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## **Wan Kei Group Holdings Limited**

**宏基集團控股有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 1718)**

### **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016**

#### **FINANCIAL HIGHLIGHT**

For the year ended 31 March 2016:

- The Group recorded revenue of approximately HK\$369,570,000 (2015: approximately HK\$408,128,000).
- Profit attributable to equity shareholders of the Company amounted to approximately HK\$25,573,000 (2015: approximately HK\$62,000,000). The decrease in profit was attributable to the decrease in revenue and gross profit and the listing fee incurred during the Year.
- No dividend was paid and proposed during the Year, nor has any dividend been proposed since the end of the Year.

As at 31 March 2016:

- The Group had cash and bank balances of approximately HK\$150,292,000 (2015: approximately HK\$74,956,000).
- Net current assets amounted to approximately HK\$225,799,000 (2015: approximately HK\$111,114,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 4.07 times (2015: approximately 1.96 times).
- Net assets amounted to approximately HK\$262,276,000 (2015: approximately HK\$147,095,000).

## RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Wan Kei Group Holdings Limited (“**Wan Kei Group**” or the “**Company**”) announces the audited consolidated final results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2016 (the “**Year**”) together with the comparative audited figures for the year ended 31 March 2015 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$</i>	2015 <i>HK\$</i>
<b>Turnover</b>	3	<b>369,569,772</b>	408,127,724
<b>Direct costs</b>		<b>(291,561,447)</b>	(293,961,663)
<b>Gross profit</b>		<b>78,008,325</b>	114,166,061
Other revenue		<b>815,534</b>	1,675,433
Other net income		<b>739,098</b>	840,073
General and administrative expenses		<b>(46,261,694)</b>	(39,283,432)
<b>Profit from operations</b>		<b>33,301,263</b>	77,398,135
Finance costs	4	<b>(419,549)</b>	(642,057)
<b>Profit before taxation</b>	5	<b>32,881,714</b>	76,756,078
Income tax	6	<b>(7,317,439)</b>	(14,449,841)
<b>Profit and total comprehensive income for the year</b>		<b>25,564,275</b>	62,306,237
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>25,573,227</b>	61,999,801
Non-controlling interests		<b>(8,952)</b>	306,436
<b>Profit and total comprehensive income for the year</b>		<b>25,564,275</b>	62,306,237
<b>Earnings per share</b>			
– Basic and diluted (HK cents per share)	8	<b>3.35</b>	8.86

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$</i>	2015 <i>HK\$</i>
<b>Non-current assets</b>			
Fixed assets		41,857,929	44,339,280
Prepayment		34,500	50,000
Club memberships		400,000	400,000
Deferred tax assets		61,874	149,150
		<u>42,354,303</u>	<u>44,938,430</u>
<b>Current assets</b>			
Gross amounts due from customers for contract work		50,770,892	55,190,995
Trade and other receivables	9	96,114,462	90,145,386
Tax recoverable		2,216,965	7,089,782
Cash and cash equivalents		150,291,845	74,955,617
		<u>299,394,164</u>	<u>227,381,780</u>
<b>Current liabilities</b>			
Gross amounts due to customers for contract work		36,215,434	15,306,341
Trade and other payables	10	35,156,111	27,518,314
Dividend payable		–	60,000,000
Obligations under finance leases		–	9,197,146
Tax payable		2,223,367	4,245,708
		<u>73,594,912</u>	<u>116,267,509</u>
<b>Net current assets</b>		<u>225,799,252</u>	<u>111,114,271</u>
<b>Total assets less current liabilities</b>		<u>268,153,555</u>	<u>156,052,701</u>
<b>Non-current liabilities</b>			
Obligations under finance leases		–	3,200,582
Provision for long service payment		557,333	861,394
Deferred tax liabilities		5,320,396	4,896,076
		<u>5,877,729</u>	<u>8,958,052</u>
<b>Net assets</b>		<u>262,275,826</u>	<u>147,094,649</u>
<b>Capital and reserves</b>			
Share capital	11	8,000,000	10,350,100
Reserves		254,275,826	136,129,877
<b>Total equity attributable to equity shareholders of the Company</b>		<u>262,275,826</u>	<u>146,479,977</u>
Non-controlling interests		–	614,672
<b>Total equity</b>		<u>262,275,826</u>	<u>147,094,649</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND GROUP REORGANISATION

Wan Kei Group Holdings Limited was incorporated in the Cayman Islands as an exempted company with limited liability on 7 October 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Rooms 6 & 8, 9/F, Block A, Fuk Keung Industrial Building, No.66-68 Tong Mi Road, Mongkok, Kowloon, Hong Kong.

Pursuant to a reorganisation of the Group (the "Reorganisation") which was completed on 9 May 2015 to rationalise the corporate structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 28 July 2015 (the "Prospectus").

The Group's businesses were conducted principally through Wan Kei Geotechnical Engineering Company Limited ("Wan Kei Engineering"), Wan Kei Machinery Company Limited ("Wan Kei Machinery") and Chung Shun Boring Engineering Company Limited ("Chung Shun"). These companies were controlled by Mr. Lau Woon Si, Mr. Fong Hon Hung and Mr. Leung Man Lun Stephen (hereinafter collectively referred to as the "Controlling Shareholders"). Mr. Lau Woon Si and Mr. Fong Hon Hung controlled these companies through Chung Hang Enterprises Holdings Limited and Gold Crown Consultants Limited up to 20 November 2014 respectively and thereafter through Suntecli Company Limited and Samwood Global Limited respectively.

The companies that took part in the Reorganisation were controlled by the Controlling Shareholders before and after the Reorganisation. As the control is not transitory and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders, the Reorganisation is considered to be a restructuring of entities under common control. The consolidated financial statements has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the Reorganisation are combined using the book values from the Controlling Shareholders' perspective. The equity interests of equity shareholders other than the Controlling Shareholders in the companies taking part in the Reorganisation have been presented as non-controlling interests in the Group's consolidated financial statements.

The Company's shares were listed on the Stock Exchange on 11 August 2015 (the "Listing").

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

**(b) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 March 2016 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis, except certain assets and liabilities are stated at their fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**(c) Changes in accounting policies**

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

**Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions**

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these consolidated financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

## Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

### 3. TURNOVER AND SEGMENT REPORTING

#### (a) Turnover

The principal activities of the Group are foundation construction and ground investigation.

Turnover represents revenue from construction contracts and from ground investigation services. The amount of each significant category of revenue is as follows:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Revenue from construction contracts	326,659,903	363,070,059
Revenue from ground investigation services	42,909,869	45,057,665
	<u>369,569,772</u>	<u>408,127,724</u>

For the years ended 31 March 2016 and 2015, there were 3 and 5 customers which individually contributed over 10% of the Group’s revenue in relation to construction contracts, respectively. The aggregate amount of revenue from these customers amounted to 64% and 66% of the Group’s total revenue, respectively.

#### (b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group’s most senior management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Foundation construction: this segment provides foundation construction work to customers in Hong Kong and Macau.
- Ground investigation services: this segment provides ground investigation services to customers in Hong Kong.

Segment information is presented only in respect of the Group’s business segments. No geographical analysis is shown as less than 10% of the Group’s revenue, profit from operations and assets were derived from activities outside Hong Kong.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of unallocated head office and corporate assets, tax recoverable and deferred tax assets (if any). Segment liabilities include all current and non-current liabilities with the exception of tax payable and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment profit is net profit before taxation.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is set out below:

	Year ended 31 March 2016		
	Foundation construction <i>HK\$</i>	Ground investigation services <i>HK\$</i>	Total <i>HK\$</i>
Revenue from external customers	326,659,903	42,909,869	369,569,772
<b>Reportable segment revenue</b>	<b>326,659,903</b>	<b>42,909,869</b>	<b>369,569,772</b>
<b>Reportable segment profit</b>	<b>39,739,472</b>	<b>2,514,447</b>	<b>42,253,919</b>
Interest expenses	412,037	7,512	419,549
Depreciation and amortisation for the year	19,568,418	671,622	20,240,040
<b>Reportable segment assets</b>	<b>243,932,952</b>	<b>24,391,600</b>	<b>268,324,552</b>
Fixed assets	39,207,768	2,650,161	41,857,929
Trade and other receivables	87,864,643	8,134,928	95,999,571
Additions to non-current segment assets during the year	16,296,431	1,312,434	17,608,865
<b>Reportable segment liabilities</b>	<b>69,852,549</b>	<b>11,175,949</b>	<b>81,028,498</b>
Trade and other payables	28,161,934	6,994,177	35,156,111

	Year ended 31 March 2015		Total HK\$
	Foundation construction HK\$	Ground investigation services HK\$	
Revenue from external customers	363,070,059	45,057,665	408,127,724
<b>Reportable segment revenue</b>	<b>363,070,059</b>	<b>45,057,665</b>	<b>408,127,724</b>
<b>Reportable segment profit</b>	<b>70,934,908</b>	<b>7,321,170</b>	<b>78,256,078</b>
Interest expenses	600,377	41,680	642,057
Depreciation and amortisation for the year	19,544,114	634,936	20,179,050
<b>Reportable segment assets</b>	<b>241,742,144</b>	<b>25,162,963</b>	<b>266,905,107</b>
Fixed assets	42,313,930	2,025,350	44,339,280
Trade and other receivables	78,785,704	11,359,682	90,145,386
Additions to non-current segment assets during the year	5,119,142	165,181	5,284,323
<b>Reportable segment liabilities</b>	<b>106,333,514</b>	<b>11,574,092</b>	<b>117,907,606</b>
Finance leases payable	12,136,063	261,665	12,397,728
Trade and other payables	20,356,897	7,161,417	27,518,314

(ii) *Reconciliations of reportable segment revenues, profit or loss, assets and liabilities*

	2016 HK\$	2015 HK\$
<b>Revenue</b>		
Reportable segment revenue and consolidated turnover	<b>369,569,772</b>	408,127,724
<b>Profit</b>		
Reportable segment profit	<b>42,253,919</b>	78,256,078
Elimination of inter-segment profits	–	(1,500,000)
Unallocated head office and corporate expenses	<b>(9,372,205)</b>	–
Consolidated profit before taxation	<b>32,881,714</b>	76,756,078



	2016 <i>HK\$</i>	2015 <i>HK\$</i>
<b>Assets</b>		
Reportable segment assets	268,324,552	266,905,107
Elimination of inter-segment receivables	(9,099,620)	(1,823,829)
	<u>259,224,932</u>	<u>265,081,278</u>
Tax recoverable	2,216,965	7,089,782
Deferred tax assets	61,874	149,150
Unallocated head office and corporate assets	80,244,696	–
	<u>341,748,467</u>	<u>272,320,210</u>
<b>Liabilities</b>		
Reportable segment liabilities	81,028,498	117,907,606
Elimination of inter-segment payables	(9,099,620)	(1,823,829)
	<u>71,928,878</u>	<u>116,083,777</u>
Tax payable	2,223,367	4,245,708
Deferred tax liabilities	5,320,396	4,896,076
	<u>79,472,641</u>	<u>125,225,561</u>

#### 4. FINANCE COSTS

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Finance charges on obligations under finance leases	<u>419,549</u>	<u>642,057</u>

## 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	<b>2016</b>	2015
	<i>HK\$</i>	<i>HK\$</i>
<b>(a) Staff costs (including directors' remuneration)</b>		
Contributions to defined contribution retirement plans	2,112,956	2,220,854
Salaries, wages and other benefits	<b>69,807,648</b>	65,361,876
	<hr/>	<hr/>
	<b>71,920,604</b>	67,582,730
(Less)/add: Amount included in gross amounts due (to)/from customers for contract work	<b>(1,054,390)</b>	29,470
	<hr/>	<hr/>
	<b>70,866,214</b>	67,612,200
	<hr/> <hr/>	<hr/> <hr/>
<b>(b) Other items</b>		
Depreciation	<b>19,973,716</b>	20,385,593
Add/(less): Amount included in gross amounts due from/(to) customers for contract work	<b>266,324</b>	(206,543)
	<hr/>	<hr/>
	<b>20,240,040</b>	20,179,050
Operating lease charges		
– hire of machinery	<b>20,037,114</b>	19,355,568
– hire of properties	<b>1,801,760</b>	1,795,130
Auditors' remuneration	<b>750,000</b>	245,000
Listing expenses (included in administrative expenses)	<b>9,235,831</b>	10,792,423
Net foreign exchange gain	<b>45,598</b>	40,073
	<hr/> <hr/>	<hr/> <hr/>

## 6. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	<b>2016</b>	2015
	<b>HK\$</b>	HK\$
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for the year	<b>6,393,653</b>	14,497,670
Under-provision in respect of prior years	<b>343,956</b>	–
	<u><b>6,737,609</b></u>	<u>14,497,670</u>
<b>Current tax – Overseas</b>		
Provision for the year	<b>68,234</b>	–
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>511,596</b>	(47,829)
	<u><b>7,317,439</b></u>	<u>14,449,841</u>

*Notes:*

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 March 2016 and 2015 taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2015-16 subject to a maximum reduction of HK\$20,000 for each business (2015: a maximum reduction of HK\$20,000 was granted for the year of assessment 2014-15).
- (iii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for the year ended 31 March 2016. No provision for Macau Complementary Tax has been made in the financial statement as the Group did not earn any income subject to Macau Complementary Tax for the year ended 31 March 2015.

## 7. DIVIDENDS

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Interim dividends paid by subsidiaries	—	60,000,000

The Directors do not recommend the payment of final dividend for the year ended 31 March 2016. No dividend has been paid or declared by the Company since its incorporation.

During the year ended 31 March 2015, the interim dividends of HK\$60,000,000 represented the dividends paid by respective subsidiaries of the Company to their then equity holders prior to the Reorganisation.

The rate of dividend and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

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

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
<b>Earnings</b>		
Profit attributable to equity holders of the Company	<u>25,573,227</u>	<u>61,999,801</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>763,934,426</u>	<u>700,000,000</u>

For the year ended 31 March 2016, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares (adjusted retrospectively for 10,000 shares in issue and 699,990,000 shares to be issued pursuant to the Reorganisation on 9 May 2015), and the effects of 100,000,000 shares issued under public offer and placing as described in Note 11.

For the year ended 31 March 2015, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of 700,000,000 shares (comprising 10,000 shares in issue, 699,990,000 shares issued pursuant to the Reorganisation on 9 May 2015), as if these 700,000,000 shares were outstanding since 1 April 2014.

### (b) Diluted earnings per share

There were no diluted potential shares in existence during the years ended 31 March 2016 and 2015.

## 9. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Trade debtors	28,275,427	24,331,349
Deposits, prepayments and other receivables ( <i>note (i)</i> )	9,562,537	13,167,222
Retention receivables ( <i>note (ii)</i> )	58,276,498	52,646,815
	<u>96,114,462</u>	<u>90,145,386</u>

*Notes:*

- (i) Except for the amounts of HK\$50,000 and HK\$20,000 as at 31 March 2016 and 2015 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.
- (ii) Except for the amounts of HK\$12,481,386 and HK\$22,424,971 as at 31 March 2016 and 2015 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

### (a) Ageing analysis

At the end of reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the date of progress certificates issued by customers and net of allowance for doubtful debts, is as follows:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Within 1 month	23,059,515	22,116,303
1 to 2 months	1,928,652	506,700
2 to 3 months	1,473,102	–
Over 3 months	1,814,158	1,708,346
	<u>28,275,427</u>	<u>24,331,349</u>

Trade debtors are normally due within 30 to 50 days from the payment application date or 0 to 60 days from the certificate date.

### (b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

At 31 March 2016 and 2015, none of trade debtors was individually determined to be impaired.

**(c) Trade debtors that are not impaired**

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	<b>2016</b>	2015
	<i>HK\$</i>	<i>HK\$</i>
Neither past due nor impaired	<b>7,504,437</b>	14,071,952
Less than 1 month past due	<b>6,799,772</b>	8,551,051
1 to 3 months past due	<b>10,667,425</b>	–
Over 3 months past due	<b>3,303,793</b>	1,708,346
	<hr/> <b>28,275,427</b> <hr/>	<hr/> 24,331,349 <hr/>

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

## 10. TRADE AND OTHER PAYABLES

	2016 HK\$	2015 HK\$
Trade payables	25,943,435	21,546,284
Retention payables (note (ii))	3,917,028	1,952,147
Other payables and accruals	5,295,648	4,019,883
	<u>35,156,111</u>	<u>27,518,314</u>

Notes:

- (i) Save as disclosed in note 10(ii) below, all trade and other payables are expected to be settled within one year.
- (ii) Except for the amounts of HK\$487,634 and HK\$390,219 as at 31 March 2016 and 2015 respectively, all of the remaining balances are expected to be settled within one year.
- (iii) An ageing analysis of trade payables based on the invoice date is as follows:

	2016 HK\$	2015 HK\$
Within 1 month	13,352,952	11,387,634
1 to 2 months	7,932,472	3,869,230
2 to 3 months	586,941	1,007,988
Over 3 months	4,071,070	5,281,432
	<u>25,943,435</u>	<u>21,546,284</u>

## 11. SHARE CAPITAL

	Number of ordinary shares	Nominal amount HK\$
<b>Ordinary shares of HK\$0.01 each Authorised:</b>		
On 7 October 2014 (date of incorporation) and at 31 March 2015	38,000,000	380,000
At 1 April 2015	38,000,000	380,000
Increase in authorised share capital (note (iii))	1,962,000,000	19,620,000
At 31 March 2016	<u>2,000,000,000</u>	<u>20,000,000</u>
<b>Ordinary shares, issued and fully paid:</b>		
On 7 October 2014 (date of incorporation) (note (i))	1	–
Issue of new shares (note (ii))	9,999	–
At 31 March 2015	<u>10,000</u>	<u>–</u>
At 1 April 2015	10,000	–
Issuance of new shares upon Reorganisation (note (iii))	699,990,000	7,000,000
Shares issued under share offer (note (iv))	100,000,000	1,000,000
At 31 March 2016	<u>800,000,000</u>	<u>8,000,000</u>

Notes:

- (i) The Company was incorporated in the Cayman Islands on 7 October 2014, with an authorised share capital of HK\$380,000 divided into 38,000,000 of a par value of HK\$0.01 each. At the time of its incorporation, the Company issued 1 ordinary share to the subscriber, which was subsequently transferred to Suntecli Company Limited (“Suntecli”) on the 7 October 2014.
- (ii) On 5 November 2014, 5,681, 2,364, 1,939 and 15 nil-paid shares were allotted and issued to Suntecli, Samwood Global Limited (“Samwood”), Mr. Leung Man Lun Stephen (“Mr. Leung”) and Ms. Yeung Siu Lai Shirley (“Ms. Yeung”) respectively.
- (iii) On 9 May 2015, pursuant to the written resolution of shareholders of the Company, the authorised share capital was increased to HK\$20,000,000 divided into 2,000,000,000 ordinary shares of a par value of HK\$0.01 each. On 9 May 2015, pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Hong Kong Wan Wai Company Limited from Suntecli, Samwood, Mr. Leung and Ms. Yeung, the 5,682, 2,364, 1,939 and 15 nil paid shares then held by Suntecli, Samwood, Mr. Leung and Ms. Yeung respectively were credited as fully paid at par, and 397,734,318, 165,477,636, 135,728,061 and 1,049,985 shares, all credited as fully paid at par, were allotted and issued to Suntecli, Samwood, Mr. Leung and Ms. Yeung respectively.
- (iv) On 11 August 2015, the Company issued 100,000,000 shares pursuant to its global offering at an offer price of HK\$0.85 per Share. As a result, after capitalising approximately HK\$5,052,000 share issuance costs, approximately HK\$79,948,000 were recognised in equity of the consolidated statement of financial position including a credit of approximately HK\$78,948,000 to the share premium account.
- (v) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

## 12. COMMITMENTS

- (a) Capital commitments outstanding at 31 March 2016 and 2015 not provided for were as follows:

	<b>2016</b>	2015
	<b>HK\$</b>	HK\$
Contracted for	<b>80,500</b>	247,200

- (b) At 31 March 2016 and 2015, the Group’s total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>2016</b>	2015
	<b>HK\$</b>	HK\$
Within 1 year	<b>1,777,700</b>	1,792,700
After 1 year but within 5 years	–	1,470,000
	<b>1,777,700</b>	3,262,700

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of lease includes contingent rentals.



### 13. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year ended 31 March 2016, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Chung Hang Enterprises Holdings Limited	A related company owned by certain directors of the Company
Chung Wah Investment Company Limited	A related company owned by certain directors of the Company
Wan Kei (Macau) Civil And Foundation Construction Company Limited	A private company owned by certain directors of the Company prior to 5 December 2014

(b) In addition to the transactions and balances disclosed elsewhere in this announcement, the Group entered into the following material related parties transactions during the year:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Lease of properties from		
– Chung Hang Enterprises Holdings Limited	624,000	618,000
– Chung Wah Investment Company Limited	1,140,000	1,140,000
	<u>1,764,000</u>	<u>1,758,000</u>
Machinery rental income from		
– Wan Kei (Macau) Civil And Foundation Construction Company Limited	–	1,019,662
	<u>–</u>	<u>1,019,662</u>

(c) Transaction with key management personal remuneration

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Short-term employee benefits	10,933,390	10,250,385
Post-employment benefits	72,000	70,000
	<u>11,005,390</u>	<u>10,320,385</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in providing: (i) foundation works; and (ii) ground investigation field works, in Hong Kong.

#### *Foundation Works*

During the Year, the Group is principally engaged in the provision of foundation works in Hong Kong. The foundation works undertaken by the Group mainly consisted of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. The Group undertakes foundation works projects in both the public and private sectors. Income from foundation works contributed to approximately 88.4% of the total revenue during the Year (2015: approximately 89.0%).

#### *Ground Investigation Field Works*

The Group also acts as a main contractor for the provision of ground investigation field works in Hong Kong and it undertakes ground investigation field works in both public and private sectors. Income from ground investigation field works contributed to approximately 11.6% of the total revenue during the Year (2015: approximately 11.0%).

### FINANCIAL REVIEW

#### *Revenue*

The Group's total revenue for the Year was approximately HK\$369,570,000 (2015: approximately HK\$408,128,000), representing a decrease of approximately 9.45% over 2015. The decrease was mainly due to the (i) decrease in public works as a result from the delay to the funding approval process of public works of Public Works Sub-committee of the Finance Committee of the Legislative Council; (ii) the absence of large projects tendered during the Year; and (iii) the adverse impact to the industry due to the deterioration of the overall economic environment.

#### *Gross Profit Margin*

The Group's gross profit margin during the Year was approximately 21.1% (2015: approximately 28.0%). The decline in gross profit margin is mainly due to the decrease in gross profit of newly tendered projects as a result from the keen competition in the industry, coupled with the increase in wages and subcontracting charges.

## ***General and administrative expenses***

The Group's administrative expenses for the Year were approximately HK\$46,262,000 (2015: approximately HK\$39,283,000) representing an increase of approximately 17.8% over 2015. This was mainly attributable to (i) the listing expenses incurred; (ii) increase in professional fee; and (iii) increase in staff costs during the Year.

## ***Net Profit***

For the Year, the Group recorded a net profit of approximately HK\$25,564,000, representing a decrease of approximately 59.0% as compared to the net profit of approximately HK\$62,306,000 for the year ended 31 March 2015. The decrease was mainly attributable to (i) the decrease in revenue; (ii) the decrease in gross profit of newly tendered projects as a result from the keen competition in the industry; and (iii) the listing expenses incurred during the Year.

## **PROSPECTS**

The Directors expect the growth of the overall foundation industry in Hong Kong to slow down in 2016, which is mainly attributable to the following factors: 1) the filibuster which lengthened the funding approval process as well as increased the uncertainties in obtaining approvals for public works by the Legislative Council of Hong Kong; and 2) the construction works of the existing civil and railway projects in Hong Kong are entering into the stage of completion in the near future. In addition, the growth for the foundation work for the private sector is still moderate and stable.

Although the planned public works from the relevant government councils are still upheld and pending approval by the Legislative Council, the recent approvals of funding allocation for some of the infrastructure projects indicated some signs of improvement. As stated in the 2016 Policy Address, the government has been increasing land supply through a multi-pronged approach and addressing the supply-demand imbalance by formulating short, medium and long-term measures. It is therefore anticipated that more foundation projects will be launched by the government and the private sectors in the forthcoming years. Overall, the Group remains positive towards the future of the construction market and the business of the Group.

## **DEBTS AND CHARGE ON ASSETS**

The total interest-bearing borrowings of the Group consist of finance leases, which decreased from approximately HK\$12,398,000 as at 31 March 2015 to nil as at 31 March 2016. All borrowings were denominated in Hong Kong Dollar. Interests on borrowings are charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest rate risks continuously and considers hedging any excessive risk when necessary. As at 31 March 2016, the amount of bank facilities of HK\$6,000,000 (2015: HK\$6,000,000) remained unutilised. The aforesaid banking facilities as at 31 March 2016 were unsecured while the banking facilities as at 31 March 2015 were secured by the Company's controlling shareholders. As at 31 March 2015, the finance leases of the Group were secured by the Group's fixed assets with an aggregate net book value of approximately HK\$23,757,000.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had cash and bank balances of approximately HK\$150,292,000 (2015: approximately HK\$74,956,000), all of which were denominated in Hong Kong Dollar. The net increase was mainly due to the proceeds received from the listing of the shares of the Company of approximately HK\$85,000,000 on 11 August 2015, after deducting the effect of dividend payment of HK\$60,000,000 to the then shareholders of the Group in April 2015.

The gearing ratio of the Group as at 31 March 2016 (defined as total interest-bearing liabilities divided by the Group's total equity) was nil (2015: approximately 8.4%). During the Year, the Group did not employ any financial instrument for hedging purposes.

## TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy position of liquidity throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## FOREIGN EXCHANGE EXPOSURE

Since the Group mainly operates in Hong Kong and most of the revenue and transactions arising from its operations were settled in Hong Kong Dollar, and the Group's assets and liabilities are primarily denominated in Hong Kong Dollar, the Directors believe that the Group's risk to foreign exchange fluctuation is insignificant and the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments during the Year.

## CAPITAL STRUCTURE

The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 August 2015 (the "**Date of Listing**"). There has been no change in the capital structure of the Group since the Date of Listing. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2016, the Company's issued share capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

During the Year, there was no acquisition or disposal of subsidiaries and associated companies by the Group save as disclosed in the prospectus of the Company dated 28 July 2015 (the “**Prospectus**”).

## **COMMITMENTS**

The contractual commitments of the Group were primarily related to the leases of its office premises and warehouses. The Group’s operating lease commitments amounted to approximately HK\$1,778,000 as at 31 March 2016 (2015: approximately HK\$3,263,000). As at 31 March 2016, the Group’s capital commitment amounted to approximately HK\$81,000 (2015: approximately HK\$247,000).

## **CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 31 March 2016 and 2015.

## **EVENT AFTER THE YEAR**

There are no significant events affecting the Group after the Year.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2016, the Group had 157 full-time employees (2015: 161 full-time employees).

The remuneration policy and package of the Group’s employees are periodically reviewed. Apart from mandatory provident fund and in-house training programmes, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The total remuneration cost incurred by the Group for the Year was approximately HK\$70,866,000 compared to approximately HK\$67,612,000 for the year ended 31 March 2015.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group’s key risk exposures are summarised as follows:

- (i) The Group had a concentrated clientele base. Any loss of major customers or decrease in number of projects with the top 5 customers of the Group may adversely affect the Group’s operations and financial results;
- (ii) The Group’s past revenue and profit margin may not be indicative of the Group’s future revenue and profit margin, in particular, the Group’s revenue were on project basis, which are non-recurrent in nature, and the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group’s order book for its new projects;

- (iii) The Group is dependent on its Board members and senior management staff, the departure of its staff may adversely affect the Group's business operations;
- (iv) Failure to accurately estimate and control the costs of the Group's projects may adversely affect the Group's financial performance;
- (v) Any delays or default of progress payments or retention monies by the customers may affect the Group's cash flow and may have adverse impact on the Group's financial results;
- (vi) Failure to renew the Group's current registrations and licenses may adversely affect the Group's business operations.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

## **RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES**

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

### ***Customers***

For foundation works, the principal customers are generally the main contractors of construction projects in Hong Kong. For ground investigation field works, the principal customers are generally employers of construction projects in Hong Kong. During the Year, the Directors consider that the Group is not reliant on any single customer. The Group also maintains long-term relationship with its customers, some of which have established more than 10 years of working relationship with the Group.

### ***Suppliers and Subcontractors***

During the Year, the suppliers of goods and services which were specific to the business of the Group and were acquired on a regular basis to enable the Group to continue to carry its business included (i) subcontractors engaged by the Group to perform the site works; (ii) materials and equipment suppliers to supply materials and equipments used in the site works; and (iii) suppliers of miscellaneous goods and services required for the Group's business operations.

The Group maintains multiple suppliers and subcontractors to avoid the over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers and assigning subcontractors during the Year. The Group did not have any significant disputes with any of its suppliers and subcontractors during the Year.

## *Employee*

The Group recognised employees as valuable assets of the Group and during the Year, the Group has complied with the applicable labour laws and regulations and regularly reviewed the existing staff benefits for improvement. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package. The Group determines the salary of its employees mainly based on each employee's qualification, relevant experience, position and seniority. The Group conducts annual review on salary increment, bonuses and promotions based on the performance of each employee.

The Group considers that the Group has maintained good relationship with its employees. The Group has not experienced any strikes, work stoppages or labour disputes which affected its operations during the Year. The Directors also consider that the relationship and co-operation between the management team and the employees have been good during the Year.

## **ENVIRONMENTAL POLICIES**

The Group places an emphasis on environmental protection when undertaking its projects. The Group was awarded the ISO 14001:2004 (environmental management system). The current ISO 14001:2004 certificate is valid from 23 June 2007 to 29 April 2018. When preparing the tender document, the Group will take into consideration the environmental protection requirements of potential customers as well as the relevant laws and regulations in relation to environmental protection. The Group's safety officers are responsible for ensuring that the Group satisfies the applicable laws and regulations requirements and identifying and reporting on environmental issues to our project management team.

## **COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Date of Listing to 31 March 2016 is set out below:

<b>Business strategies as stated in the Prospectus</b>	<b>Business objectives up to 31 March 2016 as stated in the Prospectus</b>	<b>Actual business progress up to 31 March 2016</b>
To consolidate and expand the foundation works capacity on Hong Kong	To acquire additional machinery and equipment and recruit additional staff to fulfill the expansion of foundation works capacity	During the Year, two new crawler crane and one dilling machine were acquired to enhance the Group's foundation works capacity. Besides, the Group had employed several skill labour and engaged a safety consultant to enhance the Group's competitiveness in the foundation industry.

## Use of Net Proceeds from Listing

The Company's shares have been listed on the Main Board of the Stock Exchange since 11 August 2015. The receipts of proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium (the "Net Proceeds") from the Company's listing were approximately HK\$70,700,000. In accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the Net Proceeds received were applied by the Group from the Date of Listing up to 31 March 2016 as follows:

<b>Use of Net Proceeds</b>	<b>Planned use of proceeds as stated in the Prospectus <i>HK\$ million</i></b>	<b>Actual use of proceeds from the Date of Listing up to 31 March 2016 <i>HK\$ million</i></b>	<b>Unused amount <i>HK\$ million</i></b>
Acquisition of additional machinery	48.4	10.6	37.8
Recruitment of additional staff	7.6	1.9	5.7
Repayment of finance leases	8.1	8.1	–
General working capital	6.6	6.6	–
<b>Total</b>	<b><u>70.7</u></b>	<b><u>27.2</u></b>	<b><u>43.5</u></b>

The unutilised amounts of the Net Proceeds will be applied in the manner consistent with that mentioned in the Prospectus. The Directors are not aware of any material change to the planned use of Net Proceeds as at the date of this announcement.

The unused Net Proceeds have been placed as bank balances with licensed bank in Hong Kong as at the date of this announcement.

## Dividend

The Board did not recommend the declaration of any dividend for the Year (2015: Nil).

## Purchase, Sale and Redemption of the Company's Securities

Neither the Company nor any of the subsidiaries had purchased, sold or redeemed any of the Company's listed securities since the Date of Listing and up to the date of this announcement.



## **Corporate Governance**

The Company endeavours in maintaining good corporate governance for the enhancement of shareholders' value. The Company had complied with all applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) from the Date of Listing and up to the date of this announcement.

### **Code of Conduct Regarding Directors' Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code from the Date of Listing and up to the date of this announcement.

### **Review of Annual Results**

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for the Year. The figures in respect of the Group's consolidated financial statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by HLB Hodgson Impey Cheng Limited in this respect was limited and did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

## **Publication of information on the websites of the Stock Exchange and the Company**

The results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.wankei.com.hk](http://www.wankei.com.hk). The annual report of the Company for the year ended 31 March 2016 containing all information required by the Listing Rules will be despatched to shareholders of the Company and published on the above websites in due course.

By order of the Board  
**Wan Kei Group Holdings Limited**  
**Lau Woon Si**  
*Chairman*

Hong Kong, 29 June 2016

*As at the date of this announcement, the executive Directors are Mr. Lau Woon Si, Mr. Lau Chi Hing, Mr. Fong Hon Hung, Mr. Leung Man Lun Stephen and Mr. Lau Chi Shing; and the independent non-executive Directors are Mr. Law Yiu Sing, Mr. Ong Chi King and Mr. Ho Ho Ming.*