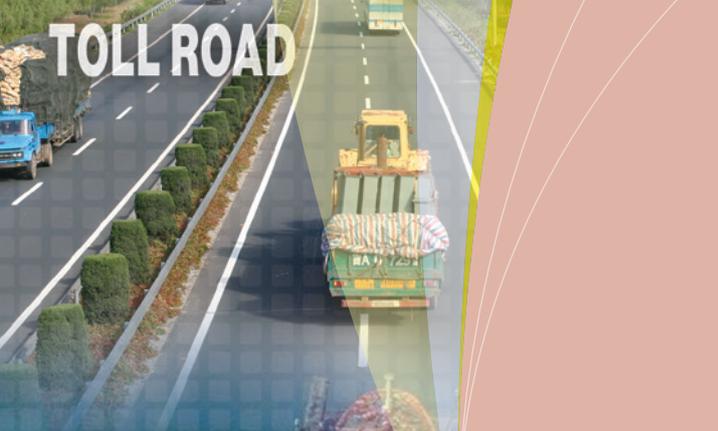




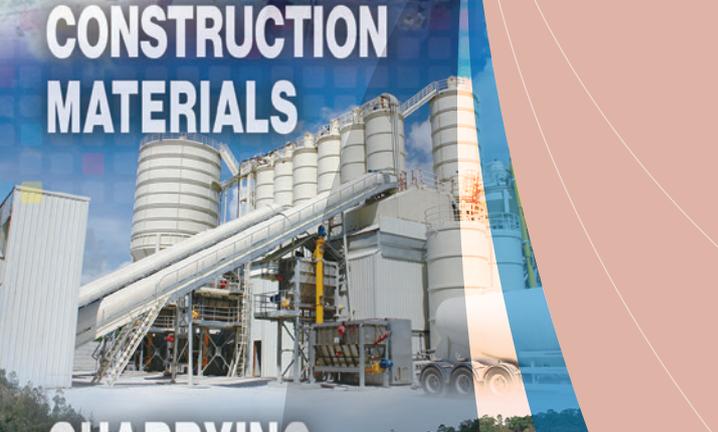
**PROPERTY
DEVELOPMENT**



TOLL ROAD



CONSTRUCTION



**CONSTRUCTION
MATERIALS**



QUARRYING



Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

INTERIM REPORT 2023

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Interim Results Highlights

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

Business Review and Future Outlook

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 report, the Group holds 44.52% interest in Road King (excluding 3,000,000 ordinary shares in Road King ("Road King Shares"), representing 0.40% interest in Road King, held by Build King Holdings Limited ("Build King"), 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.

In the first half of 2023, 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).

Business Review and Future Outlook

BUSINESS REVIEW (Cont'd)

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

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 report, 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 report, 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.

Business Review and Future Outlook

BUSINESS REVIEW (Cont'd)

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.

Business Review and Future Outlook

BUSINESS REVIEW (Cont'd)

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.

Business Review and Future Outlook

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.

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
	HK\$'million	HK\$'million
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.

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30th June, 2023, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

(I) The Company

Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of the issued ordinary share capital %
		Long position (note 1)	Short position	
Zen Wei Pao, William	Personal	248,018,843 (note 2)	–	31.27
Zen Wei Peu, Derek	Personal	252,540,078 (note 2)	–	31.84
	Securities interest	42,337,000	–	5.34
Wong Che Ming, Steve	Personal	900,000	–	0.11

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are parties to an agreement that is subject to section 317(1)(b) of the SFO. Each of them is thereby deemed to be interested in shares held by the other. Accordingly, for the purposes of section 317(1)(b) of the SFO, each of Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are deemed to be interested in a total of 500,558,921 shares, representing 63.11% of shares in issue of the Company, as at 30th June, 2023.

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations

Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued share capital %
			Long position (note 1)	Short position	
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000	–	0.11 (note 2)
	Wai Kee (Zens) Construction & Transportation Company Limited (note 4)	Personal	2,000,000	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	–	37.50
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	122,775,228	–	9.89
	Road King Infrastructure Limited	Personal	24,649,000 (note 3)	–	3.29
	Wai Kee (Zens) Construction & Transportation Company Limited (note 4)	Personal	2,000,000	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	–	37.50
Chiu Wai Yee, Anriena	Build King Holdings Limited	Personal	1,116,000	–	0.09
	Road King Infrastructure Limited	Personal	205,000	–	0.03
Wong Che Ming, Steve	Build King Holdings Limited	Personal	407,448	–	0.03

Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. As at 30th June, 2023, the issued share capital of Build King was 1,241,877,992 shares. Accordingly, the percentage has been adjusted.
3. Included in the balance, 1,000,000 Road King shares are held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
4. With effect from 29th February, 2016, the name of Wai Kee (Zens) Construction & Transportation Company Limited has been changed to Build King (Zens) Engineering Limited.

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

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in debentures

Name of Director	Name of company (note 1)	Capacity/ Nature of interest	Type of debenture	Principal amount held (note 2)
Zen Wei Peu, Derek	RKI Overseas Finance 2017 (A) Limited	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$800,000 (note 3)
	RKPF Overseas 2019 (E) Limited	Personal	US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities	US\$44,200,000 (note 4)
	RKPF Overseas 2019 (A) Limited	Personal	US\$480 million 6.7% guaranteed senior notes	US\$12,500,000 (note 5)
	RKPF Overseas 2019 (A) Limited	Personal	US\$300 million 5.9% guaranteed senior notes	US\$2,000,000 (note 6)
	RKPF Overseas 2019 (A) Limited	Personal	US\$416 million 6% guaranteed senior notes	US\$6,400,000 (note 7)
Chiu Wai Yee, Anriena	RKPF Overseas 2019 (A) Limited	Personal	US\$480 million 6.7% guaranteed senior notes	US\$490,000
Ho Gilbert Chi Hang	RKI Overseas Finance 2017 (A) Limited	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$200,000
Wong Man Chung, Francis	RKPF Overseas 2019 (A) Limited	Personal	US\$480 million 6.7% guaranteed senior notes	US\$2,700,000

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in debentures (Cont'd)

Notes:

1. Wholly owned subsidiaries of Road King.
2. Long position.
3. A principal amount of US\$400,000 of US\$300 million 7% senior guaranteed perpetual capital securities is held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
4. A principal amount of US\$1,300,000 of US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$40,600,000 of US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Talent Club Company Limited, which is wholly owned by Mr. Zen Wei Peu, Derek and interest of such securities has been pledged to an independent third party other than a qualified lender. A principal amount of US\$300,000 of US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Prepared Club Company Limited, which is wholly owned by Mr. Zen Wei Peu, Derek.
5. A principal amount of US\$3,500,000 of US\$480 million 6.7% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$9,000,000 of US\$480 million 6.7% guaranteed senior notes was held by Talent Club Company Limited, which is wholly owned by Mr. Zen Wei Peu, Derek and interest of such notes has been pledged to an independent third party other than a qualified lender.
6. A principal amount of US\$1,000,000 of US\$300 million 5.9% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
7. A principal amount of US\$1,000,000 of US\$416 million 6% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$3,000,000 of US\$416 million 6% guaranteed senior notes was held by Talent Club Company Limited, which is wholly owned by Mr. Zen Wei Peu, Derek and interest of such notes has been pledged to an independent third party other than a qualified lender.

SHARE OPTIONS

Associated Corporation

The share option scheme adopted by Road King on 8th May, 2013 ("Road King Share Option Scheme") expired in May 2023. None of the Directors of the Company were granted or had exercised share options under Road King Share Option Scheme for the six months ended 30th June, 2023.

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

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

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2023, so far as is known to any Director of the Company, the following persons (other than Directors of the Company) have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Notes:

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

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

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions in Part 2 of Corporate Governance Code (the “Code”) set out in Appendix 14 of the Listing Rules 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 report, Dr. Wong Che Ming, Steve, Mr. Wan Siu Kau, Samuel and Mr. Wong Man Chung, Francis 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 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.

Other Information

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).

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.

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.

DISCLOSURES PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

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

Save as disclosed above, as at 30th June, 2023, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

Other Information

APPRECIATION

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

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

Hong Kong, 23rd August, 2023



TO THE BOARD OF DIRECTORS OF WAI KEE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wai Kee Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 20 to 47, which comprise the condensed consolidated statement of financial position as of 30th June, 2023 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23rd August, 2023

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June, 2023

	Notes	Six months ended 30th June,	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
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
		HK cents	HK cents
(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 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
(Loss) profit for the period	(332,041)	125,858
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	(105,616)	(212,834)
Total comprehensive expense for the period	(437,657)	(86,976)
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(530,024)	(159,926)
Non-controlling interests	92,367	72,950
	(437,657)	(86,976)

Condensed Consolidated Statement of Financial Position

At 30th June, 2023

	Notes	30th June, 2023 (Unaudited) HK\$'000	31st December, 2022 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	12	448,152	473,546
Right-of-use assets	12	124,909	150,125
Intangible assets		312,044	332,527
Goodwill		29,838	29,838
Interests in associates	13	8,412,233	9,029,210
Loan to an associate		2,331	2,700
Interests in joint ventures	14	60,122	62,189
Financial assets at fair value through profit or loss ("FVTPL")	15	526,268	197,523
Other financial asset at amortised cost		30,291	32,507
Derivative financial instruments	16	48,288	60,198
		9,994,476	10,370,363
Current assets			
Inventories	17	480,402	129,840
Debtors, deposits and prepayments	18	879,222	854,517
Contract assets	19	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	15	758,784	527,161
Cash held on behalf of customers	20	20,084	33,753
Pledged bank deposits	21	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	22	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	23	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

Condensed Consolidated Statement of Financial Position

At 30th June, 2023

	<i>Notes</i>	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	13,595	15,445
Amount due to an associate		675	1,420
Lease liabilities		79,067	102,363
Bank loans	23	1,035,000	1,113,500
Other creditors	24	355,116	23,000
Bonds		127,358	127,358
		1,650,508	1,423,985
Net assets			
		10,385,234	10,879,663
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		9,456,043	9,984,160
Non-controlling interests		929,191	895,503
Total equity			
		10,385,234	10,879,663

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30th June, 2023

	Equity attributable to owners of the Company									Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000 (note a)	Assets revaluation reserve HK\$'000	Other reserve HK\$'000 (note b)	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1st January, 2022 (audited)	79,312	731,906	933,417	(29,530)	2,319	397,832	8,559,915	10,675,171	789,528	11,464,699
Profit for the period	-	-	-	-	-	-	42,889	42,889	82,969	125,858
Other comprehensive (expense) income for the period	-	-	(236,485)	-	-	33,670	-	(202,815)	(10,019)	(212,834)
Total comprehensive (expense) income for the period	-	-	(236,485)	-	-	33,670	42,889	(159,926)	72,950	(86,976)
Sub-total	79,312	731,906	696,932	(29,530)	2,319	431,502	8,602,804	10,515,245	862,478	11,377,723
Acquisition of a subsidiary (note 28)	-	-	-	-	-	-	-	-	1,498	1,498
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	(32,216)	(32,216)
Dividend paid (note 10)	-	-	-	-	-	-	(87,244)	(87,244)	-	(87,244)
At 30th June, 2022 (unaudited)	79,312	731,906	696,932	(29,530)	2,319	431,502	8,515,560	10,428,001	831,760	11,259,761
At 1st January, 2023 (audited)	79,312	731,906	274,635	(29,530)	2,319	459,609	8,465,909	9,984,160	895,503	10,879,663
(Loss) profit for the period	-	-	-	-	-	-	(433,028)	(433,028)	100,987	(332,041)
Other comprehensive expense for the period	-	-	(87,013)	-	-	(9,983)	-	(96,996)	(8,620)	(105,616)
Total comprehensive (expense) income for the period	-	-	(87,013)	-	-	(9,983)	(433,028)	(530,024)	92,367	(437,657)
Sub-total	79,312	731,906	187,622	(29,530)	2,319	449,626	8,032,881	9,454,136	987,870	10,442,006
Acquisition of additional interest in a subsidiary	-	-	-	-	-	1,907	-	1,907	(4,348)	(2,441)
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	(54,331)	(54,331)
At 30th June, 2023 (unaudited)	79,312	731,906	187,622	(29,530)	2,319	451,533	8,032,881	9,456,043	929,191	10,385,234

Notes:

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2023

	Notes	Six months ended 30th June,	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Net cash from operating activities		120,325	657,175
Investing activities			
Interest received		15,632	3,162
Dividend received from an associate		–	66,722
Distributions received from joint ventures		85	179,739
Proceeds from disposal of property, plant and equipment		6,808	21,781
Purchase of property, plant and equipment		(27,317)	(46,734)
Payments for right-of-use assets		–	(2,321)
Additions of service concession arrangement		–	(22,172)
Receipt (payments) for participation rights of a property development project		5,145	(137,917)
Acquisition of additional interest in a subsidiary		(2,441)	–
Net cash (outflow) inflow arising on acquisition of subsidiaries	28	(36,901)	333
Capital investment in an associate		(16)	–
Shareholder loan to an associate with redemption right		(800,000)	–
Proceeds from disposal of partial interest in an associate		–	176
Repayment from (advances to) associates		186	(1,598)
Withdrawal of pledged bank deposits		44,705	13,663
Withdrawal of time deposits with original maturity of not less than three months		202,000	–
Placement of time deposits with original maturity of not less than three months		(693)	(74,513)
Net cash (used in) from investing activities		(592,807)	321
Financing activities			
Interest paid on bank loans and other borrowings		(49,430)	(24,951)
Interest received (paid) on interest rate swap contracts		11,298	(1,783)
Interest paid on lease liabilities		(2,389)	(491)
Dividend paid	10	–	(87,244)
Distribution to non-controlling shareholders		(54,331)	(32,216)
(Repayment to) advances from associates		(8)	8
New bank loans raised		129,580	159,708
Repayments of bank loans		(134,890)	(595,035)
Repayments of lease liabilities		(15,136)	(17,428)
Net cash used in financing activities		(115,306)	(599,432)
Net (decrease) increase in cash and cash equivalents		(587,788)	58,064
Cash and cash equivalents at the beginning of the period		2,318,005	2,042,022
Effect of foreign exchange rate changes, net		12,403	(3,166)
Cash and cash equivalents at the end of the period		1,742,620	2,096,920
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		1,742,620	2,096,920

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

3. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30th June,	
	2023 HK\$'000	2022 HK\$'000
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 ("Road King"), the Group's 44.52% (31st December, 2022: 44.52%) associate whose shares are listed on the Main Board of the Stock Exchange

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

4. SEGMENT INFORMATION (Cont'd)

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

Six months ended 30th June, 2022

	Segment revenue			Segment profit HK\$'000
	Gross	Inter-segment	External	
	HK\$'000	elimination HK\$'000	HK\$'000	
Construction, sewage treatment and steam fuel	5,833,020	(27,125)	5,805,895	113,076
Construction materials	204,840	(131,531)	73,309	759
Quarrying	89,611	(54,958)	34,653	13,986
Property development and investment, toll road, investment and asset management	-	-	-	38,034
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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

4. SEGMENT INFORMATION (Cont'd)

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

	Six months ended 30th June,	
	2023 HK\$'000	2022 HK\$'000
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 HK\$'000	2022 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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

6. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2023 HK\$'000	2022 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
	(112,633)	(175,178)

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
	52,179	33,362

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

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
	80,200	75,460
Under (over) provision in prior years		
Hong Kong	1,944	(42)
The PRC	383	3,308
	2,327	3,266
Deferred tax credit	–	(12,718)
	82,527	66,008

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

9. INCOME TAX EXPENSE (Cont'd)

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 of directors of the Company 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 HK\$'000	2022 HK\$'000
(Loss) earnings for the purpose of basic (loss) earnings per share ((Loss) profit for the period attributable to owners of the Company)	(433,028)	42,889

	Six months ended 30th June,	
	2023	2022
Number of ordinary shares for the purpose of basic (loss) earnings per share	793,124,034	793,124,034

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

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

During the period, the Group has additions of HK\$27,317,000 (six months ended 30th June, 2022: HK\$46,734,000) and HK\$5,328,000 (six months ended 30th June, 2022: HK\$19,642,000) on property, plant and equipment and right-of-use assets respectively.

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

	30th June, 2023	31st December, 2022
	HK\$'000	HK\$'000
Cost of investments in associates		
Listed in Hong Kong (<i>note a</i>)	2,029,297	2,029,297
Unlisted	15,800	15,415
	2,045,097	2,044,712
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	6,353,541	6,969,053
	8,398,638	9,013,765
Represented by:		
Interests in associates	8,412,233	9,029,210
Obligations in excess of interests in associates (<i>note b</i>)	(13,595)	(15,445)
	8,398,638	9,013,765
Fair value of listed investments (<i>note c</i>)	927,431	1,327,762

Notes:

- (a) Included in the cost of investment in the associate listed in Hong Kong, there is goodwill of HK\$30,964,000 (31st December, 2022: HK\$30,964,000) arising on acquisition of additional interest in the associate during the year ended 31st December, 2007.
- (b) The Group has contractual obligations to share the net liabilities of certain associates.
- (c) The fair value of the listed investments is determined based on the quoted market bid price.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

14. INTERESTS IN JOINT VENTURES

	30th June, 2023	31st December, 2022
	HK\$'000	HK\$'000
Cost of investments in unlisted joint ventures	40,956	40,956
Less: Impairment loss	(34,265)	(34,265)
	6,691	6,691
Share of post-acquisition profits and other comprehensive income, net of dividends received	53,431	55,498
	60,122	62,189

15. FINANCIAL ASSETS AT FVTPL

	30th June, 2023	31st December, 2022
	HK\$'000	HK\$'000
Financial assets mandatorily measured at FVTPL		
Listed equity securities in Hong Kong	25,492	28,573
Quoted equity securities in the United States of America (the "USA") (note a)	1,571	1,771
Unlisted equity investment (note b)	1,220	1,220
Quoted debt securities (note c)	271,859	496,817
Participation rights of a property development project (note d)	182,652	196,303
Unlisted investment fund (note e)	43,259	–
Shareholder loan to an associate with redemption right (note f)	758,999	–
	1,285,052	724,684
Classified under:		
Non-current assets	526,268	197,523
Current assets	758,784	527,161
	1,285,052	724,684

Notes:

- (a) The quoted equity securities represent investment in equity securities issued by an entity incorporated in the USA (the "US Entity"). The US Entity is engaged in manufacture and sale of pharmaceutical products. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The quoted equity securities are available for trading at the USA's Over-The-Counter ("OTC") market and are revalued according to the available quoted OTC price at the end of each reporting period.
- (b) The unlisted equity investment represents investment in a private entity incorporated in Hong Kong. The fair value of the investment is measured with reference to the net asset value of the private entity.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

15. FINANCIAL ASSETS AT FVTPL (Cont'd)

Notes: (Cont'd)

- (c) The quoted debt securities represent investment in bonds and notes. They have been acquired principally for the purpose of selling in the near term, thus classified as held for trading. Quoted debt securities amounting to HK\$235,112,000 (31st December, 2022: HK\$496,817,000) were pledged to banks for securing certain banking facilities granted to the Group.
- (d) On 30th November, 2021, RK Properties Holdings Limited ("RKP"), an indirect wholly owned subsidiary of Road King and Supreme Gain Limited ("Supreme Gain"), an indirect wholly owned subsidiary of the Company entered into a participation agreement and pursuant to which RKP granted participation rights to Supreme Gain which allow Supreme Gain to enjoy a pro rata portion of 32.5% of the economic interest attributable to RKP's 70% interest (or 22.75% attributable interest) in a property development project with the parcel of land located in Guangzhou, the PRC. The participation rights represent the right to share economic benefits and consequences under the relevant pro rata portion of RKP's interests. As the participation rights do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI, it is classified as financial assets at FVTPL. At 30th June, 2023, the fair value of the participation rights was HK\$182,652,000 (31st December, 2022: HK\$196,303,000).
- (e) The unlisted investment fund represents investment in equity investment fund issued by a private entity incorporated in Hong Kong. It has been acquired principally for the purpose of selling in the near term, thus classified as held for trading. The fair value of the investment is measured with reference to the net asset value of the investment fund.
- (f) During the six months ended 30th June, 2023, the Group has acquired 20% of the issued shares of Rainbow Triumph Limited ("RTL") at the price of HK\$15,700 and the shareholder loan due from RTL in the principal amount at face value of HK\$800,000,000 at a consideration of HK\$800,015,700. RTL is an investment holding company incorporated in the British Virgin Islands and is a subsidiary of Road King. The Group has the right to require RTL to repay (i) up to 50% of the shareholder loan due to the Group on the first anniversary of the acquisition's completion date; and (ii) up to the balance of the shareholder loan due to the Group on 28th February, 2025, at the redemption price based on adjustments related to the market value of properties held by RTL. The current portion of the financial asset of approximately HK\$416,603,000 represents the amount expected to be realised within twelve months after the reporting period. The fair value of the redemption right at 30th June, 2023 has been arrived on the basis of a valuation carried out on that date by an independent and qualified property valuer not connected to the Group.

The directors consider that the redemption right is a derivative embedded in the shareholder loan. The entire shareholder loan including principal, interest and redemption right are accounted for as financial asset at FVTPL.

Details of fair value measurements are set out in note 25.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30th June, 2023 HK\$'000	31st December, 2022 HK\$'000
Derivative financial assets (under hedge accounting)		
Cash flow hedges		
– Interest rate swaps	48,288	60,198

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

The terms of the interest rate swap contracts have been negotiated to match the terms of the respective designated hedging items and the directors consider that the interest rate swaps are effective hedging instruments and have designated them as cash flow hedging instruments for hedge accounting purpose. Included in bank loans as disclosed in note 23 were bank loans of HK\$780,000,000 (31st December, 2022: HK\$800,000,000) which were under cash flow hedges. The major terms of these swap contracts at 30th June, 2023 are as follows:

Notional amount	HK\$780,000,000
Maturity date	25th March, 2025
Pay fixed rate range	0.62% to 0.73%
Receiving floating rate	One month HKD Hong Kong Interbank Offered Rate

All of the above interest rate swaps are designated and effective as cash flow hedges. The fair value losses of the above interest rate swaps amounting to HK\$11,910,000 (six months ended 30th June, 2022: gains of HK\$36,495,000) are recognised in other comprehensive expense/income and accumulated under the other reserve at 30th June, 2023. The directors of the Company expected the accumulated sum is to be released at various dates in the coming maturity periods after the reporting period. The classification of the fair value measurement of the above derivative financial instruments at 30th June, 2023 is Level 2 under the fair value hierarchy (see note 25 for details).

17. INVENTORIES

	30th June, 2023 HK\$'000	31st December, 2022 HK\$'000
Properties under development for sale (<i>note</i>)	425,686	50,350
Raw materials	2,965	6,580
Consumables	6,243	5,777
Uninstalled construction materials	42,984	64,152
Finished goods	2,524	2,981
	480,402	129,840

Note: The carrying amount of properties under development for sale is stated at lower of cost and net realisable value. No depreciation charge is made on the leasehold lands taking into account the estimated residual values at reporting dates. During the six months ended 30th June, 2023, the Group has an addition of approximately HK\$369,017,000 through acquisition of subsidiaries. For details of the acquisition, please refer to note 28.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

18. 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:</i> Allowance for credit losses	(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
	879,222	854,517

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	31st December, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	456,259	456,134

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

18. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

The Group's other debtors included a loan with principal amount of US\$3,150,000 (equivalent approximately to HK\$24,685,000) (31st December, 2022: US\$3,150,000 (equivalent approximately to HK\$24,608,000)) (the "Loan") advanced to the US Entity. On 15th January, 2020, the Group and the US Entity entered into an agreement and pursuant to which the Loan was repayable on 15th June, 2020 and carried interest at 11% per annum. On 15th June, 2020, the Group and the US Entity further agreed that the Loan was extended to be repayable on 15th June, 2023 ("Loan Due Date") and carries interest at 12% per annum. On 13th July, 2020, the US Entity issued contingent common stock purchase warrant (the "Warrant") to the Group to purchase from the US Entity up to its 1,250,000 common shares ("Warrant Shares") at an exercise price of US\$2.05 each. Pursuant to the terms of the Warrant, if full repayment of the Loan ("Repayment") is made on or before 15th June, 2022, the Warrant shall become exercisable for 500,000 Warrant Shares during the period from the date of Repayment to 15th June, 2025. If either Repayment is made during the period from 16th June, 2022 to Loan Due Date or no Repayment is made on Loan Due Date, the Warrant shall become exercisable for 1,250,000 Warrant Shares for the period from either the date of Repayment or Loan Due Date to 15th June, 2025. The directors of the Company consider the fair value of the Warrant is immaterial at the end of both reporting periods. On 15th June, 2023, the Group and the US Entity further agreed that the Loan was extended to be repayable on 15th December, 2023 and carries interest at 13% per annum.

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.

19. CONTRACT ASSETS

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

19. CONTRACT ASSETS (Cont'd)

Notes:

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

At 30th June, 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.

20. CASH HELD ON BEHALF OF CUSTOMERS

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

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

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

At 30th June, 2023, cash held on behalf of customers included an aggregate amount of HK\$10,763,000 (31st December, 2022: HK\$1,629,000) held on behalf of certain directors of the Company and related companies. The same amount is payable to these directors of the Company and the related companies, and included in creditors and accrued charges.

21. PLEDGED BANK DEPOSITS

At 30th June, 2023, bank deposits of the Group amounting to HK\$68,991,000 (31st December, 2022: HK\$113,696,000) were pledged to banks for securing certain banking facilities granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

22. 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.

23. BANK LOANS

	30th June, 2023	31st December, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
The maturity of the bank loans that based on repayment schedules of respective loan agreements is as follows:		
Within one year	412,081	277,418
In the second year	1,082,200	249,835
In the third to fifth year inclusive	–	977,500
Total	1,494,281	1,504,753
Less: Amount shown under current liabilities	(459,281)	(391,253)
Amount shown under non-current liabilities	1,035,000	1,113,500
Secured	78,489	117,156
Unsecured	1,415,792	1,387,597
	1,494,281	1,504,753

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

23. BANK LOANS (Cont'd)

At 30th June, 2023, bank loans of HK\$345,031,000 (31st December, 2022: HK\$319,753,000) contain a repayment on demand clause have been classified as current liabilities, of which bank loans that are repayable after one year after the end of the reporting period with an aggregate carrying amount of HK\$47,200,000 (31st December, 2022: HK\$113,835,000).

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

24. OTHER CREDITORS

	30th June, 2023	31st December, 2022
	HK\$'000	HK\$'000
Consideration payable on acquisition of subsidiaries (<i>note</i>)	332,116	–
Other creditors	23,000	23,000
	355,116	23,000

Note: During the six months ended 30th June, 2023, the Group acquired several subsidiaries and for transaction details, please refer to note 28. According to the respective sale and purchase agreements, the remaining 90% of the consideration is payable in several stages and the management of the Group expects the amounts will be fully paid in 2025. Therefore, the amounts are classified as non-current at 30th June, 2023.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

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

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

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs for fair value
	30th June, 2023 HK\$'000	31st December, 2022 HK\$'000				
Listed equity securities in Hong Kong	25,492	28,573	Level 1	Quoted bid price in an active market	N/A	N/A
Quoted equity securities in the USA	1,571	1,771	Level 1	Quoted bid price in the OTC market	N/A	N/A
Unlisted equity investment	1,220	1,220	Level 3	Net asset value of the private entity	N/A	N/A
Quoted debt securities	271,859	496,817	Level 1	Market bid price or quoted price in an active market	N/A	N/A
Participation rights of a property development project	182,652	196,303	Level 3	Fair value was determined by discount cash flow method	Discount rate	The increase in discount rate would result in a decrease in fair value
Unlisted investment fund	43,259	—	Level 3	Net asset value of the investment fund	N/A	N/A
Shareholder loan to an associate with redemption right	758,999	—	Level 3	Monte Carlo methods The fair value is determined based on valuation provided by an independent professional valuer which is measured using Monte Carlo simulation based on the current property prices, China risk-free rate, the expected volatility of the property prices and expected return The key inputs are: (i) China risk-free rate; (ii) expected volatility of the property prices; and (iii) expected return	The discounted China risk-free rate of 2.259% (31st December, 2022: N/A) The expected volatility of 10% (31st December, 2022: N/A) The discounted expected return of 11.8% (31st December, 2022: N/A)	The increase in China risk-free rate would result in a decrease in fair value The increase in expected volatility of the property prices would result in an increase in fair value The increase in expected return would result in a decrease in fair value
Derivative financial instruments - Interest rate swap contracts	48,288	60,198	Level 2	Fair value provided by counterparty (financial institution) which used discount cash flow method	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

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

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

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity investment <i>HK\$'000</i>	Participation rights of a property development project <i>HK\$'000</i>	Unlisted investment fund <i>HK\$'000</i>	Shareholder loan to an associate with redemption right <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2022	6,000	111,644	—	—	117,644
Addition	—	137,917	—	—	137,917
At 30th June, 2022	6,000	249,561	—	—	255,561
At 1st January, 2023	1,220	196,303	—	—	197,523
Addition	—	—	58,741	800,000	858,741
Settlement	—	(5,145)	—	—	(5,145)
Fair value loss in profit or loss	—	—	(15,637)	(41,001)	(56,638)
Exchange (loss) gain	—	(8,506)	155	—	(8,351)
At 30th June, 2023	1,220	182,652	43,259	758,999	986,130

Fair value measurements and valuation processes

The directors of the Company have closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages independent professional valuer to perform the valuation. Management of the Group works closely with the independent professional valuer to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of the financial instrument.

Fair values of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

26. CAPITAL COMMITMENTS

	30th June, 2023	31st December, 2022
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	34,433	56,586

27. RELATED PARTY TRANSACTIONS

During the period, other than the transactions set out in notes 15(d) and 15(f), the Group entered into the following transactions with related parties:

	Six months ended 30th June,	
	2023	2022
	HK\$'000	HK\$'000
Associates		
Construction contract revenue	55,345	2,065
Service income	30	30
Joint operations		
Sale of construction materials	34,531	28,942
Related companies (note)		
Project management fee income	–	20,360
Purchase of construction materials	984	–
Sale of construction materials	–	2,282
Compensation of key management personnel		
Short-term employee benefits	83,341	75,660
Post-employment benefits	2,931	2,730
	86,272	78,390

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

28. ACQUISITIONS OF SUBSIDIARIES

Six months ended 30th June, 2023

On 28th April, 2023, the Group, through Build King Holdings Limited (“Build King”, the Company’s 58.33% (31st December, 2022: 58.12%) subsidiary whose shares are listed on the Main Board of the Stock Exchange), acquired 100% interest in and shareholder loans owed by Sky Grant Investment Limited (“Sky Grant”) and its subsidiary (collectively referred to as “Sky Grant Group”) from independent third parties at a total consideration of approximately HK\$136,532,000. On the same date, the Group also, through Build King, acquired 100% interest in and shareholder loan owed by Real Best Development Limited (“Real Best”) and its subsidiaries (collectively referred to as “Real Best Group”) from an independent third party at a total consideration of approximately HK\$232,485,000.

Both acquisitions have been accounted for as acquisition of assets and liabilities.

At 30th June, 2023, acquisition-related costs were insignificant and recognised as cost of acquisition of inventories.

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

	Sky Grant Group <i>HK\$'000</i>	Real Best Group <i>HK\$'000</i>
Inventories	136,532	232,485
Other creditors	(136,532)	(232,485)
	–	–

The fair values of Sky Grant Group’s and Real Best Group’s identifiable assets and liabilities have been assessed by the management of the Group and it considered that the fair values of the inventories at the date of acquisition amounted to HK\$136,532,000 and HK\$232,485,000, respectively. The other creditors of HK\$136,532,000 and HK\$232,485,000 are the shareholder loans assigned to the Group in accordance with the respective sale and purchase agreements which are settled through the consideration as follows:

Consideration satisfied by:

	Sky Grant Group <i>HK\$'000</i>	Real Best Group <i>HK\$'000</i>
Cash	13,653	23,248
Consideration payable	122,879	209,237
	136,532	232,485

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

28. ACQUISITIONS OF SUBSIDIARIES (Cont'd)

Six months ended 30th June, 2023 (Cont'd)

Net cash outflow on acquisition:

	Sky Grant Group <i>HK\$'000</i>	Real Best Group <i>HK\$'000</i>
Cash consideration paid	13,653	23,248

Impacts of acquisition on the results of the Group

The impact arising from the acquisition of Sky Grant Group and Real Best Group to the Group's loss and revenue for the six months ended 30th June, 2023 is immaterial.

Six months ended 30th June, 2022

On 14th March, 2022, the Group, through Build King, further acquired 20% attributable interest in Ruyi Residence Development Sdn. Bhd. ("Ruyi Residence") from an independent joint venture partner at a cash consideration of Malaysian ringgit 1,000,000 (equivalent to HK\$1,873,000). Before the acquisition, the Group and other two independent third parties jointly controlled Ruyi Residence because unanimous consent from all joint venture partners was required to make decisions in the board of directors meeting under the constitution of Ruyi Residence. After the acquisition, pursuant to the amended Memorandum and Articles of Association, all of the relevant activities required approval by simple majority of the board of directors, the Group controls more than 50% of the voting powers in the board of directors of Ruyi Residence which give the Group the current ability to direct the relevant activities. The interest previously held by the Group in Ruyi Residence is deemed to be disposed with a remeasurement gain amounting to HK\$6,138,000 at the acquisition date. Ruyi Residence becomes a non-wholly owned subsidiary of the Group under HKFRS 10 "Consolidated Financial Statements" and its results, assets and liabilities are consolidated with those of the Group.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2023

28. ACQUISITIONS OF SUBSIDIARIES (Cont'd)

Six months ended 30th June, 2022 (Cont'd)

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

	HK\$'000
Property, plant and equipment	9
Inventory	52,554
Other debtors, deposits and prepayments	35
Bank balances and cash	2,206
Other creditor	(18,154)
Amount due to Build King	(23,507)
Amount due to non-controlling interest	(3,781)
	9,362

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

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

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

Net cash inflow on acquisition of Ruyi Residence:

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

Impacts of acquisition on the results of the Group

The impact arising from the acquisition of Ruyi Residence to the Group's profit and revenue for the six months ended 30th June, 2022 is immaterial.

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

CHENG Chi Ming, Brian
HO Gilbert Chi Hang

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

CHIU Wai Yee, Anriena

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

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

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STOCK CODE

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