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WAI KEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2023

Financial Performance Highlights

Revenue	HK\$6,077 million
Loss attributable to owners of the Company	HK\$433 million
Basic loss per share	HK54.60 cents
Equity attributable to owners of the Company per share	HK\$11.92

RESULTS

The board of directors (the “Board”) of Wai Kee Holdings Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30TH JUNE, 2023

		Six months ended 30th June,	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from goods and services	3	6,077,053	5,913,857
Cost of sales		(5,320,060)	(5,362,498)
Gross profit		756,993	551,359
Other income	5	75,274	70,919
Other gains and losses	6	(112,633)	(175,178)
Selling and distribution costs		(46,410)	(36,040)
Administrative expenses		(328,701)	(258,862)
Finance costs	7	(52,179)	(33,362)
Share of results of associates		(539,876)	38,148
Share of results of joint ventures		(1,982)	34,882
(Loss) profit before tax	8	(249,514)	191,866
Income tax expense	9	(82,527)	(66,008)
(Loss) profit for the period		(332,041)	125,858
(Loss) profit for the period attributable to:			
Owners of the Company		(433,028)	42,889
Non-controlling interests		100,987	82,969
		(332,041)	125,858
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share	11		
- Basic		(54.60)	5.41

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE, 2023**

	Six months ended 30th June,	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) profit for the period	<u>(332,041)</u>	<u>125,858</u>
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(18,070)	(20,307)
Fair value (losses) gains on hedging instruments designated in cash flow hedges	(11,910)	36,495
Exchange differences arising on translation of an associate	(77,563)	(226,371)
Exchange differences arising on translation of joint ventures	-	174
Share of cash flow hedging reserve of an associate	1,927	(2,825)
Other comprehensive expense for the period	<u>(105,616)</u>	<u>(212,834)</u>
Total comprehensive expense for the period	<u>(437,657)</u>	<u>(86,976)</u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(530,024)	(159,926)
Non-controlling interests	92,367	72,950
	<u>(437,657)</u>	<u>(86,976)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2023**

		30th June, 2023	31st December, 2022
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		448,152	473,546
Right-of-use assets		124,909	150,125
Intangible assets		312,044	332,527
Goodwill		29,838	29,838
Interests in associates		8,412,233	9,029,210
Loan to an associate		2,331	2,700
Interests in joint ventures		60,122	62,189
Financial assets at fair value through profit or loss ("FVTPL")		526,268	197,523
Other financial asset at amortised cost		30,291	32,507
Derivative financial instruments		48,288	60,198
		9,994,476	10,370,363
Current assets			
Inventories		480,402	129,840
Debtors, deposits and prepayments	12	879,222	854,517
Contract assets	13	3,140,171	2,949,620
Amounts due from associates		13,815	14,001
Amount due from a joint venture		634	663
Amounts due from other partners of joint operations		16,279	23,885
Tax recoverable		21,683	21,489
Financial assets at FVTPL		758,784	527,161
Cash held on behalf of customers		20,084	33,753
Pledged bank deposits		68,991	113,696
Time deposits with original maturity of not less than three months		33,768	235,101
Bank balances and cash		1,742,620	2,318,005
		7,176,453	7,221,731
Current liabilities			
Creditors and accrued charges	14	3,898,985	4,076,677
Contract liabilities		581,093	512,747
Amounts due to associates		23,692	22,595
Amounts due to other partners of joint operations		2,591	9,063
Amounts due to non-controlling shareholders		1,363	1,363
Lease liabilities		56,696	43,278
Tax liabilities		111,486	231,470
Bank loans		459,281	391,253
		5,135,187	5,288,446
Net current assets		2,041,266	1,933,285
Total assets less current liabilities		12,035,742	12,303,648

	30th June, 2023 (Unaudited) HK\$'000	31st December, 2022 (Audited) HK\$'000
Non-current liabilities		
Provision for rehabilitation costs	33,947	35,149
Deferred tax liabilities	5,750	5,750
Obligations in excess of interests in associates	13,595	15,445
Amount due to an associate	675	1,420
Lease liabilities	79,067	102,363
Bank loans	1,035,000	1,113,500
Other creditors	355,116	23,000
Bonds	127,358	127,358
	<u>1,650,508</u>	<u>1,423,985</u>
Net assets	<u>10,385,234</u>	<u>10,879,663</u>
Capital and reserves		
Share capital	79,312	79,312
Share premium and reserves	9,376,731	9,904,848
Equity attributable to owners of the Company	<u>9,456,043</u>	<u>9,984,160</u>
Non-controlling interests	929,191	895,503
Total equity	<u>10,385,234</u>	<u>10,879,663</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 new and 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, 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st December, 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and 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, 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

3. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30th June,	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Type of goods and services		
Construction contracts	5,845,883	5,723,244
Sewage treatment plant operation	24,179	27,482
Steam fuel plant operation	79,139	55,169
Sale of construction materials	85,669	73,309
Sale of quarry products	42,183	34,653
	6,077,053	5,913,857
Timing of revenue recognition		
At a point in time	127,852	107,962
Over time	5,949,201	5,805,895
	6,077,053	5,913,857

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, an associate of the Group

Segment revenue and results

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

Six months ended 30th June, 2023

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

Six months ended 30th June, 2022

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

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

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

	Six months ended 30th June,	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total segment (loss) profit	(350,818)	165,855
Unallocated items		
Other income	33,883	20,128
Other gains and losses	(40,399)	(117,000)
Administrative expenses	(41,962)	(28,691)
Finance costs	(35,073)	(21,684)
Share of results of associates	1,263	176
Share of results of joint ventures	78	24,105
(Loss) profit attributable to owners of the Company	(433,028)	42,889

5. OTHER INCOME

	Six months ended	
	30th June,	
	2023	2022
	HK\$'000	HK\$'000
Other income includes:		
Dividend income from financial asset at FVTPL	277	1,170
Interest on financial asset at FVTPL	12,138	16,826
Interest on other receivables	5,683	6,105
Interest on bank deposits	13,753	1,211
Interest on loan to an associate	32	37
Interest on other financial asset at amortised cost	370	434
Interest on interest rate swap contracts	11,298	-
Employment Support Scheme	-	17,104
Operation fee income	25,904	16,474
Rental income from land and buildings	224	304
Rental income from plant and machinery	308	1,803
Service income from an associate	30	30

6. OTHER GAINS AND LOSSES

	Six months ended	
	30th June,	
	2023	2022
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment, net	6,560	4,524
Loss on change in fair value of financial assets at FVTPL, net	(117,213)	(185,301)
Allowance for credit losses	(1,980)	-
Loss on disposal of partial interest in an associate	-	(539)
Remeasurement gain on interest previously held in a joint venture	-	6,138

7. FINANCE COSTS

	Six months ended 30th June,	
	2023 HK\$'000	2022 HK\$'000
Interest on bank loans	48,919	24,477
Interest on other borrowings	511	474
Interest on interest rate swap contracts	-	1,783
Interest on lease liabilities	2,389	491
Imputed interest on bonds	-	2,996
Imputed interest on payable for extraction right	-	1,911
Imputed interest on provision for rehabilitation costs	-	881
Imputed interest on non-current amount due to an associate	360	349
	<u>52,179</u>	<u>33,362</u>

8. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	Six months ended 30th June,	
	2023 HK\$'000	2022 HK\$'000
Amortisation of intangible assets (<i>note</i>)	7,995	95,029
Depreciation of property, plant and equipment (<i>note</i>)	35,955	67,237
Depreciation of right-of-use assets	29,952	16,607
Exchange loss, net	28,526	11,874
Share of income tax expense of associates (included in share of results of associates)	103,526	149,760

Note: Included in amortisation of intangible assets and depreciation of property, plant and equipment, HK\$1,223,000 (six months ended 30th June, 2022: HK\$11,423,000) and HK\$22,000 (six months ended 30th June, 2022: HK\$13,513,000) were capitalised in inventories respectively.

9. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2023 HK\$'000	2022 HK\$'000
Current tax		
Hong Kong	80,200	73,858
The People's Republic of China (the "PRC")	-	1,602
	<u>80,200</u>	<u>75,460</u>
Under (over) provision in prior years		
Hong Kong	1,944	(42)
The PRC	383	3,308
	<u>2,327</u>	<u>3,266</u>
Deferred tax credit	-	(12,718)
	<u>82,527</u>	<u>66,008</u>

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

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

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

The directors of the Company believe that, based on the advice of tax representative, the action can be successfully defended on the basis that the expenditure was incurred in the production of assessable profits and therefore no additional tax provision will be required.

10. DIVIDEND

Dividend paid and recognised as distribution during the period:

	Six months ended 30th June,	
	2023 HK\$'000	2022 HK\$'000
2022 final dividend - Nil (six months ended 30th June, 2022: 2021 final dividend - HK11 cents per share)	-	87,244

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2023 (six months ended 30th June, 2022: nil).

11. (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:

	Six months ended 30th June,	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) earnings for the purpose of basic (loss) earnings per share		
((Loss) profit for the period attributable to owners of the Company)	<u>(433,028)</u>	<u>42,889</u>

	Six months ended 30th June,	
	2023	2022
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 periods. Accordingly, no diluted (loss) earnings per share information is presented.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2023	31st December, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors - contracts with customers	458,862	456,757
<i>Less: Allowance for credit losses</i>	(2,603)	(623)
	456,259	456,134
Bills receivables	14,847	19,295
Other debtors	274,837	248,668
Deposits	110,950	108,403
Prepayments	22,329	22,017
	<u>879,222</u>	<u>854,517</u>

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

	30th June, 2023 HK\$'000	31st December, 2022 HK\$'000
Trade debtors		
0 to 60 days	399,893	414,014
61 to 90 days	1,222	4,957
Over 90 days	55,144	37,163
	<u>456,259</u>	<u>456,134</u>

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

As part of the internal credit risk management, the Group applies internal credit rating for its customers. Except for trade debtors with significant balances of HK\$425,662,000 (31st December, 2022: HK\$407,865,000) and credit-impaired trade debtors with gross amount of HK\$12,358,000 (31st December, 2022: HK\$623,000) which are assessed individually, the exposure to credit risk for trade debtors are assessed on a collective basis within lifetime expected credit losses (“ECL”) (not credit-impaired). After the assessment performed by the Group, the impairment allowance on trade debtors which are assessed on a collective basis is insignificant to the Group for both periods.

13. CONTRACT ASSETS

	30th June, 2023 HK\$'000	31st December, 2022 HK\$'000
Analysed as current:		
Unbilled revenue of construction contracts	2,383,089	2,220,778
Retention receivables of construction contracts	757,082	728,842
	<u>3,140,171</u>	<u>2,949,620</u>
Retention receivables of construction contracts		
Due within one year	104,842	105,903
Due after one year	652,240	622,939
	<u>757,082</u>	<u>728,842</u>

At 30th June, 2023, the Group’s unbilled revenue of construction contracts included an amount of HK\$24,648,000 (31st December, 2022: HK\$24,648,000) receivable from related companies which are subsidiaries of a substantial shareholder of the Company.

As part of the internal credit risk management, the Group applies internal credit rating for its customers in relation to construction contracts. The exposure to credit risk and ECL for contract assets are assessed individually at 30th June, 2023. After the assessment performed by the Group, the impairment allowance on contract assets is insignificant to the Group for both periods.

14. CREDITORS AND ACCRUED CHARGES

	30th June, 2023	31st December, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	348,223	486,112
61 to 90 days	68,249	102,396
Over 90 days	14,960	29,844
	431,432	618,352
Retention payables	925,236	879,476
Accrued project costs	2,357,418	2,289,636
Other creditors and accrued charges	184,899	289,213
	3,898,985	4,076,677
Retention payables		
Due within one year	167,034	145,317
Due after one year	758,202	734,159
	925,236	879,476

At 30th June, 2023, the Group's trade creditors included an amount of HK\$467,000 (31st December, 2022: nil) due to a related company which is an associate of a substantial shareholder of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2023 (six months ended 30th June, 2022: nil).

BUSINESS REVIEW

For the six months ended 30th June, 2023, the Group's revenue was HK\$6,077 million (six months ended 30th June, 2022: HK\$5,914 million), generating an unaudited loss attributable to owners of the Company of HK\$433 million (six months ended 30th June, 2022: profit of HK\$43 million).

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

For the six months ended 30th June, 2023, the Group shared a loss of HK\$543 million (six months ended 30th June, 2022: profit of HK\$38 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this announcement, the Group holds 44.52% interest in Road King (excluding 3,000,000 ordinary shares in Road King ("Road King Shares"), representing 0.40% interest in Road King, held by Build King Holdings Limited ("Build King"), a subsidiary of the Company, which is classified under financial assets at fair value through profit or loss).

The Group and Road King had entered into a participation agreement in November 2021 pursuant to which Road King granted participation rights to the Group which allow the Group to enjoy a pro rata portion of 32.5% of the economic interest attributable to Road King's 70% interest (or 22.75% attributable interest) in a property development project with the parcel of land located in Guangzhou, the PRC. At 30th June, 2023, the fair value of the participation rights was HK\$183 million (31st December, 2022: HK\$196 million).

For the six months ended 30th June, 2023, Road King recorded an unaudited loss attributable to its owners of HK\$1,220 million (six months ended 30th June, 2022: profit of HK\$85 million).

Road King's operation team of property segment kept abreast of the market trend and seized the sales window in the first quarter, achieving total property sales (including joint venture and associate projects) of RMB15,687 million in the first half of 2023. The property sales comprised contracted sales of RMB14,484 million and outstanding subscribed sales of RMB1,203 million. The Yangtze River Delta Region and Bohai Rim Region are the major sales regions with an average selling price of RMB20,800 per sqm.

In the first half of 2023, Road King's property segment acquired two residential land parcels in Mainland China through listing-for-sale with a total gross floor area of approximately 89,000 sqm. As of 30th June, 2023, Road King had a total land reserve of approximately 4,300,000 sqm, of which 1,260,000 sqm were pre-sold but yet to be delivered.

In the first half of 2023, overall average daily traffic volume and toll revenue of Road King's expressway projects were 365,000 vehicles and RMB1,979 million respectively, representing an increase of 33% and 9% respectively compared to the corresponding period of last year.

The toll revenue of Road King's expressway projects in Mainland China decreased by 7% to RMB1,286 million compared to the corresponding period of last year, while the average daily traffic volume increased by 27% to 273,300 vehicles compared to the corresponding period of last year, mainly because the traffic volume of passenger vehicles increased significantly as a result of the cancellation of the COVID-19 pandemic control measures in Mainland China. However, affected by the economic downturn in Mainland China and the international market, the traffic volume of cargo vehicles recorded a decrease compared to the corresponding period of last year. The toll revenue of Road King's expressway projects in Indonesia increased significantly by 56% compared to the corresponding period of last year to RMB693 million, and the average daily traffic volume increased by 53% compared to the corresponding period of last year to 91,700 vehicles, mainly benefiting from the completion of the acquisition of 39.77% equity interest in the Semarang-Batang Expressway (the "SB Expressway") in Central Java Province, Indonesia at the end of 2022, which further expanded its overseas toll road portfolio (excluding the newly acquired SB Expressway, the toll revenue increased by 5% compared to the corresponding period of last year to RMB467 million, and the average daily traffic volume increased by 4% compared to the corresponding period of last year to 62,300 vehicles).

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 tourist 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. In the second half of the year, the property management and operation team of Road King will continue its pragmatic approach and strive to ensure property delivery and enhance its cash flow. To establish it as a more widely recognised and reliable developer, Road King will continue to research and develop market-oriented products and promote the brand name of Road King.

In terms of toll road business, Road King will focus on promoting the increase in toll rates of the expressway projects in Indonesia, and actively follow the economic development policies of the Asia-Pacific region. Meanwhile, Road King will continue to identify and adjust toll road projects to optimise Road King's toll road business.

Construction, Sewage Treatment and Steam Fuel

For the six months ended 30th June, 2023, the Group shared a profit of HK\$146 million (six months ended 30th June, 2022: HK\$113 million) from Build King. As of the date of this announcement, the Group holds 58.33% interest in Build King.

For the six months ended 30th June, 2023, Build King recorded revenue of HK\$5,974 million (six months ended 30th June, 2022: HK\$5,833 million) and an unaudited profit attributable to its owners of HK\$250 million (six months ended 30th June, 2022: HK\$199 million), an increase of 26% as compared with that of 2022.

During the period, all major projects of Build King were running well on track as budget. Having turnover grown almost 200% for the past five years, Build King would expect future increase of turnover to be moderate and be driven by gradual increase of the government's expenditure on infrastructure.

The gross margin of Build King increased in the first half of this year. The improved margin was a combination of two factors: significant contribution from a few almost completed projects which variation works were concluded with the client during the period and reducing losses from several difficult projects. The increase of gross profit was partially offset by the increase of head office overheads.

During the period, newly awarded contracts of Build King were HK\$8.1 billion comprising 7 building contracts and 6 civil engineering contracts. As of the date of this announcement, the total outstanding contract works of Build King increase to HK\$27 billion.

The infrastructure investment projects of Build King in the PRC continued to incur a loss of HK\$27 million. Although the sewage treatment operation in Wuxi City run smoothly with stable income and profit, the steam plants in four industrial parks in Gansu Province have been operating at very low output since the production of factories in the industrial parks were hard hit by slumping export as well as stringent safety and environmental requirements.

Construction Materials

For the six months ended 30th June, 2023, the construction materials division recorded revenue of HK\$286 million (six months ended 30th June, 2022: HK\$205 million) and a net profit of HK\$30 million (six months ended 30th June, 2022: HK\$1 million).

The significant increase in profit for the construction materials division in comparison with the corresponding period of 2022 was mainly attributable to the substantial reduction in the operating costs of the division as well as the depreciation costs of the substantially depreciated concrete batching plants and asphalt plant in the extension period of its operations in Lam Tei Quarry.

The concrete business recorded moderate profit in the first half of 2023. The performance of the concrete business improved due to an increase in its sales quantities and profit margin. With the easing of the COVID-19 pandemic in the first quarter of 2023, the construction industry was gradually returning to normal. The construction works previously affected have been picking up that pushed up the demand and prices of concrete. The order book of concrete remains stable as the majority of the concrete orders is from our construction flagship.

The asphalt business recorded slight profit in the first half of 2023 as there was reduction in the operating costs of asphalt plant in the extended period of Lam Tei Quarry. However, the asphalt business continues facing difficulties and fierce competition as low activity in large scale infrastructure projects.

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

Quarrying

For the six months ended 30th June, 2023, the quarrying division recorded revenue of HK\$111 million (six months ended 30th June, 2022: HK\$90 million) and a net profit of HK\$16 million (six months ended 30th June, 2022: HK\$14 million).

The quarrying division recorded a slight improvement in the results compared with the corresponding period of last year. Even with substantial reduction in the operating costs of the division and the depreciation costs of crushing plant in the extended period of Lam Tei Quarry in 2023, the positive impact was mostly set off by the reduction of sales quantities of aggregates as the volume of rock imported to Lam Tei Quarry in the second quarter of 2023 was lower than expected. As nearly all rock in Lam Tei Quarry has been excavated, the quantities of aggregates to be produced by the quarrying division depend heavily on the volume of rock imported to Lam Tei Quarry. The volume and purchase costs of rock to be imported to Lam Tei Quarry are the primary factors affecting the performance of the division in the extended period of operations in Lam Tei Quarry.

The market prices of aggregates remain stable since there are abundant supplies of aggregates from Mainland China.

Property Funds

In 2022, 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, disposed its entire interests held through two joint venture companies in the USA, in two residential rental properties in Houston and Stafford of Texas respectively. Following the disposal of interests in two properties in the USA, the Group have no more investment in property funds. The result of the division for the six months ended 30th June, 2023 was insignificant and the amount of cash distribution received during the period was minimal.

For the six months ended 30th June, 2022, Lion Trade shared profit of HK\$35 million from these two US joint venture companies. During the six months ended 30th June, 2022, the Group received cash distribution of US\$23 million from these two US joint venture companies.

Fund Management Service and Securities Brokerage

WK Fund Management Limited (“WKFML”), which secured Type 4 (Advising on Securities) and Type 9 (Asset Management) registrations, and WK Securities Limited (“WKSL”), which secured Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) registrations, are two wholly owned subsidiaries of the Group carrying out the fund management service and securities brokerage businesses respectively.

As the existing client bases of WKFML and WKSL remain small, the division recorded a loss of HK\$2 million (six months ended 30th June, 2022: HK\$2 million) for the six months ended 30th June, 2023.

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, 2023, the fair value of the equity securities of Emmaus was HK\$2 million (31st December, 2022: HK\$2 million), of which HK\$1 million (31st December, 2022: HK\$1 million) was invested by Build King.

The Group holds certain listed equity securities in Hong Kong. At 30th June, 2023, the fair value of the listed equity securities in Hong Kong was HK\$25 million (31st December, 2022: HK\$29 million), of which (including 3,000,000 Road King Shares) HK\$11 million (31st December, 2022: HK\$15 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, 2023, the fair value of the Group’s portfolio of quoted debt securities was HK\$272 million (31st December, 2022: HK\$497 million), of which HK\$37 million (31st December, 2022: HK\$103 million) was invested by Build King.

During the period, Build King invested in unlisted equity investment fund issued by a private entity incorporated in Hong Kong. At 30th June, 2023, the fair value of the unlisted equity investment fund was HK\$43 million (31st December, 2022: nil).

For the six months ended 30th June, 2023, 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\$64 million (six months ended 30th June, 2022: HK\$167 million), of which the net loss of HK\$33 million (six months ended 30th June, 2022: HK\$62 million) was from the investments by Build King, mainly 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, 2023.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the period, total borrowings decreased from HK\$1,655 million to HK\$1,645 million, which included bonds with carrying amounts of HK\$127 million (31st December, 2022: HK\$127 million) carrying no interest, with the maturity profile summarised as follows:

	30th June, 2023	31st December, 2022
	<i>HK\$'million</i>	<i>HK\$'million</i>
Within one year	412	277
In the second year	1,082	250
In the third to fifth year inclusive	151	1,128
	1,645	1,655
Classified under:		
Current liabilities (<i>note</i>)	459	391
Non-current liabilities	1,186	1,264
	1,645	1,655

Note: At 30th June, 2023, 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\$47 million (31st December, 2022: HK\$114 million) have been classified as current liabilities.

At 30th June, 2023, the Group had certain interest rate swap contracts, with an aggregate notional amount of HK\$780 million (31st December, 2022: 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, 2023, the fair value of the interest rate swaps under derivative financial assets is HK\$48 million (31st December, 2022: HK\$60 million).

At 30th June, 2023, bank loans of HK\$41 million (31st December, 2022: HK\$44 million) carried interest at fixed rate.

At 30th June, 2023, total amount of the Group's time deposits, bank balances and cash was HK\$1,845 million (31st December, 2022: HK\$2,667 million), of which bank deposits amounting to HK\$69 million (31st December, 2022: HK\$114 million) were pledged to banks to secure certain banking facilities granted to the Group. In addition, the Group has available unutilised banking facilities of HK\$1,825 million (31st December, 2022: HK\$2,013 million).

For the six months ended 30th June, 2023, the Group recorded finance costs of HK\$52 million (six months ended 30th June, 2022: HK\$33 million).

The Group's borrowings, investments, time deposits and bank balances are principally denominated in Hong Kong dollar, Renminbi and United States dollar. As a result, the Group is exposed to the currency risks for fluctuation in exchange rates of Renminbi and United States dollar. For the six months ended 30th June, 2023, the Group recorded net exchange loss of HK\$29 million (six months ended 30th June, 2022: HK\$12 million). The Group will continue to monitor its exposure to the currency risks closely.

Capital Structure and Gearing Ratio

At 30th June, 2023, the equity attributable to owners of the Company amounted to HK\$9,456 million, representing HK\$11.92 per share (31st December, 2022: HK\$9,984 million, representing HK\$12.59 per share).

At 30th June, 2023, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 17.4% (31st December, 2022: 16.6%) 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 -2.1% (31st December, 2022: -10.1%) as a result of total amount of time deposits, bank balances and cash exceeding total borrowings amount.

Pledge of Assets

At 30th June, 2023, 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\$235 million (31st December, 2022: HK\$497 million) were also pledged to secure certain banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

At 30th June, 2023, the Group committed capital expenditure contracted for but not provided in the Group's condensed consolidated financial statements of HK\$34 million (31st December, 2022: HK\$57 million) in respect of acquisition of property, plant and equipment. At 30th June, 2023 and 31st December, 2022, the Group had no contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

At 30th June, 2023, the Group had 3,651 employees (31st December, 2022: 3,529 employees), of which 3,333 (31st December, 2022: 3,222) were located in Hong Kong and 318 (31st December, 2022: 307) were located in the PRC. For the six months ended 30th June, 2023, the Group's total staff costs were HK\$883 million (six months ended 30th June, 2022: HK\$823 million).

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

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

FUTURE OUTLOOK

For the construction division, with all major projects are running well on track as budget and increase in profit margin, which are generating satisfactory results, it is expected that the performance of the construction division in 2023 will be better than that in 2022.

For construction materials division, with substantial reduction in the operating costs in the extension period of Lam Tei Quarry, it is expected that the performance of the construction materials division in 2023 remains positive. However, as nearly all rock at Lam Tei Quarry has been excavated after the site formation works at Lam Tei Quarry was substantially completed, the performance for the quarrying division in 2023 will heavily rely on the volume of rock imported to Lam Tei Quarry.

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

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions in Part 2 of Corporate Governance Code (the “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 six months ended 30th June, 2023, except for code provision B.2.4(b) of the Code.

Pursuant to code provision B.2.4(b) of the Code, if all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should appoint a new independent non-executive director on the board at the forthcoming annual general meeting for the financial year commencing on or after 1st January, 2023.

As at the date of this announcement, Dr. Steve Wong Che Ming, Mr. Samuel Wan Siu Kau and Mr. Francis Wong Man Chung have served the Board for more than 9 years. Given that the Company has not appointed a new independent non-executive director at the annual general meeting held on 24th May, 2023, there is a deviation from the requirement under code provision B.2.4(b) of the Code.

The Company considers that the diverse background of the existing independent non-executive directors of the Company, their past or current positions and offices at other companies and organisations as well as the regular director’s trainings they receive would still enable them to bring new ideas and perspectives to the Board despite the length of their tenure. At the same time, the Company is endeavouring to identify suitable candidates for appointment as an independent non-executive director as soon as practicable to meet the requirement of code provision B.2.4(b) of the Code. The Company will make further announcement(s) as and when appropriate.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ Securities Transactions. All directors of the Company have confirmed, following specific enquiry, that they have complied with the Model Code throughout the six months ended 30th June, 2023.

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, 2023.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management, internal auditor and external auditor the accounting policies adopted by the Group and the unaudited interim financial information for the six months ended 30th June, 2023.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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

APPRECIATION

The Board would like to take this opportunity to extend its heartiest thanks to our shareholders, business partners, directors and our loyal and dedicated staff.

By Order of the Board
Wai Kee Holdings Limited
William Zen Wei Pao
Chairman

Hong Kong, 23rd August, 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.