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Wan Kei Group Holdings Limited

宏基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1718)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2016:

- The Group recorded revenue of approximately HK\$118,493,000 (six months ended 30 September 2015: approximately HK\$219,006,000).
- Profit attributable to equity shareholders of the Company amounted to approximately HK\$3,535,000 (six months ended 30 September 2015: approximately HK\$25,494,000).
- The Board does not recommend any payment of interim dividend.

As at 30 September 2016:

- The Group held cash and bank balances of approximately HK\$285,744,000 (31 March 2016: approximately HK\$150,292,000).
- Net current assets amounted to approximately HK\$224,606,000 (31 March 2016: approximately HK\$225,799,000). Current ratio (defined as total current assets divided by total current liabilities) was 2.32 times (31 March 2016: 4.07 times).
- Net assets amounted to approximately HK\$265,811,000 (31 March 2016: approximately HK\$262,276,000).

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Wan Kei Group Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2016 (the “Reporting Period”) together with comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		For the six months ended 30 September	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	4	118,493	219,006
Direct costs		(98,823)	(162,750)
Gross profit		19,670	56,256
Other revenue		1,343	391
Other net income		10	706
General and administrative expenses		(16,612)	(24,415)
Profit from operations		4,411	32,938
Finance costs	5	–	(193)
Profit before taxation	6	4,411	32,745
Income tax	7	(876)	(7,260)
Profit and total comprehensive income for the period		3,535	25,485
Attributable to:			
Equity shareholders of the Company		3,535	25,494
Non-controlling interests		–	(9)
Profit and total comprehensive income for the period		3,535	25,485
Earnings per share			
– Basic (HK cents per share)	9	0.44	3.50
– Diluted (HK cents per share)	9	0.44	3.50

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		As at 30 September 2016 (Unaudited) <i>HK\$'000</i>	As at 31 March 2016 (Audited) <i>HK\$'000</i>
Non-current assets			
Fixed assets		46,831	41,858
Prepayment		–	34
Club memberships		400	400
Deferred tax assets		65	62
		<u>47,296</u>	<u>42,354</u>
Current assets			
Gross amounts due from customers for contract work		17,460	50,771
Trade and other receivables	10	89,236	96,114
Tax recoverable		1,993	2,217
Cash and cash equivalents		285,744	150,292
		<u>394,433</u>	<u>299,394</u>
Current liabilities			
Gross amounts due to customers for contract work		39,761	36,216
Trade and other payables	11	37,881	35,156
Amount due to a related company	12	90,000	–
Tax payable		2,185	2,223
		<u>169,827</u>	<u>73,595</u>
Net current assets		<u>224,606</u>	<u>225,799</u>
Total assets less current liabilities		<u>271,902</u>	<u>268,153</u>

		As at 30 September 2016 (Unaudited) <i>Notes</i> HK\$'000	As at 31 March 2016 (Audited) <i>HK\$'000</i>
Non-current liabilities			
Provision for long service payment		557	557
Deferred tax liabilities		<u>5,534</u>	<u>5,320</u>
		<u>6,091</u>	<u>5,877</u>
Net assets		<u>265,811</u>	<u>262,276</u>
Capital and reserves			
Share capital	13	8,000	8,000
Reserves		<u>257,811</u>	<u>254,276</u>
Total equity		<u>265,811</u>	<u>262,276</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company 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.

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

The Company acts as an investment holding company and the Company's share were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$), unless otherwise stated. The unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 30 November 2016.

The condensed consolidated interim financial information has not been audited, but has been reviewed by the Company's audit committee (the "Audit Committee").

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs and a new standard that are mandatorily effective for the financial year ending 31 March 2017. The application of the amendments to HKFRSs and the new standard in the current interim period had no material impact on the results and financial position of the Group.

4. 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 recognised in turnover during the respective periods is as follows:

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from construction contracts	90,071	196,445
Revenue from ground investigation services	28,422	22,561
	118,493	219,006

(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.
- 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**

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 profit before taxation.

The segment results for the six months ended 30 September 2016 and 2015 are as follows:

	Foundation construction		Ground investigation services		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<u>90,071</u>	196,445	<u>28,422</u>	22,561	<u>118,493</u>	219,006
Reportable segment revenue	<u>90,071</u>	196,445	<u>28,422</u>	22,561	<u>118,493</u>	219,006
Reportable segment profit	<u>1,170</u>	31,586	<u>3,241</u>	1,159	<u>4,411</u>	32,745
Interest expense	-	188	-	5	-	193
Depreciation and amortisation for the period	<u>10,275</u>	10,015	<u>497</u>	321	<u>10,772</u>	10,336

(ii) **Reconciliations of reportable segment profit or loss**

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit		
Reportable segment profit	4,411	32,745
Elimination of inter-segment profits	<u>-</u>	<u>-</u>
Consolidated profit before taxation	<u>4,411</u>	<u>32,745</u>

5. FINANCE COSTS

Six months ended	
30 September	
2016	2015
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

Finance charges on obligation under finance leases	–	193
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6. PROFIT BEFORE TAXATION

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

Six months ended	
30 September	
2016	2015
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

(a) *Staff costs (including directors' remuneration)*

Contributions to defined contribution retirement plans	1,010	1,035
Salaries, wages and other benefits	29,482	29,578
	30,492	30,613
Add: Amount included in gross amounts due from/(to) customers for contract work	514	1,521
	31,006	32,134

(b) *Other items*

Depreciation	10,624	9,624
Add: Amount included in gross amounts due from/(to) customers for contract work	148	712
	10,772	10,336
Operating lease charges		
– hire of machinery	5,126	10,058
– hire of properties	1,181	918
Auditors' remuneration	375	400
Gain on disposal of fixed assets	(11)	(699)

7. INCOME TAX

	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Provision for Hong Kong Profits Tax for the period	665	6,709
Deferred tax	211	551
	<u>876</u>	<u>7,260</u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit arising in or derived from Hong Kong for the period.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

9. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the respective periods. The calculation of basic earnings per share attributable to equity shareholders of the Company is based on the following:

	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit attributable to equity shareholders of the Company (HK\$'000)	3,535	25,494
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	800,000	727,867
Basic earnings per share (HK cents)	<u>0.44</u>	<u>3.50</u>

Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

10. TRADE AND OTHER RECEIVABLES

	At 30 September 2016 <i>HK\$'000</i> (Unaudited)	At 31 March 2016 <i>HK\$'000</i> (Audited)
Trade debtors	31,333	28,275
Deposits, prepayments and other receivables	8,638	9,562
Retention receivables (<i>note (i)</i>)	<u>49,265</u>	<u>58,277</u>
	<u><u>89,236</u></u>	<u><u>96,114</u></u>

Note:

- (i) Except for the amounts of approximately HK\$14,660,000 and HK\$12,481,000 as at 30 September 2016 and 31 March 2016 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 30 September 2016 and 31 March 2016, the ageing analysis of the 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:

	At 30 September 2016 <i>HK\$'000</i> (Unaudited)	At 31 March 2016 <i>HK\$'000</i> (Audited)
Within 1 month	12,594	23,059
1 to 2 months	5,995	1,929
2 to 3 months	8,146	1,473
Over 3 months	<u>4,598</u>	<u>1,814</u>
	<u><u>31,333</u></u>	<u><u>28,275</u></u>

(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.

As at 30 September 2016 and 31 March 2016, 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:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Neither past due nor impaired	12,495	7,504
Less than 1 month past due	5,672	6,800
1 to 3 months past due	8,454	10,667
Over 3 months past due	4,712	3,304
	<u>31,333</u>	<u>28,275</u>

Receivables which 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 required in respect of these balances as there is no significant change in credit quality and these balances are still considered as fully recoverable. The Group does not hold any collateral as security over these balances.

The other classes with trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security over these balances.

11. TRADE AND OTHER PAYABLES

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Trade payables	20,173	25,943
Retention payables (<i>note (i)</i>)	2,804	3,917
Other payables and accruals	14,904	5,296
	<u>37,881</u>	<u>35,156</u>

Note:

- (i) Except for the amounts of approximately HK\$486,000 and HK\$488,000 as at 30 September 2016 and 31 March 2016 respectively, all of the remaining balances are expected to be settled within one year.

(ii) An ageing analysis of trade payables based on the invoice date is as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within 1 month	6,735	13,353
1 to 2 months	5,240	7,932
2 to 3 months	3,096	587
Over 3 months	5,102	4,071
	<u>20,173</u>	<u>25,943</u>

12. AMOUNT DUE TO A RELATED COMPANY

The amount represented to a loan advanced from Bright Dynasty Trading Limited (“Bright Dynasty”). Bright Dynasty was beneficially owned as to 100% by Mr. Fong Hon Hung (“Mr. Fong”). Mr. Fong is the executive Director and chief executive of the Group.

The loan advanced from Bright Dynasty is unsecured, bears interest at 5% per annum and repayable on demand.

13. SHARE CAPITAL

	Number of ordinary shares	Nominal amount HK\$'000
Ordinary shares of HK\$0.01 each authorised:		
As at 30 September 2016 and 31 March 2016	<u>2,000,000,000</u>	<u>20,000</u>
Ordinary shares, issued and fully paid:		
As at 30 September 2016 and 31 March 2016	<u>800,000,000</u>	<u>8,000</u>

14. COMMITMENTS

- (a) Capital commitments outstanding at 30 September 2016 and 31 March 2016 not provided for in the consolidated financial statement were as follows:

	At 30 September 2016 <i>HK\$'000</i> (Unaudited)	At 31 March 2016 <i>HK\$'000</i> (Audited)
Contracted for	<u> -</u>	<u> 81</u>

- (b) At 30 September 2016 and 31 March 2016, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 September 2016 <i>HK\$'000</i> (Unaudited)	At 31 March 2016 <i>HK\$'000</i> (Audited)
Within 1 year	1,757	1,778
After 1 year but within 5 years	<u>4,050</u>	<u> -</u>
	<u>5,807</u>	<u>1,778</u>

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

15. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 September 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

The following is a summary of material related party transactions which were carried out in accordance with the terms agreed between the Group and the related parties and in the ordinary and usual course of business:

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Lease of properties from		
– Chung Hang Enterprises Holdings Limited	312	312
– Chung Wah Investment Company Limited	570	570
	<u>882</u>	<u>882</u>
	<u>882</u>	<u>882</u>

Key management personnel remuneration

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	3,456	3,300
Post-employment benefits	27	27
	<u>3,483</u>	<u>3,327</u>
	<u>3,483</u>	<u>3,327</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of (i) foundation works; and (ii) ground investigation field works in Hong Kong.

Foundation Works

During the Reporting Period, the Group was 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 undertook foundation works projects in both the public sector and private sectors. Income from foundation works contributed approximately 76.0% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2015: approximately 89.7%).

Ground Investigation Field Works

The Group also acts as a contractor to provide ground investigation field works in Hong Kong and it undertook ground investigation field works in both public and private sectors. Income from ground investigation field works contributed approximately 24.0% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2015: approximately 10.3%).

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting period was approximately HK\$118,493,000 (six months ended 30 September 2015: approximately HK\$219,006,000), representing a decrease of approximately 45.9% over the six months ended 30 September 2015. The decrease was mainly due to (i) the contract sum of newly tendered projects of foundation works of the Group during the Reporting period had been decreased; and (ii) the absence of sizable projects tendered by the Group during the Reporting Period.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 16.6% (six months ended 30 September 2015: approximately 25.7%). The decline in gross profit margin was mainly due to the price of newly tendered projects of foundation works of the Group during the Reporting Period had decreased, coupled with the increase in wages of workers.

General and administrative expenses

The Group's general and administrative expenses for the six months ended 30 September 2016 were approximately HK\$16,612,000 (six months ended 30 September 2015: approximately HK\$24,415,000), representing a decrease of approximately 32.0% over the corresponding period in 2015. This was mainly attributable to no listing expenses had been incurred and decreased in legal and professional fee during the six months ended 30 September 2016.

Net Profit

For the six months ended 30 September 2016, the Group recorded a net profit of approximately HK\$3,535,000, representing a decrease of approximately 86.1% as compared to the net profit of approximately HK\$25,485,000 for the corresponding period last year. The decrease was mainly attributable to the decrease in revenue and gross profit margin as previously discussed.

Prospects

The Directors estimate that the growth of the overall foundation industry in Hong Kong will further slow down in 2017. The Directors are of the view that the political disharmony in Hong Kong is one of the main factors affecting the construction industry. For instance, although the Government keeps seeking funding approval from Legislative Council for different types of construction projects, the funding approval progress is always obstructed and very slow due to the filibuster. This significant delay in the approval process of public works projects will affect the Hong Kong's future economic growth and continued development. Furthermore, due to the number of available Government project tenders decreased and there are only limited projects currently available in the market, the profit of the foundation industry business is under pressure from the lower bidding price on the tenders, which will in turn affect the growth of the Group. Nonetheless, the Directors is confident that with the Group's excellent reputation in construction industry and experienced management team, the Group is in well position to compete with its competitors. The Group will continue to pursue appropriate business strategies to ensure that it is able to overcome its difficulty in the construction industry.

In additions, in response to the dynamic business environment, the Group is actively seeking the opportunities to develop business regarding investment, financing services and money lending services. The Directors believes that the development of the above businesses would maximise the returns and values of the Group and its shareholders as a whole.

Debts and Charge on Assets

The total interest bearing borrowings of the Group, which consists of loan advanced from a related company, increased from nil as at 31 March 2016 to HK\$90,000,000 as at 30 September 2016. All borrowings were denominated in Hong Kong Dollar. Interest on borrowings are charged at fixed rates. The Group currently does not have any interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. As at 30 September 2016, the amount of bank facilities of HK\$6,000,000 (31 March 2016: HK\$6,000,000) remained unutilised.

As at 30 September 2016, no assets were pledged to secure any debt.

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from the operating activities and borrowings from a related company.

As at 30 September 2016, the Group had cash and bank balances of approximately HK\$285,744,000 (31 March 2016: approximately HK\$150,292,000), all of which were denominated in Hong Kong dollar. The net increase was mainly due to HK\$90,000,000 advanced to the Group by a related company during the Reporting Period.

The gearing ratio of the Group as at 30 September 2016 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 33.9% (31 March 2016: nil).

During the Reporting Period, the Group did not employ any financial instrument for hedging purposes.

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 in foreign exchange 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 Reporting Period.

Capital Structure

As at 30 September 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 Reporting Period, there was no acquisition or disposal of subsidiaries and associated companies by the Company.

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\$5,807,000 as at 30 September 2016 (31 March 2016: approximately HK\$1,778,000). As at 30 September 2016, the Group had no other capital commitments. (31 March 2016: approximately HK\$81,000).

Contingent liabilities

The Group had no contingent liabilities as at 30 September 2016.

Event after the Reporting Period

On 29 November 2016 (after trading hours), the Company and Kingston Securities Limited entered into a placing agreement, pursuant to which the Company had conditionally agreed to allot and issue a maximum of 160,000,000 ordinary shares of HK\$0.01 each to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons at the placing price of HK\$0.86 per share of the Company. The maximum net proceeds will be approximately HK\$134.0 million, which will be used for developing business regarding investment and financing services and for setting up a subsidiary with money lending licence.

Employees and Remuneration Policy

As at 30 September 2016, the Group had 147 full-time employees (31 March 2016: 157 full-time employees).

The remuneration policy and packages 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 Reporting Period was approximately HK\$31,006,000 compared to approximately HK\$32,134,000 for the six months ended 30 September 2015.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the global offering of the Company in connection with the listing was approximately HK\$70,700,000. The Group has used the net proceeds up to 30 September 2016 as follows:

Use of net proceeds	Planned use of proceeds as stated in the prospectus HK\$million	Actual use of proceeds HK\$million	Unused amount HK\$million
Acquisition of additional machinery	48.4	26.1	22.3
Recruitment of additional staff	7.6	3.5	4.1
Repayment of finance leases	8.1	8.1	–
General working capital	6.6	6.6	–
Total	<u>70.7</u>	<u>44.3</u>	<u>26.4</u>

The unutilised amounts of the net proceeds will be applied in the manner consistent with that mentioned in the prospectus of the Company dated 28 July 2015 (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.

Interim Dividend

The Board did not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 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 during the Reporting Period and up to the date of this announcement.

Corporate Governance

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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the Reporting Period 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 during the Reporting Period and up to the date of this announcement.

Audit Committee and Review of Financial Information

The audit committee of the Company (the "Audit Committee") has reviewed with the Company's management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the Reporting Period. The Group's unaudited condensed consolidated interim financial statements for the Reporting Period had been reviewed and approved by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

The Audit Committee comprises of three independent non-executive Directors, namely Mr. Law Yiu Sing, Mr. Ong Chi King and Mr. Ho Ho Ming. Mr. Law Yiu Sing has been appointed as the chairman of the Audit Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is available for viewing on the Company's website at <http://www.wankei.com.hk> and the Stock Exchange's website at www.hkexnews.hk, and the interim report of the Company containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Company's and the Stock Exchange's websites in due course.

By order of the Board
WAN KEI GROUP HOLDINGS LIMITED

Lau Woon Si
Chairman

Hong Kong, 30 November 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, Mr. Lau Chi Shing and Mr. Chan Chi Ming Tony; and the independent non-executive Directors are Mr. Law Yiu Sing, Mr. Ong Chi King and Mr. Ho Ho Ming.