



**TOLL ROAD**

**PROPERTY  
DEVELOPMENT**

**CONSTRUCTION**

**CONSTRUCTION  
MATERIALS**

**QUARRYING**



# Wai Kee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 610)

*INTERIM REPORT 2016*

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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, 2016.

## FINANCIAL PERFORMANCE HIGHLIGHTS

Revenue	HK\$2,473 million
Profit attributable to owners of the Company	HK\$152 million
Basic earnings per share	HK19.15 cents
Interim dividend per share	HK3.3 cents
Equity attributable to owners of the Company per share	HK\$7.18

# Business Review and Future Outlook

## BUSINESS REVIEW

For the six months ended 30th June, 2016, the Group's revenue was HK\$2,473 million (six months ended 30th June, 2015: HK\$2,543 million), generating an unaudited profit attributable to owners of the Company of HK\$152 million (six months ended 30th June, 2015: HK\$132 million), an increase of 15% as compared with that of 2015.

### Toll Road and Property Development

For the six months ended 30th June, 2016, the Group shared a profit of HK\$88 million (six months ended 30th June, 2015: HK\$91 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this report, the Group holds 40.55% interest in Road King.

During the six months ended 30th June, 2016, the Group purchased 3,469,000 (six months ended 30th June, 2015: 4,000,000) 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\$40 million (six months ended 30th June, 2015: HK\$40 million) on acquisition of additional interest in Road King. During the six months ended 30th June, 2015, Road King issued 10,240,000 ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option schemes of Road King. As the shares were issued at exercise prices lower than the net assets value per share of Road King, the Group recorded an aggregate loss of HK\$41 million on deemed disposal of partial interest in Road King for the six months ended 30th June, 2015. As a result, the net effect of the aforesaid transactions increased the Group's interest in Road King by 0.47% for the six months ended 30th June, 2016 (six months ended 30th June, 2015: decreased by 0.01%).

For the six months ended 30th June, 2016, Road King recorded an unaudited profit attributable to its owners of HK\$218 million (six months ended 30th June, 2015: HK\$228 million), a decrease of 4.39% as compared with that of 2015.

The toll revenue and the average daily traffic volume of the existing toll road portfolio reached RMB1,111 million and 212,000 vehicles in the first half of the year, represented an increase of 8% and 7% respectively as compared with the corresponding period of last year.

Rewarding from continuous adoption of the strategy for maintaining deeper exploitation, effort spent by the operational teams and positive market sentiment, the property sales (including joint venture projects) achieved RMB10,520 million for the first half of 2016, representing a surge of 87% comparing to the corresponding period of last year, in which the contracted sales and the outstanding subscribed sales were approximately RMB9,059 million and RMB1,461 million respectively.

Up to the date of this report, Road King, in 2016, acquired five pieces of land in Shanghai, Suzhou, Tianjin and Jinan through listing-for-sale and cooperation for residential developments as well as a commercial property project in Suzhou, with an aggregate floor area of 659,000 sqm. At 30th June, 2016, Road King's land reserve was about 5,500,000 sqm.

For the toll road business, it has provided and will continue to provide steady cash flows. By leveraging the experience obtained over the past two decades, Road King ensures a sustainable and stable operation and development.

# Business Review and Future Outlook

## **BUSINESS REVIEW (Cont'd)**

### **Toll Road and Property Development (Cont'd)**

For the property development business, Road King is optimistic about the prospect of the property market. Positive impacts have been gradually crystallised for continuous adoption of the strategy that maintaining deeper exploitation, balancing profitability and sales volume, researching and developing market-oriented products, enhancing the value-added services of the property management services, and continuously improving product and service quality and brand appeal. Road King will continue to implement the said strategy and enhance cooperation with well-established PRC business partners to look for better development. Road King believes that this allows Road King to invest in larger scale projects, share higher profits and diversify financial burden, and provide additional resources to Road King for the continuous expansion in property business.

### **Construction**

For the six months ended 30th June, 2016, the Group shared a profit of HK\$30 million (six months ended 30th June, 2015: HK\$20 million) from Build King Holdings Limited ("Build King"), the construction arm of the Group. As of the date of this report, the Group holds 52.78% interest in Build King.

For the six months ended 30th June, 2016, Build King recorded revenue of HK\$2,254 million (six months ended 30th June, 2015: HK\$2,297 million) and an unaudited profit attributable to its owners of HK\$56 million (six months ended 30th June, 2015: HK\$39 million), an increase of 44% as compared with that of 2015. This comprises profit of HK\$58 million (six months ended 30th June, 2015: HK\$31 million) from construction operation and loss of HK\$1.8 million (six months ended 30th June, 2015: profit of HK\$7.6 million) from investment in listed securities.

The increase of the profit for the first half of 2016 was contributed by projects awarded in past two years. In addition, the cost overrun and provision for loss of few railway projects had been fully provided in 2015 and did not cause adverse impact in the current period.

Due to the delay in funding approval for public works by Legco, less Government infrastructure projects have been rolled out for tendering. As a result, Build King encounters severe competition in tendering the projects. To fight for this difficult time, Build King has made its best efforts to enhance its competitiveness and taken cautious steps in pricing its tenders. The efforts have been materialized and nine contracts of total contract sum over HK\$4 billion have been awarded to Build King since January 2016. Build King continues to tender actively for upcoming major infrastructure projects such as the third runway at Hong Kong International Airport.

As of the date of this report, the total outstanding value of contract on hand has reached HK\$12.5 billion.

On new investment, Build King ventured into heat supply business in the northern PRC. In June 2016, it acquired 49% equity interest at a price of RMB35 million in Dezhou Heng Yuan Heating Company Limited which holds exclusive right granted in 2007 to supply heat for 30 years to the west of the Jianhe in Dezhou Economic Development Zone of approximate area of 3.5 million square meters. It is expected that this new venture will generate stable income stream to Build King.

At Wuxi City, the sewage treatment plant recorded a reduction of profit by 50% mainly because a one-off cash award of RMB2 million for its contribution to protection of water quality of Lake Tai was received in 2015 and it did not recur in the current period.

# Business Review and Future Outlook

## **BUSINESS REVIEW (Cont'd)**

### **Construction Materials**

For the six months ended 30th June, 2016, the construction materials division recorded revenue of HK\$305 million (six months ended 30th June, 2015: HK\$305 million) and a net profit of HK\$5 million (six months ended 30th June, 2015: HK\$24 million).

The decrease in the overall results of the construction materials division as compared with that of last year was due to the pre-operating expenses incurred for the establishment of the concrete batching facilities and asphalt facilities and the fixed costs incurred at Lam Tei Quarry. Those costs offset part of the positive results of the division. The results for the construction materials division in the first half of 2016 was better than that of last year after excluding Lam Tei Quarry.

The construction of the concrete batching facilities at Lam Tei Quarry was completed in the second quarter of 2016 after substantial time and effort made to deal with the new statutory environmental requirements, which prolonged the establishment time and substantially increased the costs. The concrete batching facilities will be in full operation in the second half of the year.

The Contract for Lam Tei Quarry also allows the operator to establish asphalt facilities there, giving the Group the opportunity to start and enter a new construction materials business in supplying asphalt. The construction of the asphalt facilities was completed and we are attending to the new statutory environmental requirements. It is anticipated that the asphalt facilities will commence operation in late August 2016.

With some of the existing major projects near completion later in 2016 and severe competition due to shrinking civil projects sector, the future outlook for the division would be tough.

To sustain the long term growth of the division, management continues adopting prudent cost control measures and is committed to providing high quality of services to our customers. With additional concrete batching facilities at Lam Tei Quarry, it will assist the division in achieving better geographic coverage and access to more market in the long run.

### **Quarrying**

For the six months ended 30th June, 2016, the quarrying division recorded revenue of HK\$94 million (six months ended 30th June, 2015: HK\$91 million) and a net loss of HK\$8 million (six months ended 30th June, 2015: net profit of HK\$2 million).

In the first half of 2016, the results of the quarrying division, excluding Lam Tei Quarry, improved slightly as compared with that of last year. That is a result of perpetual cost control measures exercised for production of aggregates at Niu Tou Island and the positive impact of devaluation in Renminbi on costs incurred in the PRC.

However, the overall results for the quarrying division in the first half of 2016 recorded a net loss because full establishment of the crushing facilities in compliance with the new statutory environmental requirements at Lam Tei Quarry has just been completed at the end of first half of the year. The revenue generated from the quantity produced at Lam Tei Quarry was too low to cover the substantial amount of pre-operating expenses and the fixed costs incurred at the establishment stage of crushing facilities.

Management expects that the revenue from sales of aggregates at Lam Tei Quarry will pick up in the second half of the year and Lam Tei Quarry will have geographic and synergy advantages to the Group's construction and construction materials divisions in the coming years.

# 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”). US Company I initially held a property portfolio comprising of nine residential rental properties in Houston, two of which have been successfully disposed of in the first quarter so as to maximize the return of the portfolio as a whole. The Group will receive additional distribution for the net sales proceeds of these two disposed properties from Grand China Fund in the second half of the year. For the six months ended 30th June, 2016, the occupancy rates of the remaining seven properties maintained around 95% on average and the Group shared profit and received distributions of HK\$3.3 million and US\$0.2 million (equivalent to HK\$1.5 million) from Grand China Fund respectively.

The Group holds 30% interest in Elite International Investment Fund I LP which indirectly holds 75% interest in another US company (“US Company II”). It is expected that US Company II will complete the construction of a 7-storey complex on a land in Los Angeles in the second half of the year. A potential buyer has signed the purchase and sales agreement in the first quarter to purchase the whole property held by US Company II and it is expected to complete the deal by the end of 2016.

The Group holds 10% 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 a number of sub-funds. Each sub-fund will focus on a unique property project in USA. In 2015, GCOI Fund invested in three property development projects and one property re-development project in USA.

Talent Set Global Limited (“Talent Set”), a wholly owned subsidiary of the Company, entered into the definitive agreements with Landsea Holdings Corporation (“LHC”), a wholly owned subsidiary of Landsea Green Properties Co., Ltd., on 13th April, 2016 to complete the investment in the Sunnyvale project. The project involves the development on the Sunnyvale Land of three-storeyed cluster townhouses, three-storeyed small townhouses and three-storeyed large townhouses respectively in three lots of land of 25.2 acres in total comprised in the Sunnyvale Land. Talent Set holds 30% effective interest in the Sunnyvale project by an investment amount of US\$57 million (approximately HK\$446 million), in forms of equity and shareholder’s loan, in a US investment company which made capital contribution to another US company for development of the Sunnyvale project. LHC holds 70% effective interest in the Sunnyvale project.

## FUTURE OUTLOOK

The performance of the Group’s construction division was substantially improved due to significant increase in the profit attributable to the improvement of gross margin of the projects awarded in 2015 which is expected to carry over to the second half of the year.

It is expected that full operation of the processing facilities at Lam Tei Quarry will be picking up gradually in the second half of the year, the revenue generated therefrom however will not be able to absorb the pre-operating costs of processing plants and the fixed costs incurred at Lam Tei Quarry for the whole year. As such, it is anticipated that the performance of the quarrying and construction material divisions for 2016 will be worse than that for 2015. However, we expect that the commencement of operation of asphalt facilities in the second half of the year will alleviate negative impact on the overall performance of the construction materials division. In order to face the coming challenges, the Group would continue implementing cost control measures to strengthen our competitiveness.

We will keep looking for investment opportunities that create synergy for the Group to enhance the sustainable growth of the Group.

# Financial Review

## LIQUIDITY AND FINANCIAL RESOURCES

During the period, total borrowings increased from HK\$494 million to HK\$1,064 million with the maturity profile summarised as follows:

	<b>30th June, 2016 HK\$'million</b>	31st December, 2015 HK\$'million
Within one year	<b>359</b>	243
In the second year	<b>176</b>	55
In the third to fifth year inclusive	<b>468</b>	159
Over five years	<b>61</b>	37
	<b>1,064</b>	494
Classified under:		
Current liabilities ( <i>note a</i> )	<b>379</b>	325
Non-current liabilities ( <i>note b</i> )	<b>685</b>	169
	<b>1,064</b>	494

*Notes:*

- (a) At 30th June, 2016, 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\$20 million (31st December, 2015: HK\$82 million) have been classified as current liabilities.
- (b) At 30th June, 2016, the amount included bonds with carrying amounts of HK\$117 million (31st December, 2015: HK\$114 million) carrying fixed coupon interest of 7% per annum and HK\$61 million (31st December, 2015: HK\$37 million) carrying fixed coupon interest of 5% per annum respectively.

For the six months ended 30th June, 2016, substantial increase in total amount of borrowings was mainly attributable to the fund requirements for the investment in the Sunnyvale project and the capital expenditures at Lam Tei Quarry.

During the period, the Group had no financial instruments for hedging purpose. At 30th June, 2016, apart from the bonds described above, the Group had no fixed-rate borrowings.

At 30th June, 2016, total amount of the Group's bank balances and cash was HK\$765 million (31st December, 2015: HK\$882 million), of which bank deposits amounting to HK\$0.09 million (31st December, 2015: HK\$0.08 million) were pledged to banks to secure certain general banking facilities granted to the Group. In addition, the Group has available unutilised bank and other borrowings facilities of HK\$249 million (31st December, 2015: HK\$427 million) and HK\$23 million (31st December, 2015: HK\$25 million) respectively.

For the six months ended 30th June, 2016, the Group recorded finance costs of HK\$34 million (six months ended 30th June, 2015: HK\$6 million).



## LIQUIDITY AND FINANCIAL RESOURCES (Cont'd)

At 30th June, 2016, a portfolio of held-for-trading investments were stated at their fair values in a total amount of HK\$24 million (31st December, 2015: HK\$27 million), comprising equity securities listed in Hong Kong. For the six months ended 30th June, 2016, the Group recorded a net loss (net amount of change in fair value and dividend income) of HK\$1.9 million (six months ended 30th June, 2015: net profit of HK\$8.4 million) from these investments, of which net loss of HK\$1.8 million (six months ended 30th June, 2015: net profit of HK\$7.6 million) was derived from the securities invested by Build King.

The Group's borrowings, investments 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, 2016, the equity attributable to owners of the Company amounted to HK\$5,697 million, representing HK\$7.18 per share (31st December, 2015: HK\$5,699 million, representing HK\$7.19 per share). Decrease in equity attributable to owners of the Company was mainly attributable to the larger aggregate amount of 2015 final dividend paid and the share of the decrease in translation reserve of Road King than the profit generated during the period.

At 30th June, 2016, the gearing ratio, representing the ratio of interest bearing borrowings to equity attributable to owners of the Company, was 18.7% (31st December, 2015: 8.7%) and the net gearing ratio, representing the ratio of net borrowings (interest bearing borrowings less bank balances and cash) to equity attributable to owners of the Company, was 5.3% (31st December, 2015: -6.8% as a result of total amount of bank balances and cash exceeded total amount of interest bearing borrowings).

## PLEDGE OF ASSETS

At 30th June, 2016, apart from the bank deposits pledged to secure certain general banking facilities granted to the Group, certain motor vehicles with an aggregate carrying value of HK\$4 million (31st December, 2015: HK\$5 million) and the share of a subsidiary of the Company were pledged to secure certain bank loans granted to the Group.

## CAPITAL COMMITMENTS

At 30th June, 2016, the Group committed capital expenditure of HK\$30 million (31st December, 2015: HK\$72 million) in respect of acquisition of property, plant and equipment of which HK\$20 million (31st December, 2015: HK\$42 million) was contracted for but not provided in the Group's condensed consolidated financial statements and HK\$10 million (31st December, 2015: HK\$30 million) was authorised but not contracted for. At 31st December, 2015, apart from the aforesaid capital commitment, the Group had also authorised but not contracted for capital expenditure of HK\$41 million in respect of acquisition of 49% equity interest in a PRC company by Build King.

## CONTINGENT LIABILITIES

At 30th June, 2016, the Group had outstanding tender/performance/retention bonds in respect of construction contracts amounting to HK\$377 million (31st December, 2015: HK\$309 million).

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK3.3 cents (six months ended 30th June, 2015: HK3.3 cents) per ordinary share for the six months ended 30th June, 2016 to the shareholders of the Company whose names appear in the register of members of the Company on Wednesday, 7th September, 2016.

It is expected that the payment of the interim dividend will be made on or before Friday, 7th October, 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 6th September, 2016 to Wednesday, 7th September, 2016, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 5th September, 2016.

# Disclosure of Interests

## DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30th June, 2016, 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		Percentage of the issued ordinary share capital
		Long position <i>(note)</i>	Short position	
				%
Zen Wei Pao, William	Personal	192,381,843	–	24.26
Zen Wei Peu, Derek	Personal	185,557,078	–	23.40
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		Percentage of the issued share capital
			Long position	Short position	
					%
Zen Wei Pao, William	Build King Holdings Limited	Personal	1,400,000 (note 1)	–	0.11 (note 2)
	Road King Infrastructure Limited	Personal	224,000 (note 1)	–	0.03
	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	123,725,228 (note 1)	–	9.96
	Road King Infrastructure Limited	Personal	14,495,000 (note 1)	–	1.96
		Personal	1,500,000 (note 4)	–	0.20
	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
Chiu Wai Yee, Anriena	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, 2016, 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. Long position in the underlying shares of Road King pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to directors are included in this category, the particulars of which are set out in (II) under the heading "SHARE OPTIONS" below.

# 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	Road King Infrastructure Finance (2012) Limited <i>(note 1)</i>	Personal	US\$350 million 9.875% Guaranteed Senior Notes due 2017	US\$4,300,000 <i>(note 2)</i>
	RKI Finance (2013) Limited <i>(note 1)</i>	Personal	RMB2,200 million 6% Guaranteed Senior Notes due 2016	RMB14,500,000 <i>(notes 2 and 3)</i>
Tsang Yam Pui	Road King Infrastructure Finance (2012) Limited <i>(note 1)</i>	Personal	US\$350 million 9.875% Guaranteed Senior Notes due 2017	US\$500,000 <i>(note 2)</i>

#### *Notes:*

1. These companies are wholly owned subsidiaries of Road King.
2. Long position.
3. The principal amount of RMB14,500,000 of RMB2,200 million 6% Guaranteed Senior Notes due 2016 is 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

## 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, 2016, Road King has granted 3,650,000 share options under Road King Share Option Scheme to three Directors of the Company, one of whom resigned in December 2015 and held 50,000 outstanding share options at the date of his resignation. In addition, 2,100,000 share options granted to those Directors have been exercised.

Details of the share options granted under Road King Share Option Scheme to the following Director of the Company and a summary of the movements during the period are as follows:

Name of Director	Date of grant	Exercisable period	Exercise price	Number of share options			Balance at 30.6.2016
				Balance at 1.1.2016	Granted during the period	Exercised during the period	
			HK\$				
Zen Wei Peu, Derek	28th May, 2013	29th May, 2013 to 28th May, 2018	7.13	1,500,000	-	-	1,500,000
<b>Total</b>				<b>1,500,000</b>	<b>-</b>	<b>-</b>	<b>1,500,000</b>

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, 2016, 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 <i>(note 1)</i>	Short position	
				%
Cheng Yu Tung Family (Holdings) Limited <i>(note 2)</i>	Corporate	213,868,000	–	26.97
Cheng Yu Tung Family (Holdings II) Limited <i>(note 3)</i>	Corporate	213,868,000	–	26.97
Chow Tai Fook Capital Limited <i>(note 4)</i>	Corporate	213,868,000	–	26.97
Chow Tai Fook (Holding) Limited <i>(note 5)</i>	Corporate	213,868,000	–	26.97
Chow Tai Fook Enterprises Limited <i>(note 6)</i>	Corporate	213,868,000	–	26.97
New World Development Company Limited <i>(note 7)</i>	Corporate	213,868,000	–	26.97
NWS Holdings Limited <i>(note 8)</i>	Corporate	213,868,000	–	26.97
NWS Service Management Limited (incorporated in the Cayman Islands) <i>(note 9)</i>	Corporate	213,868,000	–	26.97
NWS Service Management Limited (incorporated in the British Virgin Islands) <i>(note 10)</i>	Corporate	213,868,000	–	26.97
Vast Earn Group Limited <i>(note 11)</i>	Beneficial owner	213,868,000	–	26.97

# 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. Tsang Yam Pui and Mr. Cheng Chi Ming, Brian 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. Tsang Yam Pui and Mr. Cheng Chi Ming, Brian 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. Tsang Yam Pui and Mr. Cheng Chi Ming, Brian 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. Tsang Yam Pui and Mr. Cheng Chi Ming, Brian are directors of Vast Earn Group Limited.

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



## **CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2016.

## **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, 2016.

## 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, 2016.

### **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, 2016.

### **EMPLOYEES AND REMUNERATION POLICIES**

At 30th June, 2016, the Group had 2,009 employees (31st December, 2015: 1,929 employees), of which 1,902 (31st December, 2015: 1,821) were located in Hong Kong, 106 (31st December, 2015: 107) were located in the PRC and 1 (31st December, 2015: 1) was located in UAE. For the six months ended 30th June, 2016, the Group's total staff costs were HK\$475 million (six months ended 30th June, 2015: HK\$364 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 27th November, 2013, the Company confirmed its acceptance of a facility letter (the "Facility Letter") issued by a bank (the "Bank"). Pursuant to the Facility Letter, the Bank agreed to grant the Company a term loan facility of up to HK\$50 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 shall (i) collectively maintain not less than 43% shareholding interest in the Company; and (ii) maintain management control in the Company and remain as the Chairman and Vice Chairman of the Company respectively.
- (2) On 15th February, 2016, 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\$380 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, Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek shall (i) remain as executive directors of the Company; and (ii) 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, 2016, 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
Tsang Yam Pui	<p>On 19th May, 2016, Mr. Tsang entered into a Letter of Appointment with the Company for the period from 19th May, 2016 to 28th February, 2018, subject to re-election. Pursuant to the Letter of Appointment, he is entitled to receive HK\$250,000 per annum for acting as a Non-executive Director of the Company.</p> <p>His emolument for acting as a Non-executive Director of the Company has been revised from HK\$250,000 to HK\$262,500 per annum with effect from 19th August, 2016.</p>
Cheng Chi Ming, Brian	<p>Mr. Cheng's emolument for acting as a Non-executive Director of the Company has been revised from HK\$250,000 to HK\$262,500 per annum with effect from 19th August, 2016.</p>
Cheng Chi Pang, Leslie	<p>Dr. Cheng retired as a Non-executive Director of the Company with effect from the conclusion of the annual general meeting of the Company held on 19th May, 2016.</p>
Wong Che Ming, Steve	<p>Dr. Wong's emolument for acting as an Independent Non-executive Director of the Company has been revised from HK\$250,000 to HK\$262,500 per annum with effect from 19th August, 2016.</p>
Wan Siu Kau, Samuel	<p>Mr. Wan's emolument for acting as an Independent Non-executive Director of the Company has been revised from HK\$250,000 to HK\$262,500 per annum with effect from 19th August, 2016.</p>
Wong Man Chung, Francis	<p>Mr. Wong has been appointed as an independent non-executive director of GCL-Poly Energy Holdings Limited (Stock Code: 3800) with effect from 1st April, 2016.</p> <p>His emolument for acting as an Independent Non-executive Director of the Company has been revised from HK\$250,000 to HK\$262,500 per annum with effect from 19th August, 2016.</p>

### 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  
**William Zen Wei Pao**  
*Chairman*

Hong Kong, 19th August, 2016



## **TO THE BOARD OF DIRECTORS OF WAI KEE HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

### **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of Wai Kee Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 20 to 39, which comprise the condensed consolidated statement of financial position as of 30th June, 2016 and the 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 (“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 the 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 is not prepared, in all material respects, in accordance with HKAS 34.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

19th August, 2016

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June, 2016

	Notes	Six months ended 30th June,	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3	2,472,826	2,543,381
Cost of sales		(2,202,700)	(2,330,848)
Gross profit		270,126	212,533
Other income	5	23,168	23,955
Investment income, gains and losses	6	(1,925)	8,404
Selling and distribution costs		(37,151)	(38,467)
Administrative expenses		(173,512)	(142,151)
Finance costs	7	(33,574)	(6,147)
Share of results of associates		91,498	94,385
Other gains and losses	8	40,254	(433)
Profit before tax	9	178,884	152,079
Income tax expense	10	(1,860)	(1,095)
<b>Profit for the period</b>		<b>177,024</b>	150,984
Profit for the period attributable to:			
Owners of the Company		151,908	131,998
Non-controlling interests		25,116	18,986
		177,024	150,984
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>	12		
– Basic		19.15	16.64
– Diluted		19.15	16.64

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2016

	Six months ended 30th June,	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit for the period	177,024	150,984
<b>Other comprehensive (expense) income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising on translation of foreign operations	(1,526)	114
Share of translation reserves of associates	(77,643)	(13,415)
Other comprehensive expense for the period	(79,169)	(13,301)
<b>Total comprehensive income for the period</b>	<b>97,855</b>	<b>137,683</b>
Total comprehensive income for the period attributable to:		
Owners of the Company	73,486	118,639
Non-controlling interests	24,369	19,044
	<b>97,855</b>	<b>137,683</b>

# Condensed Consolidated Statement of Financial Position

At 30th June, 2016

	<i>Notes</i>	<b>30th June, 2016 (Unaudited) HK\$'000</b>	31st December, 2015 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	371,523	319,644
Intangible assets		609,270	615,349
Goodwill		29,838	29,838
Interests in associates	14	5,386,465	5,417,155
Interests in joint ventures	15	40,956	–
Available-for-sale investments	16	109,215	42,676
Other financial asset		44,190	44,624
Loan and other receivables	17	115,088	23,522
Deposits paid for acquisition of property, plant and equipment		–	410
		<b>6,706,545</b>	6,493,218
<b>Current assets</b>			
Inventories		51,208	45,801
Amounts due from customers for contract work		448,633	485,303
Debtors, deposits and prepayments	18	1,355,634	1,092,848
Amounts due from associates		12,081	10,210
Amount due from a joint venture		321	321
Amounts due from other partners of joint operations		40,030	24,366
Tax recoverable		9,764	2,682
Held-for-trading investments	19	24,330	27,430
Pledged bank deposits	20	94	80
Bank balances and cash		764,631	881,851
		<b>2,706,726</b>	2,570,892
<b>Current liabilities</b>			
Amounts due to customers for contract work		628,679	664,790
Creditors and accrued charges	21	1,272,900	1,445,797
Amounts due to associates		17,425	14,458
Amount due to a joint venture		1,142	1,142
Amounts due to other partners of joint operations		25,594	12,119
Amounts due to non-controlling shareholders		3,359	3,359
Tax liabilities		1,112	3,746
Bank loans	22	379,411	325,408
		<b>2,329,622</b>	2,470,819
<b>Net current assets</b>		<b>377,104</b>	100,073
<b>Total assets less current liabilities</b>		<b>7,083,649</b>	6,593,291

# Condensed Consolidated Statement of Financial Position

At 30th June, 2016

	<i>Notes</i>	<b>30th June, 2016 (Unaudited) HK\$'000</b>	31st December, 2015 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Payable for extraction right		<b>437,556</b>	471,180
Provision for rehabilitation costs		<b>27,367</b>	26,889
Deferred tax liabilities		<b>5,750</b>	5,750
Obligations in excess of interests in associates	14	<b>15,980</b>	16,195
Amount due to an associate		<b>3,970</b>	4,807
Bank loans	22	<b>506,688</b>	18,000
Bonds		<b>178,397</b>	150,724
		<b>1,175,708</b>	693,545
<b>Net assets</b>			
		<b>5,907,941</b>	5,899,746
<b>Capital and reserves</b>			
Share capital		<b>79,312</b>	79,312
Share premium and reserves		<b>5,617,199</b>	5,619,522
Equity attributable to owners of the Company		<b>5,696,511</b>	5,698,834
Non-controlling interests		<b>211,430</b>	200,912
<b>Total equity</b>			
		<b>5,907,941</b>	5,899,746



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2016

	Equity attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Special reserve	Asset revaluation reserve	Other reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2015	79,312	731,906	892,558	(29,530)	2,319	(7,335)	3,951,033	5,620,263	159,805	5,780,068
Profit for the period	-	-	-	-	-	-	131,998	131,998	18,986	150,984
Other comprehensive (expense) income for the period	-	-	(13,359)	-	-	-	-	(13,359)	58	(13,301)
Total comprehensive (expense) income for the period	-	-	(13,359)	-	-	-	131,998	118,639	19,044	137,683
Sub-total	79,312	731,906	879,199	(29,530)	2,319	(7,335)	4,083,031	5,738,902	178,849	5,917,751
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	1,960	1,960
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	(6,064)	(6,064)
Dividend paid (note 11)	-	-	-	-	-	-	(107,072)	(107,072)	-	(107,072)
At 30th June, 2015 (unaudited)	79,312	731,906	879,199	(29,530)	2,319	(7,335)	3,975,959	5,631,830	174,745	5,806,575
At 1st January, 2016	79,312	731,906	683,638	(29,530)	2,319	(7,464)	4,238,653	5,698,834	200,912	5,899,746
Profit for the period	-	-	-	-	-	-	151,908	151,908	25,116	177,024
Other comprehensive expense for the period	-	-	(78,422)	-	-	-	-	(78,422)	(747)	(79,169)
Total comprehensive (expense) income for the period	-	-	(78,422)	-	-	-	151,908	73,486	24,369	97,855
Sub-total	79,312	731,906	605,216	(29,530)	2,319	(7,464)	4,390,561	5,772,320	225,281	5,997,601
Distribution to non-controlling shareholders	-	-	-	-	-	-	-	-	(8,797)	(8,797)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	(462)	-	(462)	(5,054)	(5,516)
Dividend paid (note 11)	-	-	-	-	-	-	(75,347)	(75,347)	-	(75,347)
<b>At 30th June, 2016 (unaudited)</b>	<b>79,312</b>	<b>731,906</b>	<b>605,216</b>	<b>(29,530)</b>	<b>2,319</b>	<b>(7,926)</b>	<b>4,315,214</b>	<b>5,696,511</b>	<b>211,430</b>	<b>5,907,941</b>

## 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 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.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2016

	Notes	Six months ended 30th June,	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Net cash (used in) from operating activities</b>		<b>(94,289)</b>	262,228
<b>Investing activities</b>			
Interest received		869	882
Dividends received from held-for-trading investments		1,175	1,512
Dividends received from associates		106,487	132,908
Proceeds from disposal of property, plant and equipment		1,135	1,674
Purchase of property, plant and equipment		(86,589)	(41,218)
Deposits paid for acquisition of property, plant and equipment		–	(18,641)
Acquisition of additional interest in an associate		(22,268)	(29,917)
Proceeds from capital reduction of an associate		–	2,357
Acquisition of interest in a joint venture		(40,956)	–
Acquisition of available-for-sale investment		(66,539)	–
Loan to an investee	17(b)	(379,458)	–
Settlement of loan and other receivables		2,284	2,284
(Advances to) repayment from associates		(1,775)	1,450
Advances to other partners of joint operations		(15,664)	(32,283)
Placement in pledged bank deposits		(14)	(10)
<b>Net cash (used in) from investing activities</b>		<b>(501,313)</b>	20,998
<b>Financing activities</b>			
Interest paid		(16,315)	(5,792)
Dividend paid	11	(75,347)	(107,072)
Distribution to non-controlling shareholders		(8,797)	(6,064)
Capital contribution from a non-controlling shareholder		–	1,960
Acquisition of additional interest in a subsidiary		(5,516)	–
Advances from associates		1,861	–
Advances from other partners of joint operations		13,475	–
New bank loans raised		605,910	93,000
Repayment of bank loans		(63,219)	(66,446)
Bonds raised, net		27,440	75,460
<b>Net cash from (used in) financing activities</b>		<b>479,492</b>	(14,954)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(116,110)</b>	268,272
Cash and cash equivalents at the beginning of the period		881,851	453,200
Effect of foreign exchange rate changes, net		(1,110)	77
<b>Cash and cash equivalents at the end of the period</b>		<b>764,631</b>	721,549
<b>Analysis of the balance of cash and cash equivalents</b>			
Bank balances and cash		764,631	721,549

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance 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”) and with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2016 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31st December, 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

## 3. REVENUE

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
Revenue analysed by revenue from:		
Construction	2,233,940	2,290,817
Construction materials	219,770	237,925
Quarrying	19,116	14,639
	<b>2,472,826</b>	2,543,381

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 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. The Group's reportable and operating segments under HKFRS 8 are summarised as follows:

Construction

- construction of civil engineering and building projects

Construction materials

- production and sale of concrete

Quarrying

- production and sale of quarry products

Toll road and property development

- 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, 2016

	Segment revenue			Segment profit (loss) HK\$'000
	Gross HK\$'000	Inter-segment elimination HK\$'000	External HK\$'000	
Construction	2,253,838	(19,898)	2,233,940	29,800
Construction materials	305,256	(85,486)	219,770	5,347
Quarrying	93,661	(74,545)	19,116	(7,860)
Toll road and property development	–	–	–	88,020
Total	2,652,755	(179,929)	2,472,826	115,307

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 4. SEGMENT INFORMATION (Cont'd)

### Segment revenue and results (Cont'd)

Six months ended 30th June, 2015

	Segment revenue			Segment profit HK\$'000
	Gross HK\$'000	Inter-segment elimination HK\$'000	External HK\$'000	
Construction	2,296,528	(5,711)	2,290,817	20,028
Construction materials	304,525	(66,600)	237,925	23,603
Quarrying	90,680	(76,041)	14,639	1,911
Toll road and property development	–	–	–	90,811
<b>Total</b>	<b>2,691,733</b>	<b>(148,352)</b>	<b>2,543,381</b>	<b>136,353</b>

Segment profit (loss) represents profit (loss) after tax and non-controlling interests for each reportable and operating segment and includes other income, investment income, gains and losses, share of results of associates and other gains and losses, but excluding corporate income and expenses (including staff costs, other administrative expenses and finance costs), share of results of associates, discount on acquisition of additional interest in an associate, loss on deemed disposal of partial interest in an associate and gain on disposal of property, plant and equipment 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,	
	2016 HK\$'000	2015 HK\$'000
Total segment profit	<b>115,307</b>	136,353
Unallocated items ( <i>note</i> )		
Other income	<b>15,595</b>	3,317
Investment income, gains and losses	<b>(112)</b>	786
Administrative expenses	<b>(10,394)</b>	(8,304)
Finance costs	<b>(11,453)</b>	(2,644)
Share of results of associates	<b>3,076</b>	3,238
Discount on acquisition of additional interest in an associate	<b>39,889</b>	40,433
Loss on deemed disposal of partial interest in an associate	–	(41,291)
Gain on disposal of property, plant and equipment	–	110
<b>Profit attributable to owners of the Company</b>	<b>151,908</b>	131,998

*Note:* Unallocated items related to head office and other minor operations before intra-group eliminations.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 5. OTHER INCOME

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
Other income includes:		
Interest on bank deposits	121	40
Interest on amounts due from associates	96	76
Interest on other financial asset	580	650
Interest on loan and other receivables	8,103	–
Imputed interest on loan and other receivables	89	175
Government subsidy	–	2,511
Operation fee income	6,958	10,180
Rental income from land and buildings	187	1,827
Rental income from plant and machinery	–	625
Service income from associates	60	30

## 6. INVESTMENT INCOME, GAINS AND LOSSES

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
(Loss) gain on change in fair value of held-for-trading investments, net	(3,100)	6,892
Dividend income from held-for-trading investments	1,175	1,512
	(1,925)	8,404

## 7. FINANCE COSTS

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
Interest on bank loans	12,227	4,005
Interest on bonds	5,622	1,889
Imputed interest on payable for extraction right	14,447	–
Imputed interest on provision for rehabilitation costs	1,009	–
Imputed interest on non-current interest-free amount due to an associate	269	253
	33,574	6,147

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 8. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
Discount on acquisition of additional interest in an associate ( <i>note a</i> )	39,889	40,433
Loss on deemed disposal of partial interest in an associate ( <i>note b</i> )	–	(41,291)
Gain on disposal of property, plant and equipment, net ( <i>note 13</i> )	365	425
	<b>40,254</b>	(433)

Notes:

- (a) During the period, the Group purchased 3,469,000 (six months ended 30th June, 2015: 4,000,000) ordinary shares in Road King at an aggregate consideration of HK\$22,268,000 (six months ended 30th June, 2015: HK\$29,917,000) 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 0.47% (six months ended 30th June, 2015: 0.54%) resulting in an aggregate discount of HK\$39,889,000 (six months ended 30th June, 2015: HK\$40,433,000) on acquisition of additional interest in Road King.
- (b) During the six months ended 30th June, 2015, Road King issued 10,240,000 ordinary shares upon exercise of share options granted to the directors and employees of Road King under the share option schemes of Road King. As a result, the Group's interest in Road King reduced in aggregate by 0.55%. As the shares were issued at the weighted average exercise price of HK\$6.96 per share, which was lower than the net assets value per share of Road King, the Group recorded an aggregate loss of HK\$41,291,000 on deemed disposal of partial interest in Road King.

## 9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
Amortisation of intangible assets	5,669	760
Less: Amount capitalised in inventories	(4,962)	–
	<b>707</b>	760
Depreciation of property, plant and equipment	34,344	36,077
Less: Amount attributable to construction contracts	(7,202)	(9,972)
Amount capitalised in inventories	(1,396)	–
	<b>25,746</b>	26,105
Share of income tax expense of associates (included in share of results of associates)	<b>141,358</b>	169,255

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 10. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
Underprovision in prior years		
Hong Kong	1,824	1,049
The People's Republic of China (the "PRC")	36	46
	<b>1,860</b>	1,095

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax has been made for both periods since the estimated assessable profits have been wholly offset by tax losses brought forward from prior years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% for both periods. No provision for the PRC income tax has been made for both periods as there is no assessable profits.

## 11. DIVIDEND

Dividend paid and recognised as distribution during the period:

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
2015 final dividend – HK9.5 cents per share (six months ended 30th June, 2015: 2014 final dividend – HK13.5 cents per share)	75,347	107,072

An interim dividend for the six months ended 30th June, 2016 of HK3.3 cents (six months ended 30th June, 2015: HK3.3 cents) per ordinary share amounting to HK\$26,173,000 (six months ended 30th June, 2015: HK\$26,173,000) was approved by the board of directors of the Company on 19th August, 2016. 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, 2016

## 12. 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,	
	2016 HK\$'000	2015 HK\$'000
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	151,908	131,998
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> )	–	(39)
Earnings for the purpose of diluted earnings per share	151,908	131,959

  

	Six months ended 30th June,	
	2016	2015
Number of ordinary shares for the purposes of basic and diluted earnings per share	793,124,034	793,124,034

*Note:* The computation of diluted earnings per share for the six months ended 30th June, 2016 does not assume the exercise of the outstanding share options of that associate as the exercise price of the share options was higher than the average market price of the shares of that associate during the period.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$86,999,000 (six months ended 30th June, 2015: HK\$41,218,000) on additions to property, plant and equipment.

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of HK\$770,000 (six months ended 30th June, 2015: HK\$1,249,000) for proceeds of HK\$1,135,000 (six months ended 30th June, 2015: HK\$1,674,000), resulting in a net gain on disposal of HK\$365,000 (six months ended 30th June, 2015: HK\$425,000).

At 30th June, 2016, the Group has pledged certain motor vehicles with an aggregate carrying value of HK\$4,076,000 (31st December, 2015: HK\$4,766,000) to secure a bank loan.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 14. INTERESTS IN ASSOCIATES/OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	<b>30th June, 2016</b>	31st December, 2015
	<b>HK\$'000</b>	HK\$'000
Cost of investments in associates		
Listed in Hong Kong ( <i>note a</i> )	<b>1,659,197</b>	1,636,929
Unlisted	<b>133,830</b>	133,830
	<b>1,793,027</b>	1,770,759
Share of post-acquisition profits, losses and other comprehensive income, net of dividends received	<b>3,577,458</b>	3,630,201
	<b>5,370,485</b>	5,400,960
Represented by:		
Interests in associates	<b>5,386,465</b>	5,417,155
Obligations in excess of interests in associates ( <i>note b</i> )	<b>(15,980)</b>	(16,195)
	<b>5,370,485</b>	5,400,960

### 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, 2015: 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.

## 15. INTERESTS IN JOINT VENTURES

During the six months ended 30th June, 2016, Build King Holdings Limited ("Build King"), the Company's 52.78% (31st December, 2015: 51.49%) subsidiary whose shares are listed on the Main Board of the Stock Exchange, acquired 49% equity interest in 德州恒源熱力有限公司 ("Dezhou Heng Yuan") at a consideration of RMB34,710,000 (approximately HK\$40,956,000).

Dezhou Heng Yuan is a limited liability company incorporated in the PRC and was granted an exclusive right to supply heat to the west of the Jianhe in Dezhou Economic Development Zone.

## 16. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30th June, 2016</b>	31st December, 2015
	<b>HK\$'000</b>	HK\$'000
Unlisted equity securities, at cost	<b>112,583</b>	46,044
Less: Impairment loss recognised	<b>(3,368)</b>	(3,368)
	<b>109,215</b>	42,676

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 16. AVAILABLE-FOR-SALE INVESTMENTS (Cont'd)

The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC, Cayman Islands and United States of America ("USA"). The unlisted investments are measured at cost less impairment loss at the end of the reporting period.

During the six months ended 30th June, 2016, the Group invested a total of US\$57,309,000 (equivalent to HK\$445,997,000), as to US\$8,550,000 (equivalent to HK\$66,539,000) in the form of equity and the remainder US\$48,759,000 (equivalent to HK\$379,458,000) in the form of shareholder's loan as disclosed in note 17(b), to a private entity incorporated in USA which has invested in another US company for property development in USA.

## 17. LOAN AND OTHER RECEIVABLES

	<b>30th June, 2016</b>	31st December, 2015
	<b>HK\$'000</b>	HK\$'000
Amounts due from:		
Local government of Wanshan in the PRC (note a)	<b>2,275</b>	4,470
An investee (note b)	<b>387,561</b>	–
An independent third party (note c)	<b>23,224</b>	23,522
	<b>413,060</b>	27,992
Less: Amount shown under current assets (note 18)	<b>(297,972)</b>	(4,470)
Amount shown under non-current assets	<b>115,088</b>	23,522

Notes:

- (a) The amounts represented the advances to and the cost of construction work to be recoverable from the local government of Wanshan in the PRC which will be settled by cash instalments semi-annually up to December 2016.

At 30th June, 2016, the amount of HK\$2,275,000 (31st December, 2015: HK\$4,470,000) to be settled within twelve months from the end of the reporting period is shown under current assets and included in "Debtors, deposits and prepayments" as disclosed in note 18.

- (b) The amount represented a shareholder's loan of US\$48,759,000 (equivalent to HK\$379,458,000) to an investee and the interest receivable of US\$1,045,000 (equivalent to HK\$8,103,000) from the investee. The loan is bearing variable interest rate at London Interbank Offered Rate plus 9% per annum and will be fully repaid together with the unpaid interest on or before 31st December, 2019.

At 30th June, 2016, the amount of US\$38,000,000 (equivalent to HK\$295,697,000) to be settled within twelve months from the end of the reporting period is shown under current assets and included in "Debtors, deposits and prepayments" as disclosed in note 18 and the remaining balance of US\$11,804,000 (equivalent to HK\$91,864,000) to be settled after twelve months from the end of the reporting period is shown under non-current assets.

- (c) At 30th June, 2016, 惠記環保工程(上海)有限公司, a wholly owned subsidiary of Build King, advanced a loan to an independent third party. The loan is secured by 51% equity interest in a PRC company, bearing fixed interest rate at 4.5% per annum and will be fully repaid before 30th November, 2017, therefore the amount is shown under non-current assets.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 18. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30th June, 2016</b>	31st December, 2015
	<b>HK\$'000</b>	HK\$'000
Trade debtors	<b>622,139</b>	617,728
Bills receivables	<b>4,447</b>	11,571
Retention receivables	<b>281,587</b>	290,415
Other debtors	<b>50,295</b>	99,852
Deposits and prepayments	<b>99,194</b>	68,812
Loan and other receivables ( <i>note 17</i> )	<b>297,972</b>	4,470
	<b>1,355,634</b>	1,092,848

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction works. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date and bills receivables presented based on the maturity date:

	<b>30th June, 2016</b>	31st December, 2015
	<b>HK\$'000</b>	HK\$'000
Trade debtors		
0 to 60 days	<b>591,946</b>	578,103
61 to 90 days	<b>15,035</b>	21,575
Over 90 days	<b>15,158</b>	18,050
	<b>622,139</b>	617,728
Bills receivables		
0 to 60 days	<b>3,681</b>	5,175
61 to 90 days	<b>–</b>	878
Over 90 days	<b>766</b>	5,518
	<b>4,447</b>	11,571
Retention receivables		
Due within one year	<b>61,252</b>	55,504
Due after one year	<b>220,335</b>	234,911
	<b>281,587</b>	290,415

At 30th June, 2016, the Group's trade debtors and retention receivables included amounts of HK\$8,141,000 (31st December, 2015: HK\$18,845,000) and HK\$15,632,000 (31st December, 2015: HK\$10,353,000) respectively due from related companies which are subsidiaries of a substantial shareholder of the Company.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 19. HELD-FOR-TRADING INVESTMENTS

	<b>30th June, 2016</b>	31st December, 2015
	<b>HK\$'000</b>	HK\$'000
Equity securities listed in Hong Kong, at fair value	<b>24,330</b>	27,430

## 20. PLEDGED BANK DEPOSITS

At 30th June, 2016, bank deposits of the Group amounting to HK\$94,000 (31st December, 2015: HK\$80,000) were pledged to banks for securing certain banking facilities granted to the Group.

## 21. CREDITORS AND ACCRUED CHARGES

	<b>30th June, 2016</b>	31st December, 2015
	<b>HK\$'000</b>	HK\$'000
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	<b>195,247</b>	187,536
61 to 90 days	<b>17,230</b>	18,565
Over 90 days	<b>29,775</b>	56,123
	<b>242,252</b>	262,224
Retention payables	<b>261,010</b>	244,688
Accrued project costs	<b>625,792</b>	760,105
Payable for extraction right	<b>72,900</b>	71,535
Other creditors and accrued charges	<b>70,946</b>	107,245
	<b>1,272,900</b>	1,445,797
Retention payables		
Due within one year	<b>72,685</b>	79,683
Due after one year	<b>188,325</b>	165,005
	<b>261,010</b>	244,688

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 22. BANK LOANS

	<b>30th June, 2016 HK\$'000</b>	31st December, 2015 HK\$'000
The maturity of the bank loans is as follows:		
Within one year	<b>263,822</b>	150,843
In the second year	<b>164,688</b>	18,000
In the third to fifth year inclusive	<b>342,000</b>	–
	<b>770,510</b>	168,843
Carrying amount of term loans which contain a repayment on demand clause (shown under current liabilities)		
– repayable within one year	<b>95,450</b>	92,022
– repayable in the second year	<b>10,967</b>	37,106
– repayable in the third to fifth year inclusive	<b>9,172</b>	45,437
	<b>115,589</b>	174,565
Total	<b>886,099</b>	343,408
Less: Amount shown under current liabilities	<b>(379,411)</b>	(325,408)
Amount shown under non-current liabilities	<b>506,688</b>	18,000
Secured	<b>120,500</b>	135,368
Unsecured	<b>765,599</b>	208,040
	<b>886,099</b>	343,408

The share of a subsidiary of the Company and certain motor vehicles are pledged to secure certain bank loans granted to the Group.

## 23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement of held-for-trading investments which are listed securities of HK\$24,330,000 (31st December, 2015: HK\$27,430,000) is derived from quoted bid prices in active markets. The valuation is classified as Level 1 of the fair value hierarchy with the fair values derived from quoted prices (unadjusted) in active markets for identical assets.

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, 2016

## 24. CAPITAL COMMITMENTS

	<b>30th June, 2016</b>	31st December, 2015
	<b>HK\$'000</b>	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided in the condensed consolidated financial statements	<b>20,262</b>	42,534
Authorised but not contracted for	<b>9,628</b>	29,594
	<b>29,890</b>	72,128
Capital expenditure in respect of acquisition of 49% equity interest in a PRC company by Build King:		
Authorised but not contracted for	-	40,822

## 25. CONTINGENT LIABILITIES

	<b>30th June, 2016</b>	31st December, 2015
	<b>HK\$'000</b>	HK\$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	<b>377,483</b>	309,056

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2016

## 26. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
<b>Associates</b>		
Purchase of raw materials	2,388	–
Transportation expenses	2,707	2,802
Interest income	96	76
Service income	60	30
<b>Joint operations</b>		
Sale of construction materials	55,458	85,732
<b>Related companies (note)</b>		
Construction contract revenue	108,224	21,192
Project management fee income	4,111	96,050
<b>Compensation of key management personnel</b>		
Short-term employee benefits	25,813	20,085
Post-employment benefits	1,566	1,404
	<b>27,379</b>	21,489

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



# 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

TSANG Yam Pui  
CHENG Chi Ming, Brian

## 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  
Hang Seng Bank Limited  
China CITIC Bank International Limited  
The Bank of East Asia, Limited  
Bangkok Bank Public Company Limited  
DBS Bank Ltd., Hong Kong Branch

## REGISTERED OFFICE

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Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

## STOCK CODE

The Stock Exchange of Hong Kong Limited – 610

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