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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 2017

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Reporting Period, amounted to approximately HK\$139,530,000 (six months ended 30 September 2016: approximately HK\$118,493,000).
- Loss attributable to the Shareholders for the Reporting Period amounted to approximately HK\$26,371,000 (six months ended 30 September 2016: profit approximately HK\$3,535,000).
- Basic and diluted loss per share of the Company for the Reporting Period amounted to approximately HK cents 2.75 (six months ended 30 September 2016: basic and diluted earnings per share approximately HK cents 0.44).
- The Board does not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2016: nil).

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 2017 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		For the six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	4	139,530	118,493
Direct costs		<u>(147,392)</u>	<u>(98,823)</u>
Gross (loss)/profit		(7,862)	19,670
Other revenue	5	3,959	1,343
Other net income		879	10
General and administrative expenses		<u>(19,509)</u>	<u>(16,612)</u>
(Loss)/profit from operations		(22,533)	4,411
Finance costs	6	<u>(3,344)</u>	<u>–</u>
(Loss)/profit before taxation	6	(25,877)	4,411
Income tax	7	<u>(494)</u>	<u>(876)</u>
(Loss)/profit and total comprehensive income for the period attributable to equity shareholders of the Company		<u><u>(26,371)</u></u>	<u><u>3,535</u></u>
(Loss)/earnings per share			
– Basic (HK cents per share)	9	<u><u>(2.75)</u></u>	<u><u>0.44</u></u>
– Diluted (HK cents per share)	9	<u><u>(2.75)</u></u>	<u><u>0.44</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		48,481	53,068
Club memberships		400	400
Deferred tax assets		–	25
		<u>48,881</u>	<u>53,493</u>
Current assets			
Gross amounts due from customers for contract work		57,438	46,373
Trade and other receivables	10	96,769	84,724
Tax recoverable		6,122	4,591
Cash and cash equivalents		404,666	412,347
		<u>564,995</u>	<u>548,035</u>
Current liabilities			
Gross amounts due to customers for contract work		27,057	22,937
Trade and other payables	11	50,793	47,138
Amount due to a related company	12	94,538	92,288
Amount due to a director	12	49,960	18,168
Provision for onerous contract		–	428
Deferred income		1,126	1,126
Obligations under finance leases		5,314	5,197
Tax payable		3,134	3,134
		<u>231,922</u>	<u>190,416</u>
Net current assets		<u>333,073</u>	357,619
Total assets less current liabilities		<u>381,954</u>	411,112

		As at 30 September 2017 (Unaudited) <i>Notes</i> HK\$'000	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Non-current liabilities			
Obligations under finance leases		6,000	8,693
Provision for long service payment		557	557
Deferred income		1,220	1,783
Deferred tax liabilities		5,273	4,804
		<u>13,050</u>	<u>15,837</u>
Net assets		<u>368,904</u>	<u>395,275</u>
Capital and reserves			
Share capital	<i>13</i>	9,600	9,600
Reserves		359,304	385,675
		<u>368,904</u>	<u>395,275</u>
Total equity		<u>368,904</u>	<u>395,275</u>

NOTES TO THE UNAUDITED 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 Room 1802, 18/F., Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong.

The Group is principally engaged in the provision of (i) foundation construction; (ii) ground investigation services; and (iii) financial services.

The Company acts as an investment holding company and the Company's shares were listed on 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 Dollar (HK\$), unless otherwise stated. The unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 29 November 2017.

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 PRESENTATION

The condensed consolidated financial statements have 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

Excepted as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those annual financial statements.

Exceptional items are 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 2018. 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. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Revenue represents revenue from construction contracts and from ground investigation services. The amount of each significant category of revenue recognised in revenue during the respective periods is as follows:

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from construction contracts	121,652	90,071
Revenue from ground investigation services	17,878	28,422
	<u>139,530</u>	<u>118,493</u>

(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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Foundation construction: this segment provides foundation construction works to customers in Hong Kong.
- Ground investigation services: this segment provides ground investigation services to customers in Hong Kong.
- Financial services: this segment provides investment, financing and money lending services.

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 purpose of assessing segment performance and allocating resources between segments, the Group's senior 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 (loss)/profit is (loss)/profit before taxation.

Information regarding the Group's reportable segments as provided to the Group's most senior management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2017 and 2016 are as follows:

	Foundation construction		Ground investigation services		Financial services		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<u>121,652</u>	<u>90,071</u>	<u>17,878</u>	<u>28,422</u>	<u>-</u>	<u>-</u>	<u>139,530</u>	<u>118,493</u>
Reportable segment revenue	<u>121,652</u>	<u>90,071</u>	<u>17,878</u>	<u>28,422</u>	<u>-</u>	<u>-</u>	<u>139,530</u>	<u>118,493</u>
Reportable segment gross (loss)/profit	<u>(11,632)</u>	<u>12,566</u>	<u>3,770</u>	<u>7,104</u>	<u>-</u>	<u>-</u>	<u>(7,862)</u>	<u>19,670</u>
Reportable segment (loss)/profit	<u>(19,973)</u>	<u>1,170</u>	<u>(45)</u>	<u>3,241</u>	<u>(2,425)</u>	<u>-</u>	<u>(22,443)</u>	<u>4,411</u>
Interest income from bank deposit	-	-	-	-	1,205	-	1,205	-
Interest expense	1,094	-	-	-	-	-	1,094	-
Depreciation for the period	<u>8,073</u>	<u>10,275</u>	<u>490</u>	<u>497</u>	<u>203</u>	<u>-</u>	<u>8,766</u>	<u>10,772</u>

	Foundation construction		Ground investigation services		Financial services		Total	
	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Reportable segment assets	283,276	266,405	28,278	30,272	313,384	310,222	624,938	606,899
Additions to non-current segment assets during the period	723	42,558	19	846	3,731	49	4,473	43,453
Reportable segment liabilities	229,828	189,203	7,196	9,144	288,247	282,676	525,271	481,023

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

	Six months ended 30 September 2017 <i>HK\$'000</i> (Unaudited)		2016 <i>HK\$'000</i> (Unaudited)
Revenue			
Reportable segment revenue and consolidated revenue	<u>139,530</u>	<u>118,493</u>	
Profit			
Reportable segment (loss)/profit	(22,443)	4,411	
Unallocated head office and corporate expenses	<u>(3,434)</u>	<u>—</u>	
Consolidated (loss)/profit before taxation	<u>(25,877)</u>	<u>4,411</u>	

	At 30 September 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
Assets		
Reportable segment assets	624,938	606,899
Elimination of inter-segment receivables	<u>(288,706)</u>	<u>(282,877)</u>
	336,232	324,022
Tax recoverable	6,122	4,591
Deferred tax assets	–	25
Unallocated head office and corporate assets	<u>271,522</u>	<u>272,890</u>
Consolidated total assets	<u>613,876</u>	<u>601,528</u>
Liabilities		
Reportable segment liabilities	525,271	481,023
Elimination of inter-segment liabilities	<u>(288,706)</u>	<u>(282,877)</u>
	236,565	198,146
Tax payable	3,134	3,134
Deferred tax liabilities	5,273	4,804
Unallocated head office and corporate liabilities	<u>–</u>	<u>169</u>
Consolidated total liabilities	<u>244,972</u>	<u>206,253</u>

5. OTHER REVENUE

	Six months ended 30 September	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Bank interest income	1,205	408
Sales of raw materials	594	–
Insurance claims	–	584
Rental income from lease of machinery	1,940	24
Others	<u>220</u>	<u>327</u>
	<u>3,959</u>	<u>1,343</u>

6. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest on borrowing from a related company	2,250	–
Interest on borrowing from a director	792	–
Finance charges on obligations under finance leases	263	–
Interest on bank overdraft	39	–
	<u>3,344</u>	<u>–</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	987	1,010
Salaries, wages and other benefits	29,812	29,482
	<u>30,799</u>	<u>30,492</u>
Add: Amount included in gross amounts due (to)/from customers for contract work	<u>(530)</u>	<u>514</u>
	<u>30,269</u>	<u>31,006</u>
(c) Other items		
Depreciation	9,060	10,624
Add: Amount included in gross amounts due (to)/from customers for contract work	<u>(294)</u>	<u>148</u>
	8,766	10,772
Operating lease charges		
– hire of machinery	6,839	5,126
– hire of properties	2,779	1,181
Auditors' remuneration	–	375
Gain on disposal of property, plant and equipment	(338)	(11)
Amortisation of deferred income	(563)	–
	<u>(563)</u>	<u>–</u>

7. INCOME TAX

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for Hong Kong Profits Tax for the period	–	665
Deferred tax	<u>494</u>	<u>211</u>
	<u><u>494</u></u>	<u><u>876</u></u>

Pursuant to the rules and regulations of the Cayman Islands the Group is not subject to any income tax in the Cayman Islands. Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit arising in or derived from Hong Kong for the period. Hong Kong Profits Tax is not recognised as the Company has no assessable income for the Reporting Period.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: nil).

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing the (loss)/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 (loss)/earnings per share attributable to equity shareholders of the Company is based on the following:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity shareholders of the Company (HK\$'000)	(26,371)	3,535
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share (in thousand)	960,000	800,000
Basic (loss)/earnings per share (HK cents)	<u><u>(2.75)</u></u>	<u><u>0.44</u></u>

Diluted (loss)/earnings per share

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

10. TRADE AND OTHER RECEIVABLES

	At 30 September 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
Trade debtors	38,539	32,773
Deposits, prepayments and other receivables (<i>note (i)</i>)	12,656	10,815
Retention receivables (<i>note (ii)</i>)	45,574	41,136
	<u>96,769</u>	<u>84,724</u>

Note:

- (i) Except for the amounts of HK\$180,000 and HK\$300,364 as at 30 September 2017 and 31 March 2017 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 approximately HK\$8,793,000 and HK\$5,755,000 as at 30 September 2017 and 31 March 2017 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 2017 and 31 March 2017, 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 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
Within 1 month	20,031	24,293
1 to 2 months	10,348	701
2 to 3 months	216	2,746
Over 3 months	7,944	5,033
	<u>38,539</u>	<u>32,773</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 2017 and 31 March 2017, 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 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Neither past due nor impaired	8,114	18,160
Less than 1 month past due	7,325	3,827
1 to 3 months past due	15,156	641
Over 3 months past due	7,944	10,145
	38,539	32,773

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 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
Trade payables	41,367	29,866
Retention payables (<i>note (i)</i>)	3,506	2,110
Other payables and accruals	5,920	15,162
	<u>50,793</u>	<u>47,138</u>

Note:

- (i) Except for the amounts of approximately HK\$1,797,000 and HK\$613,000 as at 30 September 2017 and 31 March 2017 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 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
Within 1 month	19,421	16,070
1 to 2 months	12,925	10,590
2 to 3 months	7,372	1,155
Over 3 months	1,649	2,051
	<u>41,367</u>	<u>29,866</u>

12. AMOUNT DUE TO A RELATED COMPANY/A DIRECTOR

The amount due to a related company, Bright Dynasty Trading Limited (“**Bright Dynasty**”), a related company which 100% beneficially owned by Mr. Fong Hon Hung (“**Mr. Fong**”), was unsecured, bears interest at 5% per annum and repayable on demand. Mr. Fong who is the executive Director and Chief Executive Officer of the Group and is also the director of Bright Dynasty.

The amount due to a director, Mr. Lau Woon Si, was unsecured, bears interest at 5% per annum and repayable on demand.

13. SHARE CAPITAL

	Number of ordinary shares	Nominal amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each authorised:		
As at 30 September 2017 and 31 March 2017	<u>2,000,000,000</u>	<u>20,000</u>
Ordinary shares, issued and fully paid:		
As at 30 September 2017 and 31 March 2017	<u>960,000,000</u>	<u>9,600</u>

14. COMMITMENTS

- (a) Capital commitments outstanding at 30 September 2017 and 31 March 2017 not provided for in the consolidated financial statement were as follows:

	At 30 September 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
Contracted for	<u>—</u>	<u>—</u>

- (b) At 30 September 2017 and 31 March 2017, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 September 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
Within 1 year	6,065	2,875
After 1 year but within 5 years	<u>7,055</u>	<u>2,967</u>
	<u>13,120</u>	<u>5,842</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 2017, 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

In addition to the transactions and balances disclosed in notes 6(a) and 12 in these consolidated financial statement, the Group entered into the following material related party transactions during the period 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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Lease of properties from		
– Chung Hang Enterprises Holdings Limited	312	312
– Chung Wah Investment Company Limited	570	570
	<hr/>	<hr/>
	882	882
	<hr/> <hr/>	<hr/> <hr/>

Key management personnel remuneration

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	4,596	3,456
Post-employment benefits	36	27
	<hr/>	<hr/>
	4,632	3,483
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group was principally engaged in the provision of (i) foundation construction; and (ii) ground investigation services in Hong Kong.

Foundation Construction

During the Reporting Period, the Group was principally engaged in the provision of foundation construction in Hong Kong. The foundation construction 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 construction projects in both public and private sectors. Income from foundation construction works contributed approximately 87.2% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2016: approximately 76.0%).

Ground Investigation Services

The Group also acted as a contractor to provide ground investigation services in Hong Kong and it undertook ground investigation services in both public and private sectors during the Reporting Period. Income from ground investigation services contributed approximately 12.8% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2016: approximately 24.0%).

Financial Services

The Group started in preparation for applying the relevant licenses from the Securities and Futures Commission and applying the money lenders license under the Money Lenders Ordinance during the Reporting Period.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period increased by approximately HK\$21,037,000, or approximately 17.8%, from approximately HK\$118,493,000 for the six months ended 30 September 2016 to approximately HK\$139,530,000 for the Reporting Period, was primarily as a result of the following:

Foundation Construction

The increase in revenue from foundation construction works by approximately 35.1%, from approximately HK\$90,071,000 for the six months ended 30 September 2016 to approximately HK\$121,652,000 for the Reporting Period, was primarily due to a number of sizable projects in relation to foundation construction commenced during the Reporting Period.

Ground Investigation Services

The decrease in revenue from ground investigation services by approximately 37.1%, from approximately HK\$28,422,000 for the six months ended 30 September 2016 to approximately HK\$17,878,000 for the Reporting Period, was primarily due to in the absence of sizable projects in relation to ground investigation services tendered by the Group during the Reporting Period.

Financial Services

The Group started in preparation for applying the relevant licenses from the Securities and Futures Commission and applying the money lenders license under the Money Lenders Ordinance during the Reporting Period. This segment had not yet generated any revenue during the Reporting Period.

Direct Costs

The Group's direct costs amounted to approximately HK\$147,392,000 for the Reporting Period, representing an increase of approximately 49.1% from approximately HK\$98,823,000 for the six months ended 30 September 2016.

Foundation Construction

The direct costs for the foundation construction works mainly consisted of construction material costs, subcontracting fees and wages of workers. The increase in direct costs by approximately 72.0%, from approximately HK\$77,505,000 for the six months ended 30 September 2016 to approximately HK\$133,284,000 for the Reporting Period, was primarily due to (i) the increase in revenue of foundation construction works by approximately 35.1%; (ii) the increase in the price of raw materials, and (iii) the increase in the usage of steel due to the category of the works performed by the Group during the Reporting Period.

Ground Investigation Services

The direct costs for the ground investigation services mainly included subcontracting fees and wages of workers. The decrease in direct costs by approximately 33.8%, from approximately HK\$21,318,000 for the six months ended 30 September 2016 to approximately HK\$14,108,000 for the Reporting Period, was primarily due to the decrease in revenue of ground investigation services by approximately 37.1% during the Reporting Period.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

The Group's gross loss amounted to approximately HK\$7,862,000 for the Reporting Period, turning profit into loss compared to the six months ended 30 September 2016 (Gross profit approximately HK\$19,670,000). The Group's overall gross loss margin during the Reporting Period was approximately 5.6% (six months ended 30 September 2016: gross profit margin approximately 16.6%).

Gross loss of the Group's foundation construction segment was approximately HK\$11,632,000 for the Reporting Period, turning profit into loss compared to the six months ended 30 September 2016 (Gross profit approximately HK\$12,566,000). Gross loss margin of the foundation construction segment was approximately 9.6% for the Reporting Period (six months ended 30 September 2016: gross profit margin approximately 14.0%).

Gross profit of the Group's ground investigation services segment was approximately HK\$3,770,000 for the Reporting Period, representing a decrease of approximately 46.9% from approximately HK\$7,104,000 compared to the six months ended 30 September 2016. Gross profit margin of the ground investigation services segment decreased from approximately 25.0% for the six months ended 30 September 2016 to approximately 21.1% for the Reporting Period.

The decline in gross profit margin was mainly due to: (i) decrease in gross profit margin of the newly tendered foundation construction works projects of the Group during the Reporting Period as a result from the increasing competition in the market and the lower bidding prices on the new tenders; and (ii) increase in direct costs during the Reporting Period.

Other Revenue

The other revenue increased by approximately HK\$2,616,000, or approximately 194.8%, from approximately HK\$1,343,000 for the six months ended 30 September 2016 to approximately HK\$3,959,000 for the Reporting Period. The increase was mainly due to (i) the increase of rental income from lease of machinery (Reporting Period: approximately HK\$1,940,000; six months ended 30 September 2016: approximately HK\$24,000) to independent third parties; and (ii) the increase of bank interest income (Reporting Period: approximately HK\$1,205,000; six months ended 30 September 2016: approximately HK\$408,000) as a result of increased in cash and bank balances during the Reporting Period.

Other Net Income

The other net income increase by approximately HK\$869,000, from approximately HK\$10,000 for the six months ended 30 September 2016 to approximately HK\$879,000 for the Reporting Period. The increase was mainly due to (i) the increase of net gain on disposal of equipment (Reporting Period: approximately HK\$338,000; six months ended 30 September 2016: approximately HK\$11,000), and (ii) the existence of amortised deferred income arising from the sales and leaseback transaction of certain equipment during the Reporting Period (Reporting Period: approximately HK\$563,000; six months ended 30 September 2016: nil).

General and administrative expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK\$19,509,000 (six months ended 30 September 2016: approximately HK\$16,612,000), representing an increase of approximately 17.4% over the corresponding period in 2016. This was mainly attributable to the general operating expenses (mainly included salaries, rental expense and other administrative expenses) for financial service segment during the Reporting Period. The financial service segment started organizing its establishment since the beginning of the year 2017.

Finance Costs

For the Reporting Period, the finance costs were approximately HK\$3,344,000 (six months ended 30 September 2016: nil). The increase was mainly due to (i) interest expense of borrowing from a related company, Bright Dynasty Trading Limited (Reporting Period: approximately HK\$2,250,000); (ii) interest expense of borrowing from a Director (Reporting Period: approximately HK\$792,000); and (iii) finance charges on obligations under finance leases (Reporting Period: approximately HK\$263,000).

Income Tax

The income tax decreased by approximately HK\$382,000, or approximately 43.6%, from approximately HK\$876,000 for the six months ended 30 September 2016 to approximately HK\$494,000 for the Reporting Period. The decrease was mainly due to the absence of assessable profits of Hong Kong Profits Tax for the Reporting Period due to the reasons mentioned above. The income tax expenses are related to the movement of the deferred tax during the Reporting Period.

(Loss)/Profit Attributable to Equity Shareholders of the Company

For the Reporting Period, the Group recorded a net loss of approximately HK\$26,371,000, as compared to the net profit of approximately HK\$3,535,000 for the corresponding period in 2016. The decrease was mainly attributable to the decrease in gross profit margin and the increase in general and administrative expenses as previously discussed.

Prospects

The Directors estimate that the growth of the overall foundation industry in Hong Kong will further slow down in the coming years. The Directors are of the view that the current political disputes and the delay of funding approval process from the Legislative Council due to filibuster will not be solved within a short period of time, this will eventually lead to the decrease in the number of available Government project tenders in the coming future. In addition, due to the decrease in the number of public works projects tenders, the profit of the foundation industry business is under pressure from the lower bidding price on the tenders, which might in turn affect the growth of the Group. Nevertheless, the Directors are confident that with the Group's reputation in the foundation industry and experienced management team, the Group is in well position to compete with its competitors.

In order to grasp the opportunity for the economic growth of Guangdong, Hong Kong and Macau Bay Area and speed up the development of the business, the Group granted the money lenders license under the Money Lenders Ordinance on 31 October 2017 and started in preparation for applying the securities business licenses and aims to provide a comprehensive range of financial services in Hong Kong and Asia. The Group will try to strike a balance between risk and return to make investment decisions based on the market situation.

Debts and Charge on Assets

The total interest bearing borrowings of the Group, which consists of obligations under finance leases, loan from a Director and loan from a related company, increased from approximately HK\$124,346,000 as at 31 March 2017 to approximately HK\$155,812,000 as at 30 September 2017. All borrowings were denominated in Hong Kong Dollar. Except for finance leases, 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 2017, the amount of unused banking facilities was HK\$6,000,000 (31 March 2017: HK\$6,000,000).

The aforesaid unused banking facilities were unsecured and the finance leases of the Group were secured by the Group's equipment with an aggregate net book value of approximately HK\$13,067,000 (31 March 2017: approximately HK\$14,667,000)

Net Current Assets

As at 30 September 2017, the Group's net current assets amounted to approximately HK\$333,073,000, which was approximately HK\$24,546,000 less than net current assets of approximately HK\$357,619,000 as at 31 March 2017. The decrease was primarily due to the borrowing from a Director during the Reporting Period, with the principal amount of additional HK\$31,000,000. As at 30 September 2017, the Group's current liabilities amounted to approximately HK\$231,922,000, representing an increase of approximately HK\$41,506,000 over approximately HK\$190,416,000 as at 31 March 2017. The increase was primarily due to the additional borrowing from a Director during the Reporting Period, with the principal amount of HK\$31,000,000.

Liquidity and Financial Resources

As at 30 September 2017, the Group had cash and bank balances of approximately HK\$404,666,000 (31 March 2017: approximately HK\$412,347,000), all of which were denominated in Hong Kong Dollar.

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

Cash Flow

The Group's net cash used in operating activities was approximately HK\$32,932,000 during the Reporting Period which was mainly used in the foundation construction and ground investigation services. Net cash used in investing activities was approximately HK\$2,910,000. It was mainly related to (i) the payment for the purchase of leasehold improvement, and furniture and fixtures amounted to approximately HK\$4,473,000, and (ii) the receipt of interest income amounted to approximately HK\$1,225,000. The net cash generated from financing activities was approximately HK\$28,161,000 in which HK\$31,000,000 was arising from borrowing from a Director during the Reporting Period.

The gearing ratio of the Group as at 30 September 2017 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 42.2% (As at 31 March 2017: approximately 31.5%).

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 Reporting Period. 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 in foreign exchange is insignificant and the Group has 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 2017, the Company's issued share capital was HK\$9,600,000 and the number of its issued ordinary shares was 960,000,000 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\$13,120,000 as at 30 September 2017 (31 March 2017: approximately HK\$5,842,000). As at 30 September 2017, the Group had no other capital commitments (31 March 2017: nil).

Contingent liabilities

The Group had no contingent liabilities as at 30 September 2017 and 31 March 2017.

Event after the Reporting Period

On 27 October 2017, a controlling shareholder had disposed of an aggregate of 67,000,000 shares of the Company. Immediately upon completion of the disposal, the shareholding held by Mr. Lau Woon Si, Mr. Fong Hon Hung, Mr. Leung Man Lun Stephen, Suntecli Company Limited and Samwood Global Limited (the "**Concert Parties**") were reduced to approximately 28.53% of the total number of issued shares of the Company, and the Concert Parties ceased to be the controlling shareholders but remained as the substantial shareholders of the Company. For details, please refer to the announcement of the Company dated 27 October 2017.

For the financial service segment, Fortune Shiny (Hong Kong) Limited, a wholly-owned subsidiary of the Company, obtained the money lenders license on 31 October 2017.

For the principal place of business of the Company, the building name has been changed from "AXA Centre" to "Capital Centre" since 1 November 2017.

Save as disclosed above, there are no other significant events after the Reporting Period and up to the date of this announcement.

Employees and Remuneration Policy

As at 30 September 2017, the Group had 144 full-time employees (31 March 2017: 145 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\$30,269,000 compared to approximately HK\$31,006,000 for the six months ended 30 September 2016.

Issue of Shares from the Placing under General Mandate

On 29 November 2016, the Company entered into a placing agreement with Kingston Securities Limited (the “**Placing Agent**”), whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 160,000,000 new ordinary shares of the Company of HK\$0.01 each (the “**Placing Shares**”) to not less than six placees which are independent third parties at a price of HK\$0.86 per Placing Share (net placing price of approximately HK\$0.84 per placing share) (the “**Placing**”).

The Placing was completed on 16 December 2016. The gross proceeds of HK\$137,600,000 were received by the Company in accordance with the terms of the placing agreement. The net proceeds from the Placing, after deducting the Placing Agent’s commission and other related expenses payable by the Company, amounted to approximately HK\$134,000,000.

The net proceeds from the Placing are intended to be used for development a business regarding investment and financing services and for setting up a subsidiary with money lenders license. As at 30 September 2017, we used in related administration and engaged the consultant for application for securities licenses purposes, amounted to approximately HK\$4,879,000 (As at 31 March 2017: approximately HK\$2,454,000).

Interim Dividend

The Board did not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2016: 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 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. Lo Wa Kei Roy, Ms. Li Zhongye Cindy and Ms. Wang Qing. Mr. Lo Wa Kei Roy 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 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, 29 November 2017

As at the date of this announcement, the executive Directors are Mr. Lau Woon Si, Mr. Fong Hon Hung, Mr. Cheung Lap Kei and Mr. Chan Chi Ming Tony; and the independent non-executive Directors are Mr. Lo Wa Kei Roy, Ms. Li Zhongye Cindy, Ms. Wang Qing and Mr. Leung Ka Fai Nelson.