



**PROPERTY
DEVELOPMENT**

TOLL ROAD

CONSTRUCTION

**CONSTRUCTION
MATERIALS**

QUARRYING



Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

INTERIM REPORT 2019

POSITIVE THINKING ACTIVE PARTICIPATION

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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, 2019.

FINANCIAL PERFORMANCE HIGHLIGHTS

Revenue	HK\$3,738 million
Profit attributable to owners of the Company	HK\$398 million
Basic earnings per share	HK50.14 cents
Interim dividend per share	HK8 cents
Equity attributable to owners of the Company per share	HK\$10.09

Business Review and Future Outlook

BUSINESS REVIEW

For the six months ended 30th June, 2019, the Group's revenue was HK\$3,738 million (six months ended 30th June, 2018: HK\$3,381 million), generating an unaudited profit attributable to owners of the Company of HK\$398 million (six months ended 30th June, 2018: HK\$358 million), an increase of 11% as compared with that of 2018.

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

For the six months ended 30th June, 2019, the Group shared a profit of HK\$368 million (six months ended 30th June, 2018: HK\$336 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this report, the Group holds 42.39% interest in Road King.

During the six months ended 30th June, 2018, the Group purchased 1,256,000 ordinary shares in Road King at an aggregate consideration below the additional net assets value shared by the Group and hence recognised an aggregate discount of HK\$6 million on acquisition of additional interest in Road King. On the other hand, Road King issued 1,200,000 ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option scheme of Road King. As the shares were issued at the exercise price lower than the net assets value per share of Road King, the Group recorded an aggregate loss of HK\$7 million on deemed disposal of partial interest in Road King. During the six months ended 30th June, 2019, neither the Group purchased any ordinary shares in Road King nor Road King issued any ordinary shares.

For the six months ended 30th June, 2019, Road King recorded an unaudited profit attributable to its owners of HK\$868 million (six months ended 30th June, 2018: HK\$808 million), an increase of 7% as compared with that of 2018.

For the first half of 2019, property sales and toll revenue of Road King (including joint venture projects) were RMB22,030 million and RMB1,596 million respectively, amounting to RMB23,626 million in total and representing an increase of 26% as compared with the corresponding period of last year.

For land reserve replenishment, Road King acquired four parcels of land in Mainland China for residential purpose through listing-for-sale and co-development in the first half of 2019, with an aggregate floor area of 445,000 sqm. At 30th June, 2019, Road King's land reserves in Mainland China and Hong Kong were 7,790,000 sqm and 120,000 sqm respectively, with 7,910,000 sqm in total, of which the total area of properties pre-sold but yet to be delivered was 2,390,000 sqm.

The average daily traffic volume and toll revenue of Road King's expressway projects portfolio reached 264,300 vehicles and RMB1,596 million respectively in the first half of 2019, representing an increase of approximately 4% and 9% as compared with the corresponding period of last year. During the period, the traffic volume and toll revenue in Tangjin Expressway and Machao Expressway recorded steady increase, together with the double-digit growth in Longcheng Expressway, Road King's share of profit of infrastructure joint ventures for the first half of the year increased by 11% to HK\$378 million as compared with the corresponding period of last year.

In 2019, Road King continued to consolidate the investment and asset management businesses, including its property fund, cultural attraction, tourism, entertainment and content development businesses. The investment and asset management segment of Road King will continue to seek new opportunities and drivers for profit growth in property fund and property related business under controllable risks.

Business Review and Future Outlook

BUSINESS REVIEW (Cont'd)

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

In the second half of 2019, the management and operation team of Road King will continue its pragmatic approach and adhere to the operating strategy of striking a balance between profitability and sales volume, as well as striving to boost the sales volume and maintaining the growth trend of profits. To establish Road King as a more widely recognised property enterprise, Road King will continue to research and develop market-oriented products and promote the brand name of Road King. Road King will also continue to explore business opportunities, strive to increase toll road assets, optimise the land reserve portfolio and seek for more collaboration opportunities with business partners for further development.

Construction and Sewage Treatment

For the six months ended 30th June, 2019, the Group shared a profit of HK\$93 million (six months ended 30th June, 2018: HK\$130 million) from Build King Holdings Limited ("Build King"), the construction arm of the Group. As of the date of this report, the Group holds 56.76% interest in Build King.

For the six months ended 30th June, 2019, Build King recorded revenue of HK\$3,569 million (six months ended 30th June, 2018: HK\$3,129 million) and an unaudited profit attributable to its owners of HK\$164 million (six months ended 30th June, 2018: HK\$231 million), a decrease of 29% as compared with that of 2018. This comprises profit of HK\$157 million (six months ended 30th June, 2018: profit of HK\$228 million) from construction and sewage treatment operations and profit of HK\$7 million (six months ended 30th June, 2018: profit of HK\$3 million) from investment in securities.

The increase of turnover was in line with Build King's management's forecast progress of the contracts on hand. Last year, the record-high profit was the combined result of adopting a new accounting standard and satisfactory final accounts of several major projects. As indicated in the Annual Report 2018 of Build King ("Build King Annual Report 2018"), the profit of 2018 was exceptional, but the management of Build King did expect such profitability would not sustain. Despite deteriorating economy and ever competitive market, Build King still achieved gross profit margin of 9.9% and net profit margin of 4.5% which could be considered very healthy in construction sector.

During the first half of 2019, Build King saw its competitors were bidding at an extreme low margin or in some cases bidding at loss prices which are not its strategy. The tendering results in the first half of 2019 were disappointing. Since the issue of Build King Annual Report 2018, Build King has secured seven contracts of total contract sum of less than HK\$1 billion. The total outstanding values of contract-on-hand dropped slightly from HK\$18 billion as reported in Build King Annual Report 2018 to HK\$17 billion at the date of this report.

On current projects, the major engineering projects commenced in 2018, which are lasting for seven years, were progressing in accordance with budget. Other major building projects for private developers commenced in 2018 have already completed over 50% in line with the budget.

Business Review and Future Outlook

BUSINESS REVIEW (Cont'd)

Construction and Sewage Treatment (Cont'd)

The current operation of sewage treatment plant in Wuxi and heat supply in Dezhou were running smoothly. There are new developments in the investments in the PRC environmental infrastructure projects. First, for the operation of sewage treatment plant in Wuxi City currently maintaining treated volume at 42,500 tonnes per day, Build King plans to upgrade the equipment to meet the higher standards for discharge effluent in compliance with new regulations. Build King is in the final stage of the negotiation with local authorities to raise the sewage treatment fees significantly. Second, a joint venture, of which Build King acquired 46% equity interest in 2018, had started construction of steam providing facilities in two sites, namely Gaotai County and Yumen City, both in Gansu Province. The initial investment in each site by the joint venture was approximate RMB40 million. Both sites will start production of steam to nearby factories in the second half of this year. With these two new investments, the management of Build King hopes the PRC operation can progressively increase the profit contribution to Build King.

Construction Materials

For the six months ended 30th June, 2019, the construction materials division recorded revenue of HK\$230 million (six months ended 30th June, 2018: HK\$314 million) and a net loss of HK\$44 million (six months ended 30th June, 2018: net loss of HK\$31 million).

The increase in loss for the construction materials division in comparison with the corresponding period of 2018 was due to continuing difficult market conditions where concrete prices remained at low levels resulting in very low profit margins. In addition, rental and related costs for demolishing concrete batching facilities at Tin Wan have been being incurred in the second and third quarters of 2019 although the production at Tin Wan ceased by the end of March 2019.

Other than the batching facilities at Lam Tei Quarry, a rented batching facility at Yau Tong started operation in April 2019. The thin profit margins resulting from low market price of concrete are unable to absorb the operating costs and fixed costs of both concrete batching facilities. Unless the concrete price is improved significantly, the performance of construction materials division would not be improved.

Taking into account of impairment loss provided in 2018, the result of the asphalt business was in breakeven for the first half of 2019. Nevertheless, the replenishment of the order book is slower than expected as large infrastructure projects were delayed. The low demand of asphalt in the market will not assist in recovery of prices nor will it aid return to profitability.

The management continues adopting prudent cost control measures and is committed to providing high quality of services to both of our concrete and asphalt customers.

Business Review and Future Outlook

BUSINESS REVIEW (Cont'd)

Quarrying

For the six months ended 30th June, 2019, the quarrying division recorded revenue of HK\$88 million (six months ended 30th June, 2018: HK\$85 million) and a net loss of HK\$15 million (six months ended 30th June, 2018: net loss of HK\$8 million).

The quarrying division recorded worse results with a higher net loss as compared with that of last year. Although the market prices of aggregates rose during the current period resulting from the decline in aggregates supply from China to Hong Kong, the selling prices remained at low level for aggregates supply contracts committed with customers in the previous years. Also, the production capacity of the existing crushing facilities at Lam Tei Quarry limits the production volume of aggregates to secure additional sales volume with higher prices. Hence, the thin profit margin generated from sales was unable to cover the substantial amount of operation costs, which included the amortisation of extraction right of rock reserve and rehabilitation costs for Lam Tei Quarry, and fixed overheads at Lam Tei Quarry.

Following the closure of the concrete batching facilities at Tin Wan by the end of March 2019 and the commencement of aggregate supply to Yau Tong concrete batching facility from the outside supplier in April 2019, the operation at Niu Tou Island discontinued. The operation at Niu Tou Island turned from a slightly net profit in 2018 to a net loss for the period in 2019 before discontinuation of its operation.

The management has decided to increase the production capacity of the crushing facilities at Lam Tei Quarry in order to strengthen the competitiveness and performance of the quarrying division. The plan for establishment of the new crushing facilities with double production capacity is in progress and is anticipated to be completed for production by the end of 2019. The management has also been exercising cost control measures to minimize the cost of aggregates.

Impairment Loss of Lam Tei Quarry

The management has performed impairment assessments of Lam Tei Quarry. For the purpose of impairment assessments of Lam Tei Quarry, assets of Lam Tei Quarry have been allocated to three individual cash generating units ("CGUs"), i.e., concrete, asphalt and quarrying CGUs, and the recoverable amounts of these CGUs have been determined based on the value in use calculation. The management considered that the recoverable amounts of the intangible assets, comprising extraction right of rock reserve and rehabilitation costs for Lam Tei Quarry, and property, plant and equipment of these CGUs were less than their carrying amounts at 30th June, 2018, therefore impairment losses of HK\$49 million and HK\$9 million had been recognised in profit or loss in respect of intangible assets and property, plant and equipment, respectively, for the six months ended 30th June, 2018. The management considers that no further impairment on intangible assets and property, plant and equipment is necessary for the six months ended 30th June, 2019.

The management will continue to perform impairment assessment on intangible assets and property, plant and equipment of Lam Tei Quarry.

Business Review and Future Outlook

BUSINESS REVIEW (Cont'd)

Property Funds

The Group holds 34.6% interest in Grand China Cayman Investors III, Limited ("Grand China Fund") which indirectly holds 39.9% interest in a US company ("US Company I"). Following the disposals of two residential rental properties in 2016 and another two residential rental properties in 2017, the remaining five residential rental properties in Houston were disposed of by US Company I in 2018. Cash distributions of net sales proceeds were made in the second half year of 2018 and the first half year of 2019. For the six months ended 30th June, 2019, the Group shared profit of HK\$10 million and received cash distribution of US\$1.3 million from Grand China Fund.

The Group holds 10% interest in Grand China Overseas Investment Fund, Ltd. and Grand China Overseas Investment Management Co., Ltd. (collectively "GCOI Fund"). GCOI Fund is a fund of funds which in turn invested in numbers of sub-funds. Each sub-fund focuses on a unique property project in the USA. On 4th March, 2019, the Group entered into an agreement to dispose of its entire interest in GCOI Fund to the major shareholder of GCOI Fund at the consideration of US\$5.8 million and gain on change in fair value of HK\$11 million for the investment in GCOI Fund with reference to the consideration to be received was recognised in profit or loss for the year ended 31st December, 2018. For the six months ended 30th June, 2019, the Group received cash distribution of US\$0.2 million and sales proceeds of US\$5.8 million.

The Group holds 30% effective interest in the Sunnyvale project by investment in a US investment company ("US Company II") which in turn made capital contribution to another US company (the "Project Company") for the development of 3-storey townhouses on three lots of land in Sunnyvale. In 2017, the Project Company sold one of the three lots of land. Development work of 314 townhouses on the remaining two lots of land is in progress and these townhouses have been gradually built and sold. At 30th June, 2019, 234 townhouses were sold and closed, and another 20 townhouses were sold but not yet closed. For the six months ended 30th June, 2019, revaluation surplus of HK\$1 million for the investment in US Company II was recognised as gain on change in fair value in profit or loss.

Lion Trade Global Limited ("Lion Trade"), which is owned 70% by a wholly owned subsidiary of the Company and 30% by a wholly owned subsidiary of Build King, indirectly holds 75% interest in Wisdom H6 LLC ("JV Fund I") and 34.35% interest in Estates at Fountain Lake LLC ("JV Fund II"), both of which are US joint venture companies. JV Fund I holds a 4-storey residential rental property in Houston and JV Fund II holds a 3-storey residential rental property in Stafford of Texas. In June 2019, the occupancy rates of these two residential properties were around 87.4% and 95.4% respectively. For the six months ended 30th June, 2019, the Group shared loss of HK\$3.8 million, of which 30% was shared by Build King, and received cash distribution of US\$0.2 million from these two US joint venture companies.

FUTURE OUTLOOK

To improve the overall performance of Lam Tei Quarry, management has taken measures to increase the production capability of the crushing facilities as the market price of aggregates is in uptrend. For concrete and asphalt businesses, the low concrete price and low market demand of asphalt led to the unsatisfactory performance of the construction materials division.

The operators of concrete and asphalt industries continue to face extremely challenging time in the second half of 2019. The Group would continue implementing cost control measures to strengthen our competitiveness.

The performance of the property funds in the first half of 2019 has been in line with budget and it is anticipated that all townhouses of Sunnyvale Project will be sold and closed in the first half year of 2020 and have profit contribution and cash distribution to the Group in 2020. The Group continues to closely monitor the performance of the property funds.

Financial Review

LIQUIDITY AND FINANCIAL RESOURCES

During the period, total borrowings decreased from HK\$1,219 million to HK\$1,083 million, which included bonds with carrying amounts of HK\$129 million (31st December, 2018: HK\$129 million) carrying fixed coupon interest of 7% per annum and HK\$83 million (31st December, 2018: HK\$91 million) carrying no interest (31st December, 2018: fixed coupon interest of 5% per annum) respectively, with the maturity profile summarised as follows:

	30th June, 2019 HK\$'million	31st December, 2018 HK\$'million
Within one year	275	272
In the second year	445	486
In the third to fifth year inclusive	363	370
Over five years	–	91
	1,083	1,219
Classified under:		
Current liabilities (<i>note</i>)	317	327
Non-current liabilities	766	892
	1,083	1,219

Note: At 30th June, 2019, 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\$42 million (31st December, 2018: HK\$55 million) have been classified as current liabilities.

During the period, the Group had no financial instruments for hedging purpose. At 30th June, 2019, apart from the bonds described above, the Group had no fixed-rate borrowings.

At 30th June, 2019, total amount of the Group's time deposits, bank balances and cash was HK\$2,410 million (31st December, 2018: HK\$1,813 million), of which bank deposits of Build King amounting to HK\$65 million (31st December, 2018: HK\$2 million) were pledged to banks to secure certain banking facilities granted to Build King. In addition, the Group has available unutilised banking facilities of HK\$1,631 million (31st December, 2018: HK\$1,331 million).

For the six months ended 30th June, 2019, the Group recorded finance costs of HK\$37 million (six months ended 30th June, 2018: HK\$37 million).

At 30th June, 2019, included in the financial assets at fair value through profit or loss, there were investments in unlisted convertible bonds of HK\$38 million (31st December, 2018: HK\$38 million) and unlisted equity securities of HK\$6 million (31st December, 2018: HK\$8 million), both of which were issued by a private entity engaged in manufacture and sale of pharmaceutical products in USA, and investment in equity securities listed in Hong Kong of HK\$53 million (31st December, 2018: HK\$47 million). For the six months ended 30th June, 2019, the Group recorded a net gain (net amount of change in fair value and dividend income) of HK\$7 million (six months ended 30th June, 2018: net gain of HK\$6 million) from these investments, of which net gain of HK\$7 million (six months ended 30th June, 2018: net gain of HK\$3 million) was derived from the securities invested by Build King.

Financial Review

LIQUIDITY AND FINANCIAL RESOURCES (Cont'd)

The Group's borrowings, investments, time deposits and bank balances are principally denominated in Hong Kong dollar, Renminbi and United States dollar. As a result, the Group is exposed to the currency risks for fluctuation in exchange rates of Renminbi and United States dollar. However, there is no significant exposure to foreign exchange rate fluctuations during the period. The Group will continue to monitor its exposure to the currency risks closely.

CAPITAL STRUCTURE AND GEARING RATIO

At 30th June, 2019, the equity attributable to owners of the Company amounted to HK\$8,006 million, representing HK\$10.09 per share (31st December, 2018: HK\$7,787 million, representing HK\$9.82 per share).

At 30th June, 2019, the gearing ratio, representing the ratio of total borrowings to equity attributable to owners of the Company, was 13.5% (31st December, 2018: 15.7%) 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 -16.6% (31st December, 2018: -7.6%) as a result of total amount of time deposits, bank balances and cash exceeding total borrowings amount.

PLEDGE OF ASSETS

At 30th June, 2019, apart from the bank deposits pledged to secure certain banking facilities granted to the Group, the shares of certain subsidiaries of the Company were also pledged to secure certain bank loans and banking facilities granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 30th June, 2019, the Group committed capital expenditure contracted for but not provided in the Group's condensed consolidated financial statements of HK\$54 million (31st December, 2018: HK\$3 million) in respect of acquisition of property, plant and equipment. At 30th June, 2019, the Group had no contingent liabilities.

Dividend

INTERIM DIVIDEND

The Board has declared an interim dividend of HK8.0 cents (six months ended 30th June, 2018: HK7.6 cents) per ordinary share for the six months ended 30th June, 2019 to the shareholders of the Company whose names appear in the register of members of the Company on Thursday, 5th September, 2019.

It is expected that the payment of the interim dividend will be made on or before Tuesday, 8th October, 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4th September, 2019 to Thursday, 5th September, 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 3rd September, 2019.

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30th June, 2019, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(I) The Company

Interests in shares

Name of Director	Capacity/ Nature of interest	Number of shares held Long position Short position		Percentage of the issued ordinary share capital (note)
		Long position	Short position	
Zen Wei Pao, William	Personal	197,781,843	–	24.94
Zen Wei Peu, Derek	Personal	195,957,078	–	24.71
Wong Che Ming, Steve	Personal	900,000	–	0.11

Note:

Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

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 Long position	Short position	Percentage of the issued share capital %
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000 (note 1)	-	0.11 (note 2)
	Wai Kee (Zens) Construction & Transportation Company Limited (note 3)	Personal	2,000,000 (note 1)	-	10.00
	Wai Luen Stone Products Limited	Personal	30,000 (note 1)	-	37.50
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	123,755,228 (note 1)	-	9.97
	Road King Infrastructure Limited	Personal	24,649,000 (notes 1 & 4)	-	3.29
	Wai Kee (Zens) Construction & Transportation Company Limited (note 3)	Personal	2,000,000 (note 1)	-	10.00
Chiu Wai Yee, Anriena	Wai Luen Stone Products Limited	Personal	30,000 (note 1)	-	37.50
	Build King Holdings Limited	Personal	1,116,000 (note 1)	-	0.09
	Road King Infrastructure Limited	Personal	205,000 (note 1)	-	0.03
Wong Che Ming, Steve	Build King Holdings Limited	Personal	407,448 (note 1)	-	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, 2019, the issued share capital of Build King was 1,241,877,992 shares. Accordingly, the percentage has been adjusted.
3. 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.
4. Included in the balance is 1,000,000 Road King shares held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

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

Disclosure of Interests

DIRECTORS' INTERESTS AND SHORT POSITIONS (Cont'd)

(II) Associated Corporations (Cont'd)

Interests in debentures

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

Notes:

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

SHARE OPTIONS

(I) The Company

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

(II) Associated Corporation

The share option scheme was adopted by Road King on 8th May, 2013 ("Road King Share Option Scheme"). As at 30th June, 2019, Road King has granted 3,500,000 share options under Road King Share Option Scheme to two existing Directors of the Company, all share options granted to those Directors have been exercised.

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

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

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2019, 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	Short position (note 1)	
Cheng Yu Tung Family (Holdings) Limited (note 2)	Corporate	198,068,000	–	24.97
Cheng Yu Tung Family (Holdings II) Limited (note 3)	Corporate	198,068,000	–	24.97
Chow Tai Fook Capital Limited (note 4)	Corporate	198,068,000	–	24.97
Chow Tai Fook (Holding) Limited (note 5)	Corporate	198,068,000	–	24.97
Chow Tai Fook Enterprises Limited (note 6)	Corporate	198,068,000	–	24.97
New World Development Company Limited (note 7)	Corporate	198,068,000	–	24.97
NWS Holdings Limited (note 8)	Corporate	198,068,000	–	24.97
NWS Service Management Limited (incorporated in the Cayman Islands) (note 9)	Corporate	198,068,000	–	24.97
NWS Service Management Limited (incorporated in the British Virgin Islands) (note 10)	Corporate	198,068,000	–	24.97
Vast Earn Group Limited (note 11)	Beneficial owner	198,068,000	–	24.97

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Notes:

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

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

Corporate Governance

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2019.

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, 2019.

Other Information

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, 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed with management, internal auditor and external auditor the accounting policies adopted by the Group and the unaudited interim financial information for the six months ended 30th June, 2019.

EMPLOYEES AND REMUNERATION POLICIES

At 30th June, 2019, the Group had 2,358 employees (31st December, 2018: 2,143 employees), of which 2,294 (31st December, 2018: 2,080) were located in Hong Kong, 63 (31st December, 2018: 62) were located in the PRC and 1 (31st December, 2018: 1) was located in UAE. For the six months ended 30th June, 2019, the Group's total staff costs were HK\$645 million (six months ended 30th June, 2018: HK\$554 million).

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

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

DISCLOSURES PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

- (1) On 12th October, 2017, the Company confirmed its acceptance of a facility letter issued by a bank in respect of a term loan facility of up to HK\$273 million (the "Banking Facility") with the final maturity date falling 3 years from the date of the bank's receipt of the Company's acceptance of the facility letter. Throughout the life of the Banking Facility, Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek should collectively maintain at least 43% shareholding interest in the Company and maintain management control in the Company.
- (2) On 2nd November, 2018, Wai Kee Finance Limited, a wholly owned subsidiary of the Company, as borrower, the Company as guarantor and a bank as lender entered into a facility agreement in respect of HK\$760 million term loan facility (the "Facility") with final maturity date falling on 42 months from the first utilisation date of the Facility. Throughout the life of the Facility, (i) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek should be executive directors of the Company; and (ii) Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek collectively own (directly or indirectly) at least 40% of beneficial shareholding interest in the issued share capital of the Company.

Save as disclosed above, as at 30th June, 2019, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

Other Information

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

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

Name of Director	Details of changes
Zen Wei Peu, Derek	Mr. Zen is a director of Emmaus Life Sciences, Inc., whose shares began trading on the Nasdaq Capital Market on 18th July, 2019.
Cheng Chi Ming, Brian	Mr. Cheng has resigned as a non-executive director of Leyou Technologies Holdings Limited (Stock Code: 1089) with effect from 5th June, 2019. His emolument for acting as a Non-executive Director of the Company has been revised from HK\$286,700 to HK\$292,500 per annum with effect from 19th August, 2019.
Ho Gilbert Chi Hang	Mr. Ho's emolument for acting as a Non-executive Director of the Company has been revised from HK\$286,700 to HK\$292,500 per annum with effect from 19th August, 2019.
Wong Che Ming, Steve	Dr. Wong's emoluments for acting as an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee of the Company have been revised from HK\$286,700 to HK\$292,500 per annum, from HK\$119,300 to HK\$121,700 per annum and from HK\$41,500 to HK\$42,400 per annum respectively with effect from 19th August, 2019.
Wan Siu Kau, Samuel	Mr. Wan's emoluments for acting as an Independent Non-executive Director, a member of the Audit Committee and the Chairman of the Remuneration Committee of the Company have been revised from HK\$286,700 to HK\$292,500 per annum, from HK\$119,300 to HK\$121,700 per annum and from HK\$60,100 to HK\$61,400 per annum respectively with effect from 19th August, 2019.
Wong Man Chung, Francis	Mr. Wong's emoluments for acting as an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company have been revised from HK\$286,700 to HK\$292,500 per annum, from HK\$137,900 to HK\$140,700 per annum and from HK\$41,500 to HK\$42,400 per annum respectively with effect from 19th August, 2019.

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, 19th August, 2019

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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 set out on pages 20 to 51, which comprise the condensed consolidated statement of financial position as of 30th June, 2019 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 the 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

19th August, 2019

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June, 2019

	Notes	Six months ended 30th June, 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue from goods and services	3	3,738,115	3,380,544
Cost of sales		(3,367,956)	(2,903,529)
Gross profit		370,159	477,015
Other income	5	41,859	33,859
Other gains and losses	6	23,139	(46,015)
Selling and distribution costs		(45,007)	(47,499)
Administrative expenses		(221,068)	(208,591)
Finance costs	7	(37,437)	(37,340)
Share of results of associates		375,917	336,331
Share of results of joint ventures		(2,309)	3,291
Profit before tax	8	505,253	511,051
Income tax expense	9	(45,205)	(52,547)
Profit for the period		460,048	458,504
Profit for the period attributable to:			
Owners of the Company		397,660	358,376
Non-controlling interests		62,388	100,128
		460,048	458,504
		HK cents	HK cents
Earnings per share	11		
– Basic		50.14	45.19
– Diluted		50.14	45.17

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2019

	Six months ended 30th June, 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit for the period	460,048	458,504
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(237)	(1,913)
Share of translation reserves of associates	7,273	(45,239)
Share of translation reserves of joint ventures	(374)	–
Other comprehensive income (expense) for the period	6,662	(47,152)
Total comprehensive income for the period	466,710	411,352
Total comprehensive income for the period attributable to:		
Owners of the Company	404,256	312,095
Non-controlling interests	62,454	99,257
	466,710	411,352

Condensed Consolidated Statement of Financial Position

At 30th June, 2019

	Notes	30th June, 2019 (Unaudited) HK\$'000	31st December, 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	12	211,330	307,714
Right-of-use assets		74,656	–
Intangible assets		232,860	254,557
Goodwill		29,838	29,838
Interests in associates	13	7,485,145	7,391,059
Interests in joint ventures	14	262,970	268,124
Financial assets at fair value through profit or loss ("FVTPL")	15	43,048	80,125
Other financial asset at amortised cost		38,025	38,654
		8,377,872	8,370,071
Current assets			
Inventories		98,903	97,775
Debtors, deposits and prepayments	16	496,441	551,621
Contract assets	17	1,631,161	1,672,750
Amounts due from associates		10,879	11,201
Loans to joint ventures		19,777	22,020
Amount due from a joint venture		2,027	–
Amounts due from other partners of joint operations		246,315	212,994
Tax recoverable		6,545	13,135
Financial assets at FVTPL	15	97,856	102,588
Cash held on behalf of customers	18	46,546	744
Pledged bank deposits	19	65,317	2,336
Time deposits with original maturity of not less than three months		320,000	284,400
Bank balances and cash		2,024,846	1,526,070
		5,066,613	4,497,634
Current liabilities			
Creditors and accrued charges	20	2,491,333	2,428,595
Contract liabilities		917,619	566,355
Amounts due to associates		18,791	17,686
Amounts due to joint ventures		1,236	1,236
Amounts due to other partners of joint operations		2,011	2,691
Amounts due to non-controlling shareholders		3,359	3,359
Lease liabilities		36,074	–
Tax liabilities		143,063	128,738
Bank loans	21	240,264	327,250
Bonds		76,794	–
		3,930,544	3,475,910
Net current assets		1,136,069	1,021,724
Total assets less current liabilities		9,513,941	9,391,795

Condensed Consolidated Statement of Financial Position

At 30th June, 2019

	Notes	30th June, 2019 (Unaudited) HK\$'000	31st December, 2018 (Audited) HK\$'000
Non-current liabilities			
Payable for extraction right		218,076	258,227
Provision for rehabilitation costs		20,924	20,354
Deferred tax liabilities		5,750	5,750
Obligations in excess of interests in associates	13	16,472	14,416
Obligations in excess of interests in joint ventures	14	6,460	4,853
Amount due to an associate		2,399	3,192
Lease liabilities		37,518	–
Bank loans	21	630,350	672,000
Bonds		135,447	219,869
		1,073,396	1,198,661
Net assets		8,440,545	8,193,134
Capital and reserves			
Share capital		79,312	79,312
Share premium and reserves		7,926,226	7,707,733
Equity attributable to owners of the Company		8,005,538	7,787,045
Non-controlling interests		435,007	406,089
Total equity		8,440,545	8,193,134

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2019

	Equity attributable to owners of the Company									
	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	Total equity HK\$'000
At 1st January, 2018 (audited) Remeasurement arising from adoption of HKFRS 15 and HKFRS 9	79,312	731,906	730,515	(29,530)	2,319	(9,704)	5,557,911	7,062,729	320,677	7,383,406
-	-	-	-	-	-	-	(92,174)	(92,174)	(60,233)	(152,407)
At 1st January, 2018 (restated)	79,312	731,906	730,515	(29,530)	2,319	(9,704)	5,465,737	6,970,555	260,444	7,230,999
Profit for the period	-	-	-	-	-	-	358,376	358,376	100,128	458,504
Other comprehensive expense for the period	-	-	(46,281)	-	-	-	-	(46,281)	(871)	(47,152)
Total comprehensive (expense) income for the period	-	-	(46,281)	-	-	-	358,376	312,095	99,257	411,352
Sub-total	79,312	731,906	684,234	(29,530)	2,319	(9,704)	5,824,113	7,282,650	359,701	7,642,351
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	(16,270)	(16,270)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	272	-	272	(5,621)	(5,349)
Dividend paid (note 10)	-	-	-	-	-	-	(178,453)	(178,453)	-	(178,453)
At 30th June, 2018 (unaudited)	79,312	731,906	684,234	(29,530)	2,319	(9,432)	5,645,660	7,104,469	337,810	7,442,279
At 1st January, 2019 (audited)	79,312	731,906	308,187	(29,530)	2,319	415,861	6,278,990	7,787,045	406,089	8,193,134
Profit for the period	-	-	-	-	-	-	397,660	397,660	62,388	460,048
Other comprehensive income for the period	-	-	6,596	-	-	-	-	6,596	66	6,662
Total comprehensive income for the period	-	-	6,596	-	-	-	397,660	404,256	62,454	466,710
Sub-total	79,312	731,906	314,783	(29,530)	2,319	415,861	6,676,650	8,191,301	468,543	8,659,844
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	(23,625)	(23,625)
Acquisition of additional interests in subsidiaries (note c)	-	-	-	-	-	(172)	-	(172)	(9,911)	(10,083)
Dividend paid (note 10)	-	-	-	-	-	-	(185,591)	(185,591)	-	(185,591)
At 30th June, 2019 (unaudited)	79,312	731,906	314,783	(29,530)	2,319	415,689	6,491,059	8,005,538	435,007	8,440,545

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; and (ii) the share of other reserve of an associate of the Group.
- (c) During the six months ended 30th June, 2019, the Group has paid cash considerations of HK\$1,516,000 and HK\$8,567,000 to acquire 0.15% and 49.00% additional interests in two subsidiaries from non-controlling shareholders respectively. The difference between the considerations paid by the Group and attributable equity interests in the subsidiaries was debited to other reserve.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2019

	Notes	Six months ended 30th June, 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash from operating activities		525,457	234,023
Investing activities			
Interest received		12,118	3,702
Dividends received from financial asset at FVTPL		2,641	2,341
Dividends received from associates		291,160	245,061
Dividends received from joint ventures		4,079	4,885
Net cash inflow arising from acquisition of a subsidiary	25	133,161	—
Proceeds from disposal of financial asset at FVTPL		45,187	—
Proceeds from disposal of property, plant and equipment		1,151	3,865
Purchase of property, plant and equipment		(8,442)	(14,757)
Return of capital contribution for financial asset at FVTPL		2,153	—
Acquisition of additional interests in associates		—	(22,239)
Cash contribution to a joint venture		—	(50)
Acquisition of financial asset at FVTPL		—	(39,060)
Repayments from (advances to) associates		396	(641)
Loans repayment from joint ventures		2,243	—
Advance to a joint venture		(2,027)	—
Advances to other partners of joint operations		(33,321)	(3,349)
Placement of pledged bank deposits		(62,981)	—
Placement of time deposits		(290,000)	—
Withdrawal of time deposits		254,400	—
Net cash from investing activities		351,918	179,758
Financing activities			
Interest paid		(23,688)	(22,690)
Dividend paid	10	(185,591)	(178,453)
Acquisition of additional interests in subsidiaries		(10,083)	(5,349)
Distribution to non-controlling shareholders		(23,625)	(16,270)
Advances from associates		—	229
Advances from joint ventures		—	94
Repayments to other partners of joint operations		(680)	(3,117)
Payments of lease liabilities		(15,904)	—
New bank loans raised		55,649	283,939
Repayments of bank loans		(184,285)	(144,284)
Bonds issued		9,800	—
Net cash used in financing activities		(378,407)	(85,901)
Net increase in cash and cash equivalents		498,968	327,880
Cash and cash equivalents at the beginning of the period		1,526,070	1,305,972
Effect of foreign exchange rate changes, net		(192)	(1,493)
Cash and cash equivalents at the end of the period		2,024,846	1,632,359
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		2,024,846	1,632,359

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

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, 2019 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31st December, 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions 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, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises and site areas that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Cont'd)

As a lessee (Cont'd)

Right-of-use assets (Cont'd)

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Cont'd)

As a lessee (Cont'd)

Lease liabilities (Cont'd)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Cont'd)

As a lessee (Cont'd)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1st January, 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, i.e. 1st January, 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedites to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (a) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (b) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (c) applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$74,500,000 and right-of-use assets of HK\$76,560,000 at 1st January, 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)

As a lessee (Cont'd)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.17%.

	At 1st January, 2019 HK\$'000
Operating lease commitments disclosed at 31st December, 2018	97,993
Lease liabilities discounted at relevant incremental borrowing rates	90,711
Less: Recognition exemption – short-term leases	(16,211)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1st January, 2019	74,500
Analysed as	
Current	28,438
Non-current	46,062
	74,500

The carrying amount of right-of-use assets at 1st January, 2019 comprises the following:

	HK\$'000
Right-of-use assets relating to operating leases of office premises and site areas recognised upon application of HKFRS 16	74,500
Add: Advance lease payments for lease of a site area adjusted to right-of-use assets on transition at 1st January, 2019	2,060
	76,560
By class:	
Land and buildings	76,560

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified at 1st January, 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1st January, 2019. However, effective from 1st January, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The Group had insignificant balances of refundable rental deposits at 1st January, 2019 and 30th June, 2019.
- (c) Effective on 1st January, 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the Group's condensed consolidated financial statements for the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" (Cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31st December, 2018 HK\$'000	Adjustments	Carrying amounts under HKFRS 16 at 1st January, 2019 HK\$'000
Non-current asset			
Right-of-use assets	–	76,560	76,560
Current asset			
Debtors, deposits and prepayments	551,621	(2,060)	549,561
Current liability			
Lease liabilities	–	28,438	28,438
Non-current liability			
Lease liabilities	–	46,062	46,062

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30th June, 2019, movements in working capital have been computed based on opening statement of financial position at 1st January, 2019 as disclosed above.

No adjustments have been made, in the application of HKFRS 16 as a lessor, on the Group's condensed consolidated financial statements for the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

3. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Type of goods and services		
Construction contracts	3,529,495	3,085,095
Sewage treatment plant operation	11,468	11,200
Sale of construction materials	167,388	255,902
Sale of quarry products	29,764	28,347
	3,738,115	3,380,544
Timing of revenue recognition		
At a point in time	197,152	284,249
Over time	3,540,963	3,096,295
	3,738,115	3,380,544

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 are summarised as follows:

Construction and sewage treatment

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

Construction materials

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

Quarrying

- production and sale of quarry products

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

- strategic investment in Road King Infrastructure Limited (“Road King”), the Group’s 42.39% (31st December, 2018: 42.39%) 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, 2019

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, 2019

	Segment revenue			
	Gross HK\$'000	Inter-segment elimination HK\$'000	External HK\$'000	Segment profit (loss) HK\$'000
Construction and sewage treatment	3,569,361	(28,398)	3,540,963	93,109
Construction materials	230,057	(62,669)	167,388	(44,420)
Quarrying	88,284	(58,520)	29,764	(14,873)
Property development and investment, toll road, investment and asset management	–	–	–	368,090
Total	3,887,702	(149,587)	3,738,115	401,906

Six months ended 30th June, 2018

	Segment revenue			
	Gross HK\$'000	Inter-segment elimination HK\$'000	External HK\$'000	Segment profit (loss) HK\$'000
Construction and sewage treatment	3,129,087	(32,792)	3,096,295	129,611
Construction materials	313,963	(58,061)	255,902	(31,371)
Quarrying	84,916	(56,569)	28,347	(8,326)
Property development and investment, toll road, investment and asset management	–	–	–	336,262
Total	3,527,966	(147,422)	3,380,544	426,176

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, 2019

4. SEGMENT INFORMATION (Cont'd)

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

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Total segment profit	401,906	426,176
Unallocated items		
Other income	5,388	14,271
Other gains and losses	21,342	(49,875)
Administrative expenses	(20,341)	(18,619)
Finance costs	(17,559)	(15,636)
Share of results of associates	9,600	1,204
Share of results of joint ventures	(2,676)	859
Income tax expense	-	(4)
Profit attributable to owners of the Company	397,660	358,376

5. OTHER INCOME

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Other income includes:		
Dividend income from financial assets at FVTPL	2,641	2,341
Interest on other receivables	253	374
Interest on bank deposits	9,878	3,151
Interest on amounts due from associates	74	159
Interest on loans to a joint venture	1,576	-
Interest on other financial asset at amortised cost	496	541
Government subsidy	12	-
Operation fee income	8,954	13,857
The People's Republic of China (the "PRC") Value-Added Tax refund	851	951
Rental income from land and buildings	275	560
Rental income from plant and machinery	1,320	1,315
Service income from associates	40	60

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

6. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Discount on acquisition of additional interest in an associate (<i>note a</i>)	–	6,197
Loss on deemed disposal of partial interest in an associate (<i>note b</i>)	–	(6,837)
Gain on change in fair value of financial assets at FVTPL, net	5,531	9,018
(Loss) gain on disposal of property, plant and equipment, net	(2,602)	3,486
Impairment loss on intangible assets (<i>note c</i>)	–	(48,666)
Impairment loss on property, plant and equipment (<i>note c</i>)	–	(9,213)
Gain on modification of terms of bond	19,842	–
Gain on bargain purchase arising from acquisition of a subsidiary	368	–
	23,139	(46,015)

Notes:

- (a) During the six months ended 30th June, 2018, the Group purchased 1,256,000 ordinary shares in Road King at an aggregate consideration of HK\$20,439,000 which was below the additional net assets value shared by the Group. As a result, the Group's interest in Road King increased in aggregate by 0.17% resulting in an aggregate discount of HK\$6,197,000 on acquisition of additional interest in Road King.
- (b) During the six months ended 30th June, 2018, Road King issued 1,200,000 ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option scheme of Road King. As a result, the Group's interest in Road King reduced in aggregate by 0.07%. As the shares were issued at the exercise price of HK\$7.13 per share, which was lower than the net assets value per share of Road King, the Group recorded an aggregate loss of HK\$6,837,000 on deemed disposal of partial interest in Road King.
- (c) The management of the Group have performed impairment assessments on the assets for a quarry site in Hong Kong during the six months ended 30th June, 2018 and 2019 respectively. For the purpose of impairment assessment, assets of the quarry site have been allocated to three individual cash generating units ("CGUs"), i.e., concrete, asphalt and quarrying CGUs, and the recoverable amounts of these CGUs have been determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering the remaining contract period of the extraction right and a discount rate of 10.59% (six months ended 30th June, 2018: 10.41%). Other key assumptions for the value in use calculation relate to the estimation of the prices and budgeted gross margin of concrete, asphalt and quarry products and the volume of rock reserve to be extracted.

The management considered that the recoverable amounts of the assets were less than their carrying amounts at 30th June, 2018, therefore impairment losses of HK\$48,666,000 and HK\$9,213,000 had been recognised in respect of the intangible assets, comprising extraction right of rock reserve and rehabilitation costs for the quarry site and the property, plant and equipment, respectively, for the six months ended 30th June, 2018. The management considers that no further impairment on the intangible assets and the property, plant and equipment is necessary for the six months ended 30th June, 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

7. FINANCE COSTS

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Interest on bank loans	19,175	18,177
Interest on bonds	4,770	7,018
Imputed interest on bonds	2,157	–
Imputed interest on payable for extraction right	8,693	10,717
Imputed interest on provision for rehabilitation costs	1,167	1,129
Imputed interest on non-current interest-free amount due to an associate	312	299
Interest on lease liabilities	1,163	–
	37,437	37,340

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Amortisation of intangible assets	21,651	46,941
Less: Amount capitalised in inventories	(20,959)	(46,222)
	692	719
Depreciation of property, plant and equipment	101,998	115,680
Less: Amount capitalised in inventories	(3,947)	(3,735)
	98,051	111,945
Depreciation of right-of-use assets	15,344	–
Share of income tax expense of associates (included in share of results of associates)	447,471	578,090

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

9. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Current tax		
Hong Kong	45,207	52,482
(Overprovision) underprovision in prior years		
Hong Kong	(40)	52
The PRC	38	13
	(2)	65
	45,205	52,547

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. No provision for the PRC income tax has been made as there is no assessable profits for both periods.

10. DIVIDEND

Dividend paid and recognised as distribution during the period:

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
2018 final dividend – HK23.4 cents per share (six months ended 30th June, 2018: 2017 final dividend – HK22.5 cents per share)	185,591	178,453

An interim dividend for the six months ended 30th June, 2019 of HK8.0 cents (six months ended 30th June, 2018: HK7.6 cents) per ordinary share amounting to HK\$63,450,000 (six months ended 30th June, 2018: HK\$60,277,000) was approved by the board of directors of the Company on 19th August, 2019. This interim dividend has not been included as a liability in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

11. EARNINGS PER SHARE

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

	Six months ended 30th June, 2019 HK\$'000	2018 HK\$'000
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	397,660	358,376
Effect of dilutive potential ordinary shares:		
Decrease in share of profit of an associate arising from assumed exercise of share options issued by that associate (<i>note</i>)	-	(137)
Earnings for the purpose of diluted earnings per share	397,660	358,239

Note: The associate has no dilutive potential ordinary shares in issue during the current interim period.

	Six months ended 30th June, 2019	2018
Number of ordinary shares for the purposes of basic and diluted earnings per share	793,124,034	793,124,034

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$8,442,000 (six months ended 30th June, 2018: HK\$14,757,000) on additions to property, plant and equipment.

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Cost of investments in associates		
Listed in Hong Kong (<i>note a</i>)	1,866,967	1,866,967
Unlisted	14,490	14,490
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	1,881,457	1,881,457
	5,587,216	5,495,186
	7,468,673	7,376,643

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

13. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Cont'd)

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Represented by:		
Interests in associates	7,485,145	7,391,059
Obligations in excess of interests in associates (<i>note b</i>)	(16,472)	(14,416)
	7,468,673	7,376,643
Fair value of listed investments	5,120,460	4,434,344

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, 2018: 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.

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Cost of investments in unlisted joint ventures	191,306	191,306
Share of post-acquisition profits and other comprehensive income, net of dividends received	39,607	46,368
	230,913	237,674
Loans to a joint venture (<i>note a</i>)	25,597	25,597
	256,510	263,271
Represented by:		
Interests in joint ventures	262,970	268,124
Obligations in excess of interests in joint ventures (<i>note b</i>)	(6,460)	(4,853)
	256,510	263,271

Notes:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

15. FINANCIAL ASSETS AT FVTPL

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Financial assets mandatorily measured at FVTPL		
Listed equity securities in Hong Kong	53,107	47,414
Unlisted convertible bonds (<i>note a</i>)	38,466	38,366
	91,573	85,780
Financial assets designated at FVTPL		
Unlisted equity securities (<i>note b</i>)	49,331	96,933
	140,904	182,713
Classified under:		
Current assets	97,856	102,588
Non-current assets	43,048	80,125
	140,904	182,713

Notes:

- (a) The Group invested US\$5,000,000 (equivalent to HK\$39,060,000) on unlisted convertible bonds issued by a private entity incorporated in the United States of America (the "USA") in January 2018. The private entity is engaged in manufacture and sale of pharmaceutical products.
- (b)
 - (i) Out of the unlisted equity securities amounting to HK\$6,283,000 (31st December, 2018: HK\$7,833,000) is investment in unlisted equity securities issued by a private entity incorporated in the USA. It has been acquired principally for the purpose of selling in the near term.
 - (ii) On 4th March, 2019, the Group entered into an agreement to dispose of its entire investment in unlisted equity securities issued by Grand China Overseas Investment Fund, Ltd. and Grand China Overseas Investment Management Co., Ltd. (collectively "GCOI Fund") to the major shareholder of GCOI Fund at the consideration of US\$5,771,000 (equivalent to HK\$45,187,000).
 - (iii) Out of the unlisted equity securities amounting to HK\$43,048,000 (31st December, 2018: HK\$41,760,000) is investment in unlisted equity securities issued by a private entity incorporated in the USA which had invested in another US company for property development in USA.

Details of measurement of fair values of financial assets at FVTPL are disclosed in note 22.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

16. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Trade debtors – goods and services	292,851	359,413
Less: Allowance for credit losses	(898)	(1,127)
 Bills receivables	291,953	358,286
Other debtors	5,592	6,773
Deposits and prepayments	71,078	66,926
	127,818	119,636
	496,441	551,621

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, 2019 HK\$'000	31st December, 2018 HK\$'000
Trade debtors		
0 to 60 days	252,005	325,957
61 to 90 days	9,731	7,113
Over 90 days	30,217	25,216
	291,953	358,286

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

As part of the internal credit risk management, the Group applies internal credit rating for its customers. The exposure to credit risk for trade debtors are assessed collectively based on provision matrix within lifetime expected credit losses ("ECL") (not credit impaired)/individually at 30th June, 2019. Debtors with significant balances or credit-impaired with gross amount of HK\$257,271,000 and HK\$6,898,000 (31st December, 2018: HK\$291,073,000 and HK\$18,637,000), respectively at 30th June, 2019 were assessed individually. After the assessment performed by the Group, the impairment allowance on trade debtors based on the provision matrix is insignificant to the Group for the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

17. CONTRACT ASSETS

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Unbilled revenue of construction contracts (<i>note a</i>)	1,117,894	1,171,490
Retention receivables of construction contracts (<i>note b</i>)	513,267	501,260
	1,631,161	1,672,750
Retention receivables of construction contracts		
Due within one year	162,407	303,200
Due after one year	350,860	198,060
	513,267	501,260

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 represents 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.

At 30th June, 2019, the Group's unbilled revenue and retention receivables included amounts of HK\$55,552,000 (31st December, 2018: HK\$62,869,000) and HK\$32,888,000 (31st December, 2018: HK\$37,862,000) respectively due 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, 2019. After the assessment performed by the Group, the impairment allowance on contract assets is insignificant to the Group for the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

18. CASH HELD ON BEHALF OF CUSTOMERS

WK Securities Limited, a wholly owned subsidiary of the Company, maintains segregated account with authorised institution 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 the current assets of the condensed consolidated statement of financial position and recognised the corresponding accounts payable to respective client 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.

19. PLEDGED BANK DEPOSITS

At 30th June, 2019, bank deposits of the Group amounting to HK\$65,317,000 (31st December, 2018: HK\$2,336,000) were pledged to banks for securing certain banking facilities granted to the Group.

20. CREDITORS AND ACCRUED CHARGES

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	203,417	163,080
61 to 90 days	82,108	23,119
Over 90 days	57,765	43,625
Retention payables	343,290	229,824
Accrued project costs	402,456	368,066
Payable for extraction right	1,508,697	1,545,509
Other creditors and accrued charges	79,205	77,067
	157,685	208,129
	2,491,333	2,428,595
Retention payables		
Due within one year	164,409	207,503
Due after one year	238,047	160,563
	402,456	368,066

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

21. BANK LOANS

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
The maturity of the bank loans is as follows:		
Within one year	198,434	271,777
In the second year	403,280	371,423
In the third to fifth year inclusive	268,900	356,050
Total	870,614	999,250
Less: Amount shown under current liabilities	(240,264)	(327,250)
Amount shown under non-current liabilities	630,350	672,000
Secured	277,800	211,000
Unsecured	592,814	788,250
	870,614	999,250

At 30th June, 2019, bank loans of HK\$156,314,000 (31st December, 2018: HK\$253,400,000) contain a repayment on demand clause. Of which, bank loans that are repayable after one year after the end of the reporting period with an aggregate carrying amount of HK\$41,830,000 (31st December, 2018: HK\$55,473,000) have been classified as current liabilities.

The shares of certain subsidiaries of the Company and certain bank deposits are pledged to secure certain bank loans and banking facilities granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of the Group's financial assets and financial liabilities 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 key 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).

Financial assets at FVTPL	Fair value at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000			
Listed equity securities in Hong Kong	53,107	47,414	Level 1	Quoted bid price in an active market.	N/A.
Unlisted convertible bonds	38,466	38,366	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the debt instruments.	Weighted average cost of capital at 24.65% (31st December, 2018: 24.65%). Volatility is N/A (31st December, 2018: 51.74%).
Unlisted equity securities in USA	6,283	7,833	Level 3	Quoted volume-weighted bid price of securities in an active market.	N/A.
Unlisted equity securities	43,048	89,100	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investees.	Weighted average cost of capital at 12.62% (31st December, 2018: ranging from 14.40% to 17.24%).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

23. CAPITAL COMMITMENTS

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	54,301	3,370

24. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th June,	
	2019 HK\$'000	2018 HK\$'000
Associates		
Construction contract revenue	447,273	75,844
Purchase of raw materials	–	591
Transportation expenses	–	1,027
Interest income	74	159
Service income	40	60
Joint operations		
Sale of construction materials	23,922	49,177
Related companies (note)		
Construction contract revenue	111,324	136,488
Project management fee income	12,227	7,476
Sale of construction materials	8,327	–
Compensation of key management personnel		
Short-term employee benefits	47,081	40,170
Post-employment benefits	1,780	1,678
	48,861	41,848

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, 2019

25. ACQUISITION OF A SUBSIDIARY

As one of the partners for Hsin Chong-Build King Joint Venture (the "Joint Venture"), Hsin Chong Construction Company Limited ("Hsin Chong") was in financial difficulties, pursuant to the joint venture agreement between Hsin Chong and the Group, the Group exercised its right on 13th December, 2018, of which subsequently be upheld by court order dated 13th June, 2019, to exclude Hsin Chong from further participation and management of the Joint Venture and took over Hsin Chong's interest in the Joint Venture. As the Group has taken over the 65% interest in the Joint Venture previously held by Hsin Chong and has control over all the relevant activities of the Joint Venture, the Joint Venture accordingly on the date of exclusion become a wholly owned subsidiary of Build King Holdings Limited, the Company's 56.76% (31st December, 2018: 56.61%) subsidiary whose shares are listed on the Main Board of the Stock Exchange.

The acquisition was accounted for using the purchase method. Acquisition-related costs had been excluded from the cost of the above acquisition. The acquisition costs were insignificant and recognised as an expense within the administrative expense in the condensed consolidated statement of profit or loss for the six months ended 30th June, 2019.

Assets acquired and liabilities assumed at the acquisition date:

	HK\$'000
Property, plant and equipment	925
Debtors, deposits and prepayments	2,443
Contract assets	4,605
Tax recoverable	4,507
Bank balances and cash	133,161
Creditors and accrued charges	(35,907)
Contract liabilities	(109,366)
Net assets	368

Gain on bargain purchase arising from the acquisition:

	HK\$'000
Cash consideration paid	–
Less: Net assets acquired by the Group at the acquisition date	(368)
	(368)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

25. ACQUISITION OF A SUBSIDIARY (Cont'd)

The fair value of the Joint Venture's identifiable assets and liabilities had been assessed by the management of the Group and it considered that the fair value of debtors, deposits and prepayments and creditors and accrued charges, at the date of acquisition amounted to HK\$2,443,000 and HK\$35,907,000 respectively, 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 the contractual cash flows not expected to be collected were insignificant and the gain on bargain purchase arising from acquisition of HK\$368,000 was credited to the profit or loss under other gains and losses.

Net cash inflow arising from the acquisition:

	HK\$'000
Cash consideration paid	—
<i>Less:</i> Cash and cash equivalents acquired	(133,161)
	(133,161)

Included in the profit for the six months ended 30th June, 2019 was profit of HK\$59,663,000 attributable to the additional business generated by the Joint Venture. Revenue for the six months ended 30th June, 2019 contributed by the Joint Venture was HK\$522,270,000.

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

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Hang Seng Bank Limited
Bangkok Bank Public Company Limited
Shinhan Bank

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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