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## **WAI KEE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2017**

#### **Financial Performance Highlights**

Revenue	<b>HK\$2,921 million</b>
Profit attributable to owners of the Company	<b>HK\$135 million</b>
Basic earnings per share	<b>HK17.06 cents</b>
Interim dividend per share	<b>HK3.8 cents</b>
Equity attributable to owners of the Company per share	<b>HK\$7.58</b>

## 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, 2017 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

		Six months ended 30th June,	
		2017	2016
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	2,920,944	2,472,826
Cost of sales		(2,626,428)	(2,202,700)
Gross profit		294,516	270,126
Other income	5	33,797	23,168
Investment income, gains and losses	6	12,161	(1,925)
Selling and distribution costs		(38,851)	(37,151)
Administrative expenses		(206,176)	(173,512)
Finance costs	7	(32,465)	(33,574)
Share of results of associates		140,285	91,498
Share of results of joint ventures		2,703	-
Other gains and losses	8	(18,490)	40,254
Profit before tax	9	187,480	178,884
Income tax expense	10	(15,184)	(1,860)
<b>Profit for the period</b>		<b>172,296</b>	<b>177,024</b>
Profit for the period attributable to:			
Owners of the Company		135,297	151,908
Non-controlling interests		36,999	25,116
		<b>172,296</b>	<b>177,024</b>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>	12		
- Basic		17.06	19.15
- Diluted		17.04	19.15

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2017**

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period	<u>172,296</u>	<u>177,024</u>
<b>Other comprehensive income (expense)</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising on translation of foreign operations	4,539	(1,526)
Share of translation reserves of associates	<u>50,682</u>	<u>(77,643)</u>
Other comprehensive income (expense) for the period	<u>55,221</u>	<u>(79,169)</u>
<b>Total comprehensive income for the period</b>	<u><u>227,517</u></u>	<u><u>97,855</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	188,421	73,486
Non-controlling interests	<u>39,096</u>	<u>24,369</u>
	<u><u>227,517</u></u>	<u><u>97,855</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30TH JUNE, 2017**

		<b>30th June, 2017</b>	31st December,
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>659,684</b>	558,789
Intangible assets		<b>543,659</b>	580,244
Goodwill		<b>29,838</b>	29,838
Interests in associates		<b>5,502,189</b>	5,569,562
Interests in joint ventures		<b>74,768</b>	58,518
Available-for-sale investments		<b>109,215</b>	109,215
Other financial asset		<b>41,909</b>	41,128
Loan and other receivables		<b>12,156</b>	108,258
Deposits paid for acquisition of property, plant and equipment		<b>2,137</b>	1,320
		<b>6,975,555</b>	7,056,872
<b>Current assets</b>			
Inventories		<b>69,882</b>	63,002
Amounts due from customers for contract work		<b>335,597</b>	324,351
Debtors, deposits and prepayments	<i>13</i>	<b>1,774,693</b>	1,463,404
Amounts due from associates		<b>13,429</b>	12,786
Amount due from a joint venture		<b>321</b>	321
Amounts due from other partners of joint operations		<b>66,994</b>	39,643
Tax recoverable		<b>15,234</b>	17,078
Held-for-trading investments		<b>35,916</b>	25,562
Pledged bank deposits		<b>71</b>	101
Bank balances and cash		<b>1,008,559</b>	986,452
		<b>3,320,696</b>	2,932,700
<b>Current liabilities</b>			
Amounts due to customers for contract work		<b>521,911</b>	637,795
Creditors and accrued charges	<i>14</i>	<b>1,918,367</b>	1,588,586
Amounts due to associates		<b>17,392</b>	16,400
Amount due to a joint venture		<b>1,142</b>	1,142
Amounts due to other partners of joint operations		<b>64,880</b>	70,795
Amounts due to non-controlling shareholders		<b>3,359</b>	3,359
Tax liabilities		<b>30,656</b>	22,648
Bank loans		<b>380,846</b>	301,011
Bank overdraft, unsecured		<b>430</b>	-
		<b>2,938,983</b>	2,641,736
<b>Net current assets</b>		<b>381,713</b>	290,964
<b>Total assets less current liabilities</b>		<b>7,357,268</b>	7,347,836

	<b>30th June, 2017 (Unaudited) HK\$'000</b>	31st December, 2016 (Audited) HK\$'000
<b>Non-current liabilities</b>		
Payable for extraction right	372,265	386,495
Provision for rehabilitation costs	29,083	28,202
Deferred tax liabilities	5,750	5,750
Obligations in excess of interests in associates	16,409	16,208
Amount due to an associate	3,417	4,238
Bank loans	429,750	483,250
Bonds	219,087	206,580
	<u>1,075,761</u>	<u>1,130,723</u>
<b>Net assets</b>	<u>6,281,507</u>	<u>6,217,113</u>
<b>Capital and reserves</b>		
Share capital	79,312	79,312
Share premium and reserves	5,928,785	5,873,007
	<u>6,008,097</u>	<u>5,952,319</u>
Equity attributable to owners of the Company	6,008,097	5,952,319
Non-controlling interests	273,410	264,794
	<u>6,281,507</u>	<u>6,217,113</u>
<b>Total equity</b>	<u>6,281,507</u>	<u>6,217,113</u>

*Notes:*

## 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 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, 2017 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31st December, 2016.

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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 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.

Additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31st December, 2017.

### 3. REVENUE

	<b>Six months ended</b>	
	<b>30th June,</b>	
	<b>2017</b>	2016
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue analysed by revenue from:		
Construction	<b>2,704,947</b>	2,233,940
Construction materials	<b>196,629</b>	219,770
Quarrying	<b>19,368</b>	19,116
	<b><u>2,920,944</u></b>	<u>2,472,826</u>

### 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
- production, sale and laying of asphalt

#### 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, 2017

	Segment revenue			Segment profit (loss) <i>HK\$'000</i>
	Gross <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	External <i>HK\$'000</i>	
Construction	2,730,358	(25,411)	2,704,947	42,944
Construction materials	269,008	(72,379)	196,629	(15,452)
Quarrying	88,774	(69,406)	19,368	(7,614)
Toll road and property development	-	-	-	115,959
Total	3,088,140	(167,196)	2,920,944	135,837

### Six months ended 30th June, 2016

	Segment revenue			Segment profit (loss) <i>HK\$'000</i>
	Gross <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	External <i>HK\$'000</i>	
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

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, share of results of joint ventures and other gains and losses which are attributable to reportable and operating segments, 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 and loss on deemed disposal of partial interest in an associate 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,	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Total segment profit	135,837	115,307
Unallocated items		
Other income	15,975	15,595
Investment income, gains and losses	(76)	(112)
Administrative expenses	(10,935)	(10,394)
Finance costs	(10,939)	(11,453)
Share of results of associates	23,926	3,076
Discount on acquisition of additional interest in an associate	5,111	39,889
Loss on deemed disposal of partial interest in an associate	(23,602)	-
Profit attributable to owners of the Company	<u>135,297</u>	<u>151,908</u>

### 5. OTHER INCOME

	Six months ended 30th June,	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other income includes:		
Interest on loan and other receivables	4,968	8,103
Interest on bank deposits	270	121
Interest on amounts due from associates	133	96
Interest on other financial asset	552	580
Imputed interest on loan and other receivables	-	89
Insurance claim on loss of plant and machinery	339	-
Operation fee income	12,312	6,958
PRC Value-Added Tax refund	865	-
Rental income from plant and machinery	1,315	-
Reversal of allowance for doubtful debts	1,972	-
Service income from associates	<u>60</u>	<u>60</u>



**6. INVESTMENT INCOME, GAINS AND LOSSES**

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Gain (loss) on change in fair value of held-for-trading investments, net	<b>10,354</b>	(3,100)
Dividend income from held-for-trading investments	<b>1,807</b>	1,175
	<b>12,161</b>	<b>(1,925)</b>

**7. FINANCE COSTS**

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans	<b>11,621</b>	12,227
Interest on bonds	<b>6,863</b>	5,622
Imputed interest on payable for extraction right	<b>12,633</b>	14,447
Imputed interest on provision for rehabilitation costs	<b>1,064</b>	1,009
Imputed interest on non-current interest-free amount due to an associate	<b>284</b>	269
	<b>32,465</b>	<b>33,574</b>

**8. OTHER GAINS AND LOSSES**

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Discount on acquisition of additional interest in an associate	<b>5,111</b>	39,889
Loss on deemed disposal of partial interest in an associate	<b>(23,602)</b>	-
Gain on disposal of property, plant and equipment, net	<b>1</b>	365
	<b>(18,490)</b>	<b>40,254</b>

## 9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Amortisation of intangible assets	<b>37,671</b>	5,669
<i>Less:</i> Amount capitalised in inventories	<b>(7,982)</b>	(4,962)
	<b>29,689</b>	707
Depreciation of property, plant and equipment	<b>42,876</b>	34,344
<i>Less:</i> Amount attributable to construction contracts	<b>(2,083)</b>	(7,202)
Amount capitalised in inventories	<b>(3,681)</b>	(1,396)
	<b>37,112</b>	25,746
Share of income tax expense of associates (included in share of results of associates)	<b>160,194</b>	141,358
Write-down of inventories	<b>329</b>	-

## 10. INCOME TAX EXPENSE

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current Tax		
Hong Kong	<b>14,971</b>	-
The People's Republic of China (the "PRC")	<b>3</b>	-
	<b>14,974</b>	-
(Overprovision) underprovision in prior years		
Hong Kong	<b>(20)</b>	1,824
The PRC	<b>230</b>	36
	<b>210</b>	1,860
	<b>15,184</b>	1,860

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax had been made for the six months ended 30th June, 2016 since the estimated assessable profits had 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 had been made for the six months ended 30th June, 2016 as there was no assessable profits.

## 11. DIVIDEND

Dividend paid and recognised as distribution during the period:

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
2016 final dividend – HK16.5 cents per share (six months ended 30th June, 2016: 2015 final dividend - HK9.5 cents per share)	<b>130,865</b>	<b>75,347</b>

An interim dividend for the six months ended 30th June, 2017 of HK3.8 cents (six months ended 30th June, 2016: HK3.3 cents) per ordinary share amounting to HK\$30,139,000 (six months ended 30th June, 2016: HK\$26,173,000) was approved by the Board on 18th August, 2017. This interim dividend has not been included as a liability in the condensed consolidated financial statements.

## 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:

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<b>135,297</b>	151,908
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)	<b>(181)</b>	-
Earnings for the purpose of diluted earnings per share	<b>135,116</b>	151,908

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
Number of ordinary shares for the purposes of basic and diluted earnings per share	<b>793,124,034</b>	793,124,034

*Note:* The computation of diluted earnings per share for the six months ended 30th June, 2016 did 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 that period.

### 13. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30th June, 2017 HK\$'000</b>	31st December, 2016 HK\$'000
Trade debtors	<b>1,082,267</b>	919,707
Bills receivables	<b>2,657</b>	11,013
Retention receivables	<b>367,267</b>	331,752
Other debtors	<b>118,770</b>	71,009
Deposits and prepayments	<b>180,667</b>	106,779
Loan and other receivables	<b>23,065</b>	23,144
	<b><u>1,774,693</u></b>	<u>1,463,404</u>

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:

	<b>30th June, 2017 HK\$'000</b>	31st December, 2016 HK\$'000
Trade debtors		
0 to 60 days	<b>1,065,935</b>	898,596
61 to 90 days	<b>6,104</b>	2,780
Over 90 days	<b>10,228</b>	18,331
	<b><u>1,082,267</u></b>	<u>919,707</u>
Retention receivables		
Due within one year	<b>144,754</b>	61,618
Due after one year	<b>222,513</b>	270,134
	<b><u>367,267</u></b>	<u>331,752</u>

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

At 30th June, 2017, the Group's trade debtors and retention receivables included amounts of HK\$16,859,000 (31st December, 2016: HK\$20,395,000) and HK\$20,747,000 (31st December, 2016: HK\$14,566,000) respectively due from related companies which are subsidiaries of a substantial shareholder of the Company.

At 30th June, 2017, deposits and prepayments included an amount of HK\$88,890,000 which represented the refundable deposit paid for subscription of shares of a subsidiary of Road King ("RK Subsidiary") under initial public offering. As RK Subsidiary has suspended the listing plan, the deposit has been fully refunded in July 2017.

## 14. CREDITORS AND ACCRUED CHARGES

	<b>30th June, 2017 HK\$'000</b>	31st December, 2016 HK\$'000
Trade creditors (aged analysis based on the invoice date):		
0 to 60 days	<b>193,540</b>	202,181
61 to 90 days	<b>15,429</b>	20,353
Over 90 days	<b>30,447</b>	9,583
	<b>239,416</b>	232,117
Retention payables	<b>328,383</b>	306,376
Accrued project costs	<b>1,197,754</b>	835,951
Payable for extraction right	<b>70,987</b>	90,830
Other creditors and accrued charges	<b>81,827</b>	123,312
	<b>1,918,367</b>	1,588,586
Retention payables		
Due within one year	<b>154,969</b>	89,769
Due after one year	<b>173,414</b>	216,607
	<b>328,383</b>	306,376

### INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.8 cents (six months ended 30th June, 2016: HK3.3 cents) per ordinary share for the six months ended 30th June, 2017 to the shareholders of the Company whose names appear in the register of members of the Company on Wednesday, 6th September, 2017.

It is expected that the payment of the interim dividend will be made on or before Friday, 6th October, 2017.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 5th September, 2017 to Wednesday, 6th September, 2017, 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, 4th September, 2017.

## **BUSINESS REVIEW**

For the six months ended 30th June, 2017, the Group's revenue was HK\$2,921 million (six months ended 30th June, 2016: HK\$2,473 million), generating an unaudited profit attributable to owners of the Company of HK\$135 million (six months ended 30th June, 2016: HK\$152 million), a decrease of 11% as compared with that of 2016.

### **Toll Road and Property Development**

For the six months ended 30th June, 2017, the Group shared a profit of HK\$116 million (six months ended 30th June, 2016: HK\$88 million) from Road King Infrastructure Limited ("Road King"), an associate of the Group. As of the date of this announcement, the Group holds 40.73% interest in Road King.

During the six months ended 30th June, 2017, the Group purchased 700,000 (six months ended 30th June, 2016: 3,469,000) 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\$5 million (six months ended 30th June, 2016: HK\$40 million) on acquisition of additional interest in Road King. On the other hand, Road King issued 5,600,000 (six months ended 30th June, 2016: nil) 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\$24 million (six months ended 30th June, 2016: nil) on deemed disposal of partial interest in Road King. As a result, the net effect of the aforesaid transactions decreased the Group's interest in Road King by 0.21% for the six months ended 30th June, 2017 (six months ended 30th June, 2016: increased by 0.47%).

For the six months ended 30th June, 2017, Road King recorded an unaudited profit attributable to its owners of HK\$284 million (six months ended 30th June, 2016: HK\$218 million), an increase of 30% as compared with that of 2016.

The toll revenue and the average daily traffic volume of the expressway toll road projects of Road King reached RMB1,272 million and 220,000 vehicles in the first half of the year, represented an increase of approximately 17% and 13% respectively as compared with the corresponding period of last year. In the first half of 2017, Road King received cash distribution from the toll road joint ventures, including the repayment of shareholders' loans, which amounted to HK\$390 million, representing an increase of 56% compared to the corresponding period of last year.

The property market of the PRC was thriving in the first half of 2017, together with the dedication of the management team, the property sales of Road King continued to deliver outstanding results and achieved RMB15,874 million (including joint venture projects) in the first half of 2017, representing an increase of approximately 51% comparing to the corresponding period of last year, in which the contracted sales and the outstanding subscribed sales were approximately RMB13,846 million and RMB2,028 million respectively.

As of the date of this announcement, Road King, in 2017, acquired eight pieces of land through listing-for-sale, equity acquisition and cooperation for residential developments as well as property development rights, with an aggregate floor area of 801,000 sqm. At 30th June, 2017, Road King's land reserve was over 7,200,000 sqm, in which the total area pre-sold but yet to be delivered was about 1,245,000 sqm.

For the toll road business, the toll revenue will increase steadily with the growth of the PRC's economy. Leveraging the experience accumulated over the past two decades, Road King's toll road business will maintain steady operation and development and continue to provide steady cash flows for Road King.

For the property development business, Road King is optimistic about the outlook of the property markets in the PRC and Hong Kong. In addition to the continuous expansion of the property business in the PRC, Road King will keep capturing suitable opportunities for developing the property business in Hong Kong.

## **Construction**

For the six months ended 30th June, 2017, the Group shared a profit of HK\$43 million (six months ended 30th June, 2016: HK\$30 million) from Build King Holdings Limited ("Build King"), the construction arm of the Group. As of the date of this announcement, the Group holds 55.60% interest in Build King.

For the six months ended 30th June, 2017, Build King recorded revenue of HK\$2,730 million (six months ended 30th June, 2016: HK\$2,254 million) and an unaudited profit attributable to its owners of HK\$81 million (six months ended 30th June, 2016: HK\$56 million), an increase of 43% as compared with that of 2016. This comprises profit of HK\$69 million (six months ended 30th June, 2016: HK\$58 million) from construction operation and profit of HK\$12.2 million (six months ended 30th June, 2016: loss of HK\$1.8 million) from investment in listed securities.

The significant increase of turnover was in line with Build King management's forecast as the contract on hand had been increasing for the past three years; the improvement of the net profit was derived from not only the increasing turnover but also the gross margin maintained at approximately 8% which was comparable with the last year, and growth of the administrative expenses controlled at approximately 5%.

As of the date of this announcement, the total outstanding values of contract on hand are HK\$10.2 billion, reducing from HK\$12 billion as reported in Annual Report 2016 even though Build King successfully secured eight medium size projects of total value of HK\$901 million in the first half of this year.

As Build King has anticipated, with the several railways of MTRC and major works for the Government approaching completion, the industry is now suffering from the lack of sizable projects. It has been observed that some competitors bidding with extremely low margin. This cut-throat pricing, however, is not Build King's strategy. Build King is maintaining its competitiveness without sacrificing the margin through tightening cost controls, improving operation efficiency and providing cost-effective engineering solutions to its clients.

The sewage treatment plant at Wuxi City maintained its average volume of treated sewage at 40,000 tons per day and continued to contribute steady income and profit to Build King. Its investment in the heat supply company in Dezhou also generated a satisfactory return as budgeted.

## **Construction Materials**

For the six months ended 30th June, 2017, the construction materials division recorded revenue of HK\$269 million (six months ended 30th June, 2016: HK\$305 million) and a net loss of HK\$15 million (six months ended 30th June, 2016: net profit of HK\$5 million).

The overall results of the construction materials division turned from profit to loss as compared with that of last year and was due to the operating losses of concrete and asphalt plants at Lam Tei Quarry, which offset the positive results of the division.

Due to significant drop in concrete prices since the second half of 2016 and the scale of operation of the concrete batching facilities at Lam Tei Quarry still has not yet reached its full capacity, the profit margin generated therefrom is not able to absorb the operating costs and the fixed costs of the concrete batching facilities incurred at Lam Tei Quarry.

The operation of the asphalt facilities at Lam Tei Quarry commenced in February 2017 after prolonged establishment time and compliance with stringent environmental requirements. As a new asphalt operator, it takes time to fill up the order book and promoting business in the asphalt industry. The main reason of the net loss recorded by the asphalt business was that the profit margin generated from the low turnover was not able to absorb the operating costs and the fixed costs that the asphalt facilities incurred.

For the concrete business, with most of the existing major projects completed in the first quarter of 2017 and replenishment of the order book is slower than expected coupled with severe competition due to the shrinking civil projects sector, the future outlook for the business remains tough.

For the asphalt business, we are focusing on increasing our order book and business promotion to obtain recognition from the customers. The operational team will work closely with customers to build up trust and establish the long-term business relationships.

The management continues to adopt prudent cost control measures and is committed to provide high quality of services to both our concrete and asphalt customers. The additional concrete batching facilities and asphalt facilities at Lam Tei Quarry will assist the division in achieving better geographic coverage and access to more market in supplying concrete and asphalt in the long run.

## **Quarrying**

For the six months ended 30th June, 2017, the quarrying division recorded revenue of HK\$89 million (six months ended 30th June, 2016: HK\$94 million) and a net loss of HK\$8 million (six months ended 30th June, 2016: HK\$8 million).

In the first half of 2017, the overall results of the quarrying division recorded similar figure of net loss as that of last year. Despite the crushing facilities at Lam Tei Quarry commenced operation in mid-2016, the thin profit margin as a result of the lower sales volume than expected, both to the Group's construction materials division and outside customers, coupled with the decline in selling prices of aggregates due to severe competition in the market, the result was still in a loss position. By the same token, the decline in aggregate prices turned the operation at Niu Tou Island from net profit in 2016 to net loss in 2017.



Management anticipates that the keen competition will continue in near future and that both sales volume and selling price of aggregates will remain in a comparatively low level in the second half year. As such, cost control measures have been exercised to minimize the cost of aggregates. Nevertheless, Lam Tei Quarry has the geographic and synergy advantages to the Group's construction and construction materials divisions in the coming years.

### **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 completion of sale of two residential rental properties and cash distribution in 2016, US Company I currently holds a property portfolio comprising of seven residential rental properties in Houston. The purchase and sale agreement to dispose of another two residential rental properties have been signed in May 2017 and completed in June 2017. For the six months ended 30th June, 2017, the occupancy rates of the remaining seven properties were around 94% on average and the Group shared profit of HK\$3 million.

The Group holds 30% interest in Elite International Investment Fund I LP which indirectly holds 75% interest in another US company ("US Company II"). The sale of the entire 7-storey complex in Los Angeles was completed in June 2017. For the six months ended 30th June, 2017, the Group shared profit and received cash distributions of US\$2.8 million and of US\$10 million respectively. The liquidation of the Elite International Investment Fund I LP is in process.

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 a couple of sub-funds. Each sub-fund will focus on a unique property project in USA. GCOI Fund invested three property development projects and one property re-development project in 2015, invested another four projects in 2016 and two more projects in the first half of 2017.

Talent Set Global Limited ("Talent Set"), a wholly owned subsidiary of the Company, holds 30% effective interest in the Sunnyvale project by an investment amount of US\$57 million, in forms of equity and shareholder's loan, in a US investment company which made capital contribution to another US company (the "Project Company") for the development of three-storeyed town houses in three lots of land of 25.2 acres. Landsea Holdings Corporation ("LHC"), a wholly owned subsidiary of Landsea Green Properties Co., Ltd. holds the remaining 70% effective interest in the Sunnyvale project. Repayment of shareholder's loan together with loan interest of total amount US\$38 million has been received by Talent Set in the fourth quarter of 2016. In April 2017, the Project Company has completed to sell one of the three lots of land at a consideration of US\$63 million and distribute US\$13 million, being the partial repayment of shareholder's loan and the accrued loan interest, to Talent Set. Together with US\$38 million received in fourth quarter of 2016, Talent Set has totally received US\$51 million from its investment in the project.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

During the period, total borrowings increased from HK\$991 million to HK\$1,030 million with the maturity profile summarised as follows:

	<b>30th June, 2017</b>	31st December, 2016
	<i>HK\$'million</i>	<i>HK\$'million</i>
Within one year	<b>340</b>	250
In the second year	<b>247</b>	170
In the third to fifth year inclusive	<b>352</b>	492
Over five years	<b>91</b>	79
	<b>1,030</b>	991
Classified under:		
Current liabilities ( <i>note a</i> )	<b>381</b>	301
Non-current liabilities ( <i>note b</i> )	<b>649</b>	690
	<b>1,030</b>	991

#### Notes:

- (a) At 30th June, 2017, 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\$41 million (31st December, 2016: HK\$51 million) have been classified as current liabilities.
- (b) At 30th June, 2017, the amount included bonds with carrying amounts of HK\$128 million (31st December, 2016: HK\$128 million) carrying fixed coupon interest of 7% per annum and HK\$91 million (31st December, 2016: HK\$79 million) carrying fixed coupon interest of 5% per annum respectively.

During the period, the Group had no financial instruments for hedging purpose. At 30th June, 2017, apart from the bonds described above, the Group had no fixed-rate borrowings.

At 30th June, 2017, total amount of the Group's bank balances and cash was HK\$1,009 million (31st December, 2016: HK\$987 million), of which bank deposits amounting to HK\$0.07 million (31st December, 2016: HK\$0.1 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\$565 million (31st December, 2016: HK\$570 million) and HK\$36 million (31st December, 2016: HK\$24 million) respectively.

For the six months ended 30th June, 2017, the Group recorded finance costs of HK\$32 million (six months ended 30th June, 2016: HK\$34 million).

At 30th June, 2017, a portfolio of held-for-trading investments were stated at their fair values in a total amount of HK\$36 million (31st December, 2016: HK\$26 million), comprising equity securities listed in Hong Kong. For the six months ended 30th June, 2017, the Group recorded a net profit (net amount of change in fair value and dividend income) of HK\$12.2 million (six months ended 30th June, 2016: net loss of HK\$1.9 million) from these investments, of which net profit of HK\$12.2 million (six months ended 30th June, 2016: net loss of HK\$1.8 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, 2017, the equity attributable to owners of the Company amounted to HK\$6,008 million, representing HK\$7.58 per share (31st December, 2016: HK\$5,952 million, representing HK\$7.50 per share). Increase in equity attributable to owners of the Company was mainly attributable to share of translation reserves of associates and profit for the period less dividend paid during the period.

At 30th June, 2017, the gearing ratio, representing the ratio of interest bearing borrowings to equity attributable to owners of the Company, was 17.1% (31st December, 2016: 16.6%) 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 0.4% (31st December, 2016: 0.1%).

### **Pledge of Assets**

At 30th June, 2017, apart from the bank deposits pledged to secure certain general banking facilities granted to the Group, certain vessels and vessels under construction with an aggregate carrying value of HK\$196 million (31st December, 2016: nil) and the share of a subsidiary of the Company were pledged to secure certain bank loans and banking facilities granted to the Group. At 31st December, 2016, certain motor vehicles with an aggregate carrying value of HK\$3 million were also pledged to secure a bank loan granted to the Group.

### **Capital Commitments**

At 30th June, 2017, the Group committed capital expenditure contracted for but not provided in the Group's condensed consolidated financial statements of HK\$4 million (31st December, 2016: HK\$101 million) in respect of acquisition of property, plant and equipment.

### **Contingent Liabilities**

At 30th June, 2017, the Group had outstanding tender/performance/retention bonds in respect of construction contracts amounting to HK\$659 million (31st December, 2016: HK\$614 million).

## **EMPLOYEES AND REMUNERATION POLICIES**

At 30th June, 2017, the Group had 2,223 employees (31st December, 2016: 2,105 employees), of which 2,116 (31st December, 2016: 1,997) were located in Hong Kong, 106 (31st December, 2016: 107) were located in the PRC and 1 (31st December, 2016: 1) was located in UAE. For the six months ended 30th June, 2017, the Group's total staff costs were HK\$507 million (six months ended 30th June, 2016: HK\$475 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**

With the contracts on hand, it is expected that the performance of the construction division will maintain strong in the second half of the year.

It has been observed that there is still no improvement in the market prices for the concrete following the significant drop in the second half of 2016. Coupled with the shrinkage of civil projects sector, the operators in the concrete industry face severe challenging times ahead. However, the commencement of operation of asphalt facilities at Lam Tei Quarry in the first quarter of 2017 is expected to alleviate part of the negative impact on the overall performance of the construction materials division. Given the challenges ahead, the Group continues to implement cost control measures to strengthen our competitiveness.

The performance of the property funds in 2017 has been in line with budget. The Group continues to monitor closely the performance of its property funds and to look for new property fund investment opportunities in the USA.

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

## **CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30th June, 2017.

## **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, 2017.

## **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, 2017.

## **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, 2017.

## **PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the Company's website ([www.waikee.com](http://www.waikee.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The Interim Report 2017 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  
**William Zen Wei Pao**  
Chairman

Hong Kong, 18th August, 2017

*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. Tsang Yam Pui and Mr. Brian Cheng Chi Ming, and three independent non-executive directors, namely Dr. Steve Wong Che Ming, Mr. Samuel Wan Siu Kau and Mr. Francis Wong Man Chung.*