs, other administrative expenses and finance costs), other gains and losses, share of results of associates and share of results of joint ventures which are not attributable to any of the reportable and operating segments and are classified as unallocated items. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Reconciliation of total segment profit to (loss) profit attributable to owners of the Company

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total segment profit	84,329	685,854
Unallocated items		
Other income	45,315	34,450
Other gains and losses	(36,679)	42,339
Administrative expenses	(76,366)	(64,195)
Finance costs	(52,689)	(36,063)
Share of results of associates	5,309	1,176
Share of results of joint ventures	24,019	12,604
(Loss) profit attributable to owners of the Company	<u>(6,762)</u>	<u>676,165</u>

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income mainly includes:		
Dividend income from financial asset at FVTPL	1,935	2,695
Employment Support Scheme	25,995	-
Interest on financial asset at FVTPL	36,574	46,907
Interest on other receivables	12,005	10,715
Interest on bank deposits	11,302	2,571
Interest on loan to an associate	71	74
Interest on other financial asset at amortised cost	829	958
Interest on interest rate swap contracts, net	5,063	-
Government subsidy for project in the PRC	760	8,110
Government subsidy	1,330	1,256
Operation fee income	41,540	30,523
Rental income from land and buildings	562	528
Rental income from plant and machinery	3,012	3,606
Service income from an associate	60	60

5. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss on change in fair value of financial assets at FVTPL, net	(92,246)	(143,322)
Loss on disposal of partial interest in an associate	(539)	-
Gain on disposal of property, plant and equipment, net	6,661	2,481
Remeasurement gain on interest previously held in a joint venture	6,138	-
Discharge of amount due to a non-controlling shareholder	1,996	-
Gain on lease modification and rent concession	734	3,068
Gain on bargain purchase on acquisition of additional interest in an associate	-	111,612
Remeasurement gain of interest previously held in a joint operation	-	40,617
Impairment loss on interest in a joint venture	-	(34,265)
Reversal of allowance for credit losses	-	2,635
Loss on disposal of a subsidiary	-	(628)
	<u>(77,256)</u>	<u>(17,802)</u>

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank loans	60,973	42,789
Interest on bonds	-	650
Interest on interest rate swap contracts, net	-	3,245
Interest on lease liabilities	1,886	1,494
Interest on other borrowings	978	920
Imputed interest on bonds	6,065	5,776
Imputed interest on payable for extraction right	2,582	7,423
Imputed interest on provision for rehabilitation costs	1,100	1,748
Imputed interest on non-current amount due to an associate	698	675
	<u>74,282</u>	<u>64,720</u>

7. PROFIT BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	4,142	3,785
Amortisation of intangible assets (<i>note</i>)	112,637	59,663
Depreciation of property, plant and equipment (<i>note</i>)	131,534	117,181
Depreciation of right-of-use assets	39,833	33,252
Exchange loss (gain), net	48,354	(7,212)
Share of income tax expense of associates (included in share of results of associates)	284,739	1,016,778
Staff costs	1,652,489	1,462,566
Write-down of inventories	-	609
	<u>2,263,738</u>	<u>2,101,534</u>

Note: Included in amortisation of intangible assets and depreciation of property, plant and equipment, HK\$22,701,000 (2021: HK\$30,943,000) and HK\$29,481,000 (2021: HK\$25,885,000) were capitalised in inventories respectively.

8. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Hong Kong	129,908	73,207
The PRC	3,356	5,653
	<u>133,264</u>	<u>78,860</u>
(Overprovision) underprovision in prior years		
Hong Kong	(1,690)	8,352
The PRC	3,187	771
	<u>1,497</u>	<u>9,123</u>
Deferred tax		
Credit for the year	(12,718)	(3,019)
	<u>122,043</u>	<u>84,964</u>

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% for both years.

9. DIVIDENDS

Dividends paid and recognised as distributions during the year:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
2021 final dividend – HK11 cents per share (2021: 2020 final dividend – HK24 cents per share)	87,244	190,350
2022 interim dividend – Nil (2021: 2021 interim dividend – HK7 cents per share)	-	55,518
	<u>87,244</u>	<u>245,868</u>

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2022 (2021: HK11 cents per ordinary share).

10. (LOSS) EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) earnings for the purpose of basic (loss) earnings per share (Loss) profit for the year attributable to owners of the Company)	<u>(6,762)</u>	<u>676,165</u>
	2022	2021
Number of ordinary shares for the purpose of basic (loss) earnings per share	<u>793,124,034</u>	<u>793,124,034</u>

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

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade debtors – contracts with customers	456,757	438,680
<i>Less:</i> Allowance for credit losses	(623)	(623)
	<u>456,134</u>	<u>438,057</u>
Bills receivables	19,295	26,638
Other debtors	248,668	235,438
Deposits	108,403	85,858
Prepayments	22,017	22,653
	<u>854,517</u>	<u>808,644</u>
Classified under:		
Non-current assets	-	24,561
Current assets	854,517	784,083
	<u>854,517</u>	<u>808,644</u>

At 1st January, 2021, trade receivables (net of allowance for credit losses) from contracts with customers amounted to HK\$345,008,000.

At 31st December, 2022, the Group's trade debtors included an amount of HK\$450,000 (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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade debtors		
0 to 60 days	414,014	401,111
61 to 90 days	4,957	2,391
Over 90 days	37,163	34,555
	<u>456,134</u>	<u>438,057</u>

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

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

12. CONTRACT ASSETS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Analysed as current:		
Unbilled revenue of construction contracts	2,220,778	2,228,564
Retention receivables of construction contracts	728,842	655,351
	<u>2,949,620</u>	<u>2,883,915</u>
Retention receivables of construction contracts		
Due within one year	105,903	83,803
Due after one year	622,939	571,548
	<u>728,842</u>	<u>655,351</u>

At 1st January, 2021, contract assets amounted to HK\$1,775,017,000.

At 31st December, 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 receivables from related companies which are subsidiaries of a substantial shareholder of the Company.

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

13. CREDITORS AND ACCRUED CHARGES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	486,112	374,742
61 to 90 days	102,396	81,625
Over 90 days	29,844	13,941
	<u>618,352</u>	<u>470,308</u>
Retention payables	879,476	641,789
Accrued project costs	2,289,636	2,651,185
Payable for extraction right	-	90,831
Other creditors and accrued charges	289,213	245,195
	<u>4,076,677</u>	<u>4,099,308</u>
Retention payables		
Due within one year	145,317	88,528
Due after one year	734,159	553,261
	<u>879,476</u>	<u>641,789</u>

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

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2022 (2021: HK11 cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Wednesday, 24th May, 2023, the register of members of the Company will be closed from Friday, 19th May, 2023 to Wednesday, 24th May, 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Thursday, 18th May, 2023.

BUSINESS REVIEW

For the year ended 31st December, 2022, the Group's revenue was HK\$12,630 million (2021: HK\$10,277 million), generating an audited consolidated loss attributable to owners of the Company of HK\$7 million (2021: profit of HK\$676 million), a decrease of HK\$683 million representing 101% of 2021 profit.

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

For the year ended 31st December, 2022, the Group shared a loss of HK\$221 million (2021: profit of HK\$457 million) from Road King, an associate of the Group. As of the date of this announcement, the Group holds 44.52% interest in Road King (excluding 3,000,000 ordinary shares in Road King ("Road King Shares")), representing 0.40% interest in Road King, held by Build King Holdings Limited ("Build King") which is classified under financial assets at fair value through profit or loss).

During the year ended 31st December, 2021, the Group purchased 5,717,000 Road King Shares and hence recognised gain on bargain purchase of HK\$112 million on acquisition of additional interest in Road King. During the year ended 31st December, 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 31st December, 2022, the fair value of the participation rights was HK\$196 million (2021: HK\$112 million).

For the year ended 31st December, 2022, Road King recorded an audited loss attributable to its owners of HK\$495 million (2021: profit of HK\$1,028 million), a decrease of HK\$1,523 million representing 148% of 2021 profit. In 2022, the Renminbi depreciated significantly against the US dollar and Road King therefore recorded net exchange loss of HK\$1,335 million, which had a significant impact on Road King's results for the year.

Despite the complex and volatile market environment, Road King's operation team made concerted efforts, kept abreast of the market trend and seized the window, achieving total property sales (including joint venture and associate projects) of RMB41,710 million in Mainland China in 2022. The property sales comprised contracted sales of RMB40,254 million and outstanding subscribed sales of RMB1,456 million, representing an increase of approximately 5% as compared to 2021. The Yangtze River Delta Region and Bohai Rim Region are the major sales regions with an average selling price of RMB24,000 per sqm.

To reserve cash for loan repayment purposes in 2023, Road King had been less active in large-scale land auctions during the year. Throughout the year, Road King acquired two pieces of land for residential purpose through listing-for-sale and co-development respectively with a total gross floor area of approximately 140,000 sqm, in which Road King accounts for 11.25% and 49% equity interest, respectively. As of 31st December, 2022, Road King had a total land reserve of approximately 4.69 million sqm, of which 1.16 million sqm were pre-sold but yet to be delivered. The Hong Kong projects are operating smoothly.

In 2022, toll revenue in Mainland China decreased by 12% to RMB2,782 million compared to the previous year, while average daily traffic volume decreased by 17% to 227,300 vehicles compared to the previous year. For Indonesian expressways, Road King had completed the acquisition of 39.77% equity interest in the Semarang-Batang expressway ("SB Expressway") in Central Java Province, Indonesia at a consideration of IDR3,823,400 million (approximately HK\$1,968 million) in December 2022, further expanding its overseas toll road portfolio. In 2022, toll revenue in Indonesia increased by 49% to RMB934 million compared to 2021. Average daily traffic volume increased to 91,800 vehicles (excluding the newly acquired SB Expressway, average daily traffic volume increased by 25% to 59,000 vehicles compared to 2021).

In 2022, overall average daily traffic volume and toll revenue of Road King's expressway projects in Mainland China and Indonesia reached 319,100 vehicles and RMB3,716 million respectively, representing a decrease of 1% and 2% compared to the previous year. Due to the surge in toll revenue of the expressways in Indonesia and the decrease in interest costs and operating expenses which offset by the decrease in the toll revenue of the expressways in Mainland China, profit of the toll road segment increased to HK\$627 million.

In 2022, the property development projects of investment and asset management segment (including joint venture and associate projects) achieved property sales of approximately RMB769 million. After restructuring and rectification, the business scale of the remaining original businesses, which mainly comprised property fund investment as well as cultural, tourist and commercial 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.

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. Going forward, Road King team will continue its pragmatic approach and strive to ensure property delivery and enhance its control on cash flow. To establish Road King as a more widely recognised and reliable developer in the market, it will continue to optimise market-oriented products and promote the brand name of Road King.

Road King began to accumulate overseas operating experience after expanding its expressway business in Indonesia in 2019. Road King has successfully acquired four expressways in Indonesia up to the present. In 2023, Road King will focus on promoting the increase in toll rates of the expressway projects in Indonesia, and actively follow the economic recovery policies rolled out in Mainland China. Meanwhile, Road King will continue to actively look for toll road projects with reasonable investment returns in Mainland China and the Asia-Pacific region to optimise its toll road business.

Construction, Sewage Treatment and Steam Fuel

For the year ended 31st December, 2022, the Group shared a profit of HK\$246 million (2021: HK\$167 million) from Build King. As of the date of this announcement, the Group holds 58.33% interest in Build King.

For the year ended 31st December, 2022, Build King recorded revenue of HK\$12,423 million (2021: HK\$10,030 million) and an audited profit attributable to its owners of HK\$434 million (2021: HK\$295 million), an increase of 47% as compared with that of 2021.

With outstanding works on hand which having been on increasing trend in past few years, Build King's turnover for the year continued to rise by 24%. The turnover growth rate was in fact lower than the budget because the fifth wave of COVID-19 caused intermittent suspension of many construction projects in early 2022. However, the situation had been significantly improved in the second half of 2022 and most of closed sites managed to resume work speedily after temporary suspension.

The gross profit of Build King increased by 33% from HK\$740 million to HK\$981 million, attributable not only to its rising turnover but also slight improvement of gross margin from 7.4% to 7.9%. The improved margin was mainly attributable to significant contribution from few projects where major additional works were concluded with reasonable profits. The increase of gross profit was partially offset by a 11% increase of administrative expenses and further loss of HK\$26 million in corporate bonds portfolio.

Since the issue of Build King's Annual Report 2021, Build King successfully bided new projects of total value of HK\$7.3 billion, of which HK\$2.7 billion were civil engineering projects and HK\$4.6 billion were building works. At the date of this announcement, the outstanding work on hand was maintained at HK\$25.8 billion, comparable to that at the end of 2021.

The infrastructure investment projects in the PRC recorded a 11% increase of turnover to HK\$202 million but the loss further increased from HK\$15 million to HK\$24 million. Because of the pandemic, only two newly constructed plants could start operation in the second half of the year but still at below break-even level while other two had been left idle for the whole year. For sewage treatment plant in Wuxi City, the operation continued to have its output close to its maximum capacity of 50,000 tons per day and contributed steady income as previous years.

Construction Materials

For the year ended 31st December, 2022, the construction materials division recorded revenue of HK\$473 million (2021: HK\$482 million) and a net profit of HK\$23 million (2021: HK\$33 million).

A notable reduction in profit for the construction materials division as compared with that of 2021 was mainly due to substantial increase in depreciation and fixed production costs in 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 the novel coronavirus confirmed cases hit the peak in Hong Kong, 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 in the first half of 2022.

In the second half of 2022, construction works in the construction industry have been picking up to clear the backlog of works affected by the novel coronavirus pandemic which significantly pushed up the demand of concrete particular in December 2022 and the first two months in 2023, hence the turnover and the net profit of the concrete business have been improved in the second half of 2022. The order book of concrete remains stable as majority of the concrete orders are from the Group's construction flagship.

For the asphalt business, slight loss was recorded in 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 securing orders.

After the execution of the supplementary agreement to extend the period of Lam Tei Quarry to the end of 2025 in October 2022, the rents during the extended period of the operations in Lam Tei Quarry charged to the division is reduced. Furthermore, as the concrete batching plants and the asphalt plant have been substantially depreciated by the end of 2022, depreciation costs will be also significantly reduced for the rest of the extended period. Hence, it is expected that there will be an improvement in the performance of the division in 2023.

The management continues to adopt prudent cost control measures and is committed to providing high quality of services to our customers in order to strengthen competitiveness.

Quarrying

For the year ended 31st December, 2022, the quarrying division recorded revenue of HK\$205 million (2021: HK\$213 million) and a net profit of HK\$36 million (2021: HK\$28 million).

The quarrying division recorded moderate improvement in profit compared with the corresponding period of last year.

The aggregates supply from Mainland China was tight thus the market price of aggregates stayed at high level in the first quarter of 2022. The supply of aggregates was resumed since the second quarter of 2022 hence the market price of aggregates remains stable. With the increase of new quarries in the Mainland China which increased the aggregates supply to Hong Kong, the market price of aggregates was slightly reduced in the first quarter of 2023.

In the first half of 2022, as the novel coronavirus pandemic had disrupted all construction activities causing lower demand for aggregates used for concrete production, there was a decline in sales quantity of aggregates despite of higher average selling prices for the aggregates sold.

In the second half of 2022, the resurgence of construction activities which pushed up the demand for concrete. With an increase in the volume of rock imported to Lam Tei, the sales quantity of aggregates was increased in the second half of 2022.

After the lengthy discussion with the Hong Kong Government, a fruitful result was achieved and a supplementary agreement was signed with Hong Kong Government in October 2022 to extend the period of the operation rights in Lam Tei Quarry to the end of 2025. As no extra rock is able to be excavated from Lam Tei Quarry, the semi-annual amounts payable to Hong Kong Government during the extended period will be substantially reduced. Furthermore, as the crushing plants have been substantially depreciated by the end of 2022, depreciation costs will also be significantly reduced for the rest of the extended period. Hence, it is expected that there will be an improvement in the performance of the division in 2023.

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 of 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.

On 30th August, 2022, the wholly owned subsidiary of Lion Trade entered into a purchase and sale agreement to dispose of its 34.35% interest in JV Fund II to GPI Opportunity Fund II, LLC (“GPI”, holding 65.65% interest in JV Fund II) at the consideration of US\$6.35 million. The disposal was completed in November 2022 and the Group received cash distribution of the net sale proceeds from GPI in November 2022.

For the year ended 31st December, 2022, Lion Trade shared profit of HK\$35 million (2021: HK\$18 million) from its investments in these two US joint venture companies. During the year, the Group received cash distribution of US\$27.9 million from these two US joint venture companies and GPI (2021: US\$0.6 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\$4 million (2021: HK\$4 million) for the year ended 31st December, 2022.

Investment in equity securities and debt securities

The Group holds certain equity securities of Emmaus Life Sciences, Inc. (“Emmaus”), a company incorporated and engaged in manufacture and sale of pharmaceutical products in the USA. The equity securities of Emmaus are available for trading at the USA’s Over-the-Counter market. At 31st December, 2022, the fair value of the equity securities of Emmaus was HK\$2 million (2021: HK\$11 million), of which HK\$1 million (2021: HK\$7 million) was invested by Build King.

The Group holds certain listed equity securities in Hong Kong. At 31st December, 2022, the fair value of the listed equity securities in Hong Kong was HK\$29 million (2021: HK\$51 million), of which (including 3,000,000 Road King Shares) HK\$15 million (2021: HK\$37 million) was invested by Build King.

The Group also holds certain quoted debt securities which are bonds and interest linked notes. At 31st December, 2022, the fair value of the Group’s portfolio of quoted debt securities was HK\$497 million (2021: HK\$850 million), of which HK\$103 million (2021: HK\$336 million) was invested by Build King.

For the year ended 31st December, 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\$54 million (2021: HK\$94 million), of which the net loss of HK\$45 million (2021: HK\$47 million) was from the investments by Build King, as a result of the drop in the quoted prices of the equity and debt securities at 31st December, 2022.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, total borrowings decreased from HK\$2,238 million to HK\$1,655 million, which included bonds with carrying amounts of HK\$127 million (2021: HK\$121 million) carrying no interest, with the maturity profile summarised as follows:

	31st December,	
	2022	2021
	HK\$'million	HK\$'million
Within one year	277	775
In the second year	250	153
In the third to fifth year inclusive	1,128	1,310
	<u>1,655</u>	<u>2,238</u>
Classified under:		
Current liabilities (<i>note</i>)	391	944
Non-current liabilities	1,264	1,294
	<u>1,655</u>	<u>2,238</u>

Note: At 31st December, 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\$114 million (2021: HK\$169 million) have been classified as current liabilities.

At 31st December, 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 31st December, 2022, the fair value of the interest rate swaps under derivative financial assets is HK\$60 million (2021: HK\$11 million).

At 31st December, 2022, bank loans of HK\$44 million (2021: HK\$51 million) carried interest at fixed rate.

At 31st December, 2022, total amount of the Group's time deposits, bank balances and cash was HK\$2,667 million (2021: HK\$2,153 million), of which bank deposits amounting to HK\$114 million (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\$2,013 million (2021: HK\$1,772 million).

For the year ended 31st December, 2022, the Group recorded finance costs of HK\$74 million (2021: HK\$65 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 year ended 31st December, 2022, the Group recorded net exchange loss of HK\$48 million (2021: net exchange gain of HK\$7 million). The Group will continue to monitor its exposure to the currency risks closely.

Capital Structure and Gearing Ratio

At 31st December, 2022, the equity attributable to owners of the Company amounted to HK\$9,984 million, representing HK\$12.59 per share (2021: HK\$10,675 million, representing HK\$13.46 per share).

At 31st December, 2022, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 16.6% (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 -10.1% (2021: 0.8%) as a result of total amount of time deposits, bank balances and cash exceeding total borrowings amount.

Pledge of Assets

At 31st December, 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\$497 million (2021: HK\$850 million) were also pledged to secure certain banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

At 31st December, 2022, the Group committed capital expenditure contracted for but not provided in the Group's consolidated financial statements of HK\$57 million (2021: HK\$88 million) in respect of acquisition of property, plant and equipment. At 31st December, 2022 and 2021, the Group had no contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2022, the Group had 3,529 employees (2021: 3,374 employees), of which 3,222 (2021: 3,095) were located in Hong Kong, 307 (2021: 278) were located in the PRC and no employee (2021: 1) was located in UAE. For the year ended 31st December, 2022, the Group's total staff costs were HK\$1,652 million (2021: HK\$1,463 million).

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as the performance of the individual.

The emoluments of executive directors and senior management are determined by the Remuneration Committee with reference to salaries paid by comparable companies, their responsibilities, employment conditions and prevailing market conditions.

FUTURE OUTLOOK

As more mega projects are rolled out by Government, it will benefit the construction division in the short and medium term. The progress on most active projects is good which are generating satisfactory results in the construction division, it is cautiously optimistic that the performance of the construction division in 2023 will be better than that in 2022.

It is expected that both the construction materials and quarrying division will make positive contribution to the Group in 2023 as there is significant reduction of operational costs for the divisions. However, the performance for the quarrying division in 2023 will heavily rely on the volume of rock imported to Lam Tei Quarry for further processing as the site formation works at Lam Tei Quarry was substantially completed.

The Group set foot in the US property market since 2014 which captured the booming of US property market and obtained good returns for the whole portfolio. In consideration of the uncertainty of the US economy of the numerous unfavorable factors including high inflation, steep interest rates, recession fears, the Group will take conservative approach in making any new investment in US property market after the completion of disposals of the last two US properties in 2022.

For other investments made by the Group, the Group will monitor closely their performance and review the investment strategy periodically. The Group will take conservative approach in making new investment decision.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2022.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December, 2022.

AUDIT COMMITTEE

The Audit Committee of the Company has conducted a meeting with the management and external auditor to review the accounting policies adopted by the Group, the Group's consolidated financial statements for the year ended 31st December, 2022, the general scope of audit work conducted by the external auditor and assessment of the Group's internal controls.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Academy Room I-II, 1st Floor, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 24th May, 2023 at 3:30 p.m. and the Notice of the Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website (www.waikee.com) and the Stock Exchange's website (www.hkexnews.hk). The Annual Report 2022 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange, and despatched to the shareholders 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, 21st March, 2023

At the date of this announcement, the Board comprises three executive directors, namely Mr. William Zen Wei Pao, Mr. Derek Zen Wei Peu and Miss Anriena Chiu Wai Yee, two non-executive directors, namely Mr. Brian Cheng Chi Ming and Mr. Ho Gilbert Chi Hang, and three independent non-executive directors, namely Dr. Steve Wong Che Ming, Mr. Samuel Wan Siu Kau and Mr. Francis Wong Man Chung.