WAI KEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

ANNOUNCEMENT OF INTERIM RESULTS 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**

RESULTS

The board of directors (the "Board") of Wai Kee Holdings Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

		Six months ended 30th June,	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'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	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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		**211,330**	307,714
Right-of-use assets		**74,656**	-
Intangible assets		**232,860**	254,557
Goodwill		**29,838**	29,838
Interests in associates		**7,485,145**	7,391,059
Interests in joint ventures		**262,970**	268,124
Financial assets at fair value through profit or loss ("FVTPL")		**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	*12*	**496,441**	551,621
Contract assets	*13*	**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		**97,856**	102,588
Cash held on behalf of customers		**46,546**	744
Pledged bank deposits		**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	*14*	**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		**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

	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	**16,472**	14,416
Obligations in excess of interests in joint ventures	**6,460**	4,853
Amount due to an associate	**2,399**	3,192
Lease liabilities	**37,518**	-
Bank loans	**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

Notes:

1. BASIS OF PREPARATION

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

HKFRS16	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.

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.

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.

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.

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.

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 expedients 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.

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

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.

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	Adjustments	Carrying amounts under HKFRS 16 at 1st January, 2019
	HK$'000	*HK$'000*	*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

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.

3. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30th June, 2019	2018
	HK$'000	*HK$'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"), an associate of the Group

Segment revenue and results

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

Six months ended 30th June, 2019

	Segment revenue			
	Gross	**Inter-segment elimination**	**External**	**Segment profit (loss)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	Inter-segment elimination	External	Segment profit (loss)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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.

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

	Six months ended 30th June,	
	2019	2018
	HK$'000	*HK$'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	2018
	HK$'000	*HK$'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

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	**-**	6,197
Loss on deemed disposal of partial interest in an associate	**-**	(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	**-**	(48,666)
Impairment loss on property, plant and equipment	**-**	(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)

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

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 on 19th August, 2019. This interim dividend has not been included as a liability in the condensed consolidated financial statements.

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 *(note)*	**-**	(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. 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)
	291,953	358,286
Bills receivables	**5,592**	6,773
Other debtors	**71,078**	66,926
Deposits and prepayments	**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. 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.

13. CONTRACT ASSETS

	30th June, 2019 HK$'000	31st December, 2018 HK$'000
Unbilled revenue of construction contracts	**1,117,894**	1,171,490
Retention receivables of construction contracts	**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

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.

14. 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
	343,290	229,824
Retention payables	**402,456**	368,066
Accrued project costs	**1,508,697**	1,545,509
Payable for extraction right	**79,205**	77,067
Other creditors and accrued charges	**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

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.

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, an associate of the Group. As of the date of this announcement, 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 revenues 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.

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 announcement, 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), an 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 announcement.

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.

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 daily 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.

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 to 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.

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 townhomes 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.

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 *(note)*	**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 bank 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.

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.

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.

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.

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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ Securities Transactions. All directors of the Company have confirmed, following specific enquiry, that they have complied with the Model Code throughout the six months ended 30th June, 2019.

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.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's website (www.waikee.com) and the Stock Exchange's website (www.hkexnews.hk). The Interim Report 2019 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange, and despatched to the shareholders of the Company in due course.

APPRECIATION

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

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

Hong Kong, 19th August, 2019

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