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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

GROUP FINANCIAL HIGHLIGHT

For the year ended 31 March 2019

	2019	2018
	HK$	*HK$*
Revenue	**202,893,907**	226,225,862
Gross loss	**(6,622,021)**	(27,647,553)
Loss before taxation	**(56,988,999)**	(70,336,139)
Loss attributable to equity shareholders of the Company	**(55,228,625)**	(70,247,482)
Loss per share		
Basic and diluted *(HK cents)*	**(5.75)**	(7.32)
Cash and cash equivalents	**337,512,371**	415,136,973
Net assets	**268,280,500**	325,027,403
Total assets	**504,611,137**	544,489,317

DIVIDEND

The Board did not recommend the payment of a final dividend to the shareholders of the Company for the year ended 31 March 2019.

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") 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 2019 (the "**Reporting Period**" or "**YR2019**") together with the comparative audited figures for the year ended 31 March 2018 (the "**YR2018**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019**	2018
		HK$	*HK$*
Revenue	*3(a)*	**202,893,907**	226,225,862
Direct costs		**(209,515,928)**	(253,873,415)
Gross loss		**(6,622,021)**	(27,647,553)
Other revenue	*4*	**3,868,242**	6,294,664
Other net income		**1,754,220**	4,107,208
General and administrative expenses		**(51,021,877)**	(45,958,358)
Loss from operations		**(52,021,436)**	(63,204,039)
Finance costs	*5(a)*	**(4,967,563)**	(7,132,100)
Loss before taxation	*5*	**(56,988,999)**	(70,336,139)
Income tax credit	*6*	**1,760,374**	88,657
Loss and total comprehensive income for the year attributable to equity shareholders of the Company		**(55,228,625)**	(70,247,482)
Loss per share			
Basic and diluted *(HK cents)*	*8*	**(5.75)**	(7.32)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	**2019**	2018
		HK$	*HK$*
Non-current assets			
Property, plant and equipment		**18,612,912**	32,336,477
Prepayment		**212,874**	–
Club memberships		**290,000**	400,000
		19,115,786	32,736,477
Current assets			
Gross amounts due from customers for contract work		**–**	32,242,675
Contract assets		**68,388,439**	–
Trade and other receivables	*9*	**29,076,876**	63,581,805
Loan receivable		**7,985,672**	–
Financial assets at fair value through profit or loss	*10*	**41,733,096**	–
Tax recoverable		**798,897**	791,387
Cash and cash equivalents		**337,512,371**	415,136,973
		485,495,351	511,752,840
Current liabilities			
Gross amounts due to customers for contract work		**–**	24,753,996
Trade and other payables	*11*	**32,891,704**	25,022,038
Amount due to a related company	*12*	**99,600,000**	96,787,500
Amount due to a former director	*12*	**95,405,332**	55,264,637
Provision for onerous contract		**–**	442,795
Deferred income		**656,999**	1,126,283
Obligations under finance leases		**3,281,378**	5,416,903
Tax payable		**1,672,186**	1,777,698
		233,507,599	210,591,850
Net current assets		**251,987,752**	301,160,990
Total assets less current liabilities		**271,103,538**	333,897,467

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2019

	Note	**2019**	2018
		HK$	*HK$*
Non-current liabilities			
Obligations under finance leases		**–**	3,271,088
Long service payment liabilities		**409,831**	384,405
Deferred income		**–**	656,999
Deferred tax liabilities		**2,413,207**	4,557,572
		2,823,038	8,870,064
Net assets		**268,280,500**	325,027,403
Capital and reserves			
Share capital	*13*	**9,600,000**	9,600,000
Reserves		**258,680,500**	315,427,403
Total equity attributable to equity shareholders of the Company		**268,280,500**	325,027,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

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 Room 1802, 18th Floor, Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated 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 consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2019 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group had been impacted by HKFRS 9 in relation to measurement of credit losses and impacted by HKFRS 15 in relation to timing of revenue recognition and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(c)(i) for HKFRS 9 and note 2(c)(ii) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balances at 1 April 2018. Comparative information is not restated.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

	At 31 March 2018 *HK$*	Impact on initial application of HKFRS 9 *HK$*	Impact on initial application of HKFRS 15 *HK$*	At 1 April 2018 *HK$*
Current assets				
Contract assets	–	(205,501)	50,221,794	50,016,293
Trade and other receivables	63,581,805	(378,243)	(44,194,783)	19,008,779
Gross amounts due from customers for contract work	32,242,675	–	(32,242,675)	–
Current liabilities				
Gross amounts due to customers for contract work	24,753,996	–	(24,753,996)	–
Provision for onerous contract	442,795	–	(442,795)	–
Non-current liabilities				
Deferred tax liabilities	4,557,572	–	(84,339)	4,473,233
Capital and reserves				
Reserves	315,427,403	(583,744)	(934,534)	313,909,125

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits at 1 April 2018.

	HK$
Retained profits	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	378,243
– contract assets	205,501
Net decrease in retained profits at 1 April 2018	583,744

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	At 31 March 2018	Impact on initial application of HKFRS 9	Impact on initial application of HKFRS 15	At 1 April 2018
	HK$	*HK$*	*HK$*	*HK$*
Financial assets measured at amortised cost				
Contract assets	–	(205,501)	50,221,794	50,016,293
Trade and other receivables	63,581,805	(378,243)	(44,194,783)	19,008,779
Capital and reserves				
Reserves	315,427,403	(583,744)	(934,534)	313,909,125

The measurement categories for all financial liabilities remain the same. The carrying amounts of all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (the "**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loan receivable); and

– contract assets as defined in HKFRS 15.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 March 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 April 2018.

	HK$
Loss allowance at 31 March 2018 under HKAS 39	–
Additional credit losses recognised at 1 April 2018 on:	
– financial assets measured at amortised cost	378,243
– contract assets	205,501
Loss allowance at 1 April 2018 under HKFRS 9	583,744

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

The determination of the business model within which a financial asset is held on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group).

If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

The following table summarises the impact of transition to HKFRS 15 on retained profits and the related tax impact at 1 April 2018:

	HK$
Retained profits	
Earlier cost recognition for foundation construction and ground investigation services	1,461,668
Provision for onerous contract	(442,795)
Related tax	(84,339)
Net decrease in retained profits	934,534

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

– When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

– When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from construction contracts and ground investigation services.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed assignment is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

(c) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "trade and other receivables", "gross amounts due from customers for contract work" or "gross amounts due to customers for contract work" respectively.

(d) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2019 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

(d) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018 (Continued)

Line items in the consolidated statement of profit or loss for the year ended 31 March 2019 impacted by the application of HKFRS 15:	**Amounts reported in accordance with HKFRS 15** *HK$*	**Hypothetical amounts under HKASs 18 and 11** *HK$*	**Difference: Estimated impact of application of HKFRS 15 on 2019** *HK$*
Revenue	202,893,907	195,662,102	7,231,805
Direct costs	(209,515,928)	(202,088,744)	(7,427,184)
Gross loss	(6,622,021)	(6,426,642)	(195,379)
Loss from operations	(52,021,436)	(51,826,057)	(195,379)
Loss before taxation	(56,988,999)	(56,793,620)	(195,379)
Income tax credit	1,760,374	2,070,978	(310,604)
Loss attributable to equity shareholders of the Company	(55,228,625)	(54,722,642)	(505,983)
Loss per share			
Basic and diluted *(HK cents)*	(5.75)	(5.70)	(0.05)

Line items in the consolidated statement of financial position as at 31 March 2019 impacted by the application of HKFRS 15:			
Current assets			
Gross amounts due from customers for contract work	–	46,528,692	(46,528,692)
Contract assets	68,388,439	–	68,388,439
Trade and other receivables	29,076,876	63,082,411	(34,005,535)
Tax recoverable	798,897	1,052,415	(253,518)
Total current assets	485,495,351	497,894,657	(12,399,306)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

(d) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018 (Continued)

Line items in the consolidated statement of financial position as at 31 March 2019 impacted by the application of HKFRS15:	Amounts reported in accordance with HKFRS 15 *HK$*	Hypothetical amounts under HKASs 18 and 11 *HK$*	Difference: Estimated impact of application of HKFRS 15 on 2019 *HK$*
Current liabilities			
Gross amounts due to customers for contract works	–	6,983,026	(6,983,026)
Provision for onerous contract	–	3,948,510	(3,948,510)
Total current liabilities	233,507,599	244,439,135	(10,931,536)
Non-current liabilities			
Deferred tax liabilities	2,413,207	2,440,460	(27,253)
Total non-current liabilities	2,823,038	2,850,291	(27,253)
Capital and reserves			
Reserves	258,680,500	260,121,017	(1,440,517)
Total capital and reserves	268,280,500	269,721,017	(1,440,517)
Line items in the reconciliation of loss before taxation to cash used in operations for the year ended 31 March 2019 impacted by the application of HKFRS 15:			
Loss before taxation	(56,988,999)	(56,793,620)	(195,379)
Increase in trade and other receivables	(10,166,591)	(232,101)	(9,934,490)
Increase in contract assets	(18,423,193)	–	(18,423,193)
Increase in gross amounts due from customers for contract work	–	(14,287,807)	14,287,807
Decrease in gross amounts due to customers for contract work	–	(17,770,970)	17,770,970
Increase in provision for onerous contracts	–	3,505,715	(3,505,715)

The significant differences arise as a result of the changes in accounting policies described above.

3. 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, from ground investigation services and from financial services. The amount of each significant category of revenue is as follows:

	2019	2018
	HK$	*HK$*
		(Note)
Revenue from construction contracts	**166,458,951**	190,937,542
Revenue from ground investigation services	**35,681,700**	35,288,320
Revenue from financial services	**753,256**	–
	202,893,907	226,225,862

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see note 2(c)(ii)).

For the years ended 31 March 2019 and 2018, there were 2 and 3 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 50% and 47% of the Group's total revenue, respectively.

As at 31 March 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$98,819,000. This amount represents revenue expected to be recognised in the future from construction contracts and ground investigation services. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the construction contracts and ground investigation services, when the obligations performed, which is expected to occur over the next 1 to 2 years.

3. REVENUE AND SEGMENT REPORTING (Continued)

(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 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, loss 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, current tax recoverable and deferred tax assets, if any. Segment liabilities include all current and non-current liabilities with the exception of current 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.

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

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 2019 and 2018 is set out below:

	Year ended 31 March 2019			
	Foundation construction *HK$*	**Ground investigation services** *HK$*	**Financial services** *HK$*	**Total** *HK$*
Revenue from external customers	**166,458,951**	**35,681,700**	**753,256**	**202,893,907**
Reportable segment revenue	**166,458,951**	**35,681,700**	**753,256**	**202,893,907**
Reportable segment gross (loss)/profit	**(17,027,683)**	**9,852,730**	**552,932**	**(6,622,021)**
Reportable segment (loss)/profit	**(38,978,367)**	**2,391,134**	**(10,804,256)**	**(47,391,489)**
Interest income from bank deposit	**–**	**–**	**2,736,282**	**2,736,282**
Interest expenses	**2,155,063**	**–**	**–**	**2,155,063**
Depreciation for the year	**7,831,926**	**674,395**	**809,937**	**9,316,258**
Reportable segment assets	**226,849,305**	**24,907,743**	**411,886,678**	**663,643,726**
Additions to non-current segment assets during the year	**572,274**	**26,880**	**94,042**	**693,196**
Reportable segment liabilities	**149,297,991**	**4,399,616**	**400,732,657**	**554,430,264**

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	Year ended 31 March 2018			
	Foundation construction	Ground investigation services	Financial services	Total
	HK$	*HK$*	*HK$*	*HK$*
Revenue from external customers	190,937,542	35,288,320	–	226,225,862
Reportable segment revenue	190,937,542	35,288,320	–	226,225,862
Reportable segment gross (loss)/profit	(35,438,095)	7,790,542	–	(27,647,553)
Reportable segment loss	(56,983,796)	(33,872)	(6,404,675)	(63,422,343)
Interest income from bank deposit	100	–	2,018,766	2,018,866
Interest expenses	2,632,100	–	–	2,632,100
Depreciation for the year	15,518,152	919,713	597,147	17,035,012
Reportable segment assets	228,591,607	23,391,628	399,332,929	651,316,164
Additions to non-current segment assets during the year	744,672	38,000	3,731,140	4,513,812
Reportable segment liabilities	111,975,557	4,097,628	377,215,269	493,288,454

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2019	2018
	HK$	*HK$*
Revenue		
Reportable segment revenue and consolidated revenue *(note 3(a))*	**202,893,907**	226,225,862
Loss		
Reportable segment loss	**(47,391,489)**	(63,422,343)
Unallocated head office and corporate expenses	**(9,597,510)**	(6,913,796)
Consolidated loss before taxation	**(56,988,999)**	(70,336,139)
Assets		
Reportable segment assets	**663,643,726**	651,316,164
Elimination	**(160,933,570)**	(108,648,966)
	502,710,156	542,667,198
Tax recoverable	**798,897**	791,387
Unallocated head office and corporate assets	**1,102,084**	1,030,732
Consolidated total assets	**504,611,137**	544,489,317
Liabilities		
Reportable segment liabilities	**554,430,264**	493,288,454
Elimination	**(421,950,020)**	(376,985,310)
	132,480,244	116,303,144
Tax payable	**1,672,186**	1,777,698
Deferred tax liabilities	**2,413,207**	4,473,233
Unallocated head office and corporate liabilities	**99,765,000**	96,907,839
Consolidated total liabilities	**236,330,637**	219,461,914

4. OTHER REVENUE

	2019	2018
	HK$	*HK$*
Rental income from lease of machinery	**–**	2,682,270
Bank interest income	**2,736,282**	2,018,866
Insurance claims	**–**	573,821
Others	**1,131,960**	1,019,707
	3,868,242	6,294,664

5. LOSS BEFORE TAXATION

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

	2019	2018
	HK$	*HK$*
(a) Finance costs		
Interest on borrowing from a related company	**2,812,500**	4,500,000
Interest on borrowing from a former director	**1,840,695**	2,096,156
Interest on bank overdraft	**405**	56,964
Finance charges on obligations under finance leases	**313,963**	478,980
	4,967,563	7,132,100
(b) Staff costs (including directors' remuneration)		
Contribution to defined contribution retirement plans	**1,782,117**	1,952,215
Salaries, wages and other benefits	**61,459,472**	65,652,121
	63,241,589	67,604,336
Add: Amounts included in gross amounts due from customers for contract work	**–**	3,072,539
	63,241,589	70,676,875

5. LOSS BEFORE TAXATION (Continued)

	2019	2018
	HK$	*HK$*
(c) Other items		
Depreciation	**9,316,258**	16,434,651
Add: Amounts included in gross amounts due from customers for contract work	**–**	600,361
	9,316,258	17,035,012
Impairment loss on club memberships	**110,000**	–
Impairment losses on trade and other receivables, contract assets and loan receivable	**291,050**	–
Operating lease charges		
– hire of machinery	**11,042,669**	14,749,870
– hire of properties	**6,557,240**	6,118,959
Auditors' remuneration	**880,000**	800,000
Gain on disposal of property, plant and equipment	**(1,181,497)**	(3,013,361)
Net foreign exchange loss	**2,096**	32,436

6. INCOME TAX CREDIT

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

	2019	2018
	HK$	*HK$*
Current tax		
Provision for Hong Kong Profits Tax for the year	**329,652**	131,401
(Over)/under-provision in respect of prior years	**(30,000)**	1,288
	299,652	132,689
Deferred tax		
Origination and reversal of temporary differences	**(2,060,026)**	(221,346)
	(1,760,374)	(88,657)

6. INCOME TAX CREDIT (Continued)

Income tax credit in the consolidated statement of profit or loss and other comprehensive income represents (Continued)

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) On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profit tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the follow day.

Under the two-tiered profit tax rate regime, the first HK$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profit above HK$2 million will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current financial year, Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. For the remaining subsidiaries of the Group in Hong Kong, they are subject to 16.5% of the estimated assessable profits under Hong Kong Profits Tax.

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2018.

(iii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for years ended 31 March 2019 and 2018.

7. DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 March 2019. No dividend has been declared or paid by the Company for the years ended 31 March 2019 and 2018.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to equity shareholders of the Company is based on the following:

	2019	2018
	HK$	*HK$*
Loss		
Loss attributable to equity shareholders of the Company	**(55,228,625)**	(70,247,482)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**960,000,000**	960,000,000

For the years ended 31 March 2019 and 2018, the calculation of the basic loss per share attributable to equity shareholders of the Company was based on (i) the loss attributable to equity shareholders of the Company and (ii) the weighted average number of ordinary shares.

(b) Diluted loss per share

There were no diluted potential shares in existence during the years ended 31 March 2019 and 2018.

9. TRADE AND OTHER RECEIVABLES

	31 March 2019	1 April 2018	31 March 2018
	HK$	*HK$*	*HK$*
		(note (i))	*(note (i))*
Trade debtors, net of loss allowance	17,681,106	9,524,634	9,835,763
Deposits, prepayments and other receivables, net of loss allowance *(note (iii))*	11,395,770	9,484,145	9,551,259
Retention receivables *(note (ii))*	–	–	44,194,783
Financial assets measured at amortised cost	29,076,876	19,008,779	63,581,805

Notes:

(i) Upon the adoption of HKFRS 9, an opening adjustment as at 1 April 2018 was made to recognise additional ECLs on trade and other receivables (see note 2(c)(i)).

(ii) Upon the adoption of HKFRS 15, some of the retention receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified to "contract assets" (see note 2(c)(ii)).

(iii) Except for the amounts of HK$1,234,596 and HK$1,236,982 as at 31 March 2019 and 2018 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

Ageing analysis

As of the end of the 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, is as follows:

	2019	2018
	HK$	*HK$*
Within 1 month	**11,122,267**	4,895,493
1 to 2 months	**794,298**	899,689
2 to 3 months	**330,000**	414,610
Over 3 months	**5,434,541**	3,625,971
	17,681,106	9,835,763

Trade debtors are normally due within 30 to 45 days from the payment application date or 30 to 60 days from the certificate date.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$	*HK$*
Listed equity securities at FVPL		
– in Hong Kong	**1,968,000**	–
Unlisted equity securities at FVPL		
– outside Hong Kong	**39,765,096**	–
	41,733,096	–

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$	*HK$*
Trade payables	**21,428,389**	16,201,723
Retention payables *(note (ii))*	**3,756,355**	3,014,113
Other payables and accruals	**7,706,960**	5,806,202
	32,891,704	25,022,038

Notes:

(i) Save as disclosed in note 11(ii) below, all trade and other payables are expected to be settled within one year.

(ii) Except for the amounts of HK$1,257,031 and HK$1,036,494 as at 31 March 2019 and 2018 respectively, all of the remaining balances are expected to be settled within one year.

(iii) As of the end of the reporting period, ageing analysis of trade payables based on the invoice date is as follows:

	2019	2018
	HK$	*HK$*
Within 1 month	**7,752,539**	7,444,961
1 to 2 months	**9,876,642**	6,081,361
2 to 3 months	**2,140,305**	208,620
Over 3 months	**1,658,903**	2,466,781
	21,428,389	16,201,723

12. AMOUNT DUE TO A RELATED COMPANY/A FORMER 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, bearing interest rate at 2.5%-5% (2018: 5%) per annum and repayable on demand. Mr. Fong who is the executive Director, chairman and chief executive officer of the Group is also the director of Bright Dynasty.

Except for the amount of HK$25,300,000, the other amount due to a former director, Mr. Lau Woon Si, was unsecured, bearing interest rate at 2.5%-5% (2018: 5%) per annum and repayable on demand.

13. SHARE CAPITAL

	Number of ordinary shares	**Nominal amount** *HK$*
Ordinary shares of HK$0.01 each authorised:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	2,000,000,000	20,000,000
Ordinary shares, issued and fully paid:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	960,000,000	9,600,000

14. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2019 and 2018 not provided for in the consolidated financial statements were as follows:

	2019 ***HK$***	2018 *HK$*
Contracted for	**215,000**	–

14. COMMITMENTS (Continued)

(b) At 31 March 2019 and 2018, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019	2018
	HK$	*HK$*
Within 1 year	**5,746,700**	6,291,000
After 1 year but within 5 years	**290,000**	5,243,500
	6,036,700	11,534,500

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

15. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year ended 31 March 2019, the related parties that had transactions with the Group were as follows:

Name of related parties	**Relationships with the Group**
Chung Hang Enterprises Holdings Limited	A related company owned by a director of the subsidiary
Chung Wah Investment Company Limited	A related company owned by a director of the subsidiary

In addition to the transactions and balances disclosed in notes 5(a) and 12 in these consolidated financial statements, the Group entered into the following material related party transactions during the year:

	2019	2018
	HK$	*HK$*
Leases of properties from		
– Chung Hang Enterprises Holdings Limited	**720,000**	624,000
– Chung Wah Investment Company Limited	**1,380,000**	1,140,000
	2,100,000	1,764,000

Note: The directors of the Company are of opinion that the above transactions were entered into the normal course of business. The related party transactions in respect of rental expenses paid to a related company constitute connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing: (i) foundation construction; (ii) ground investigation services; and (iii) financial services in Hong Kong.

Foundation Construction

During the Reporting Period, 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 the public and private sectors. Revenue from the foundation works contributed approximately 82.0% to the total revenue of the Group during the Reporting Period (YR2018: approximately 84.4%).

Ground Investigation Services

The Group also acted as a contractor to provide ground investigation services in both public and private sectors in Hong Kong during the Reporting Period. Revenue from the ground investigation services contributed approximately 17.6% to the total revenue of the Group during the Reporting Period (YR2018: approximately 15.6%).

Financial Services

During the Reporting Period, the money lending business has commenced. Revenue from the financial services contributed approximately 0.4% to the total revenue of the Group during the Reporting Period (YR2018: nil).

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period decreased by approximately HK$23,332,000, or approximately 10.3%, from approximately HK$226,226,000 for the year ended 31 March 2018 to approximately HK$202,894,000 for the Reporting Period, which was primarily due to:

Foundation Construction

The revenue from undertaking foundation construction projects decreased by approximately HK$24,479,000, or approximately 12.8%, from approximately HK$190,938,000 for the year ended 31 March 2018 to approximately HK$166,459,000 for the Reporting Period. This was primarily due to the decrease of the number of sizable projects tendered by the Group during the Reporting Period.

Ground Investigation Services

The revenue from ground investigation services slightly increased by approximately HK$394,000, or approximately 1.1%, from approximately HK$35,288,000 for the year ended 31 March 2018 to approximately HK$35,682,000 for the Reporting Period. This was primarily due to the increase in the number of sizable projects tendered by the Group during the Reporting Period.

Financial Services

During the Reporting Period, the money lending business have commenced. The revenue for financial services amounted to approximately HK$753,000 for the Reporting Period (YR2018: nil).

Direct Costs

The Group's direct costs amounted to approximately HK$209,516,000 for the Reporting Period, representing a decrease of approximately 17.5% from approximately HK$253,873,000 for the year ended 31 March 2018.

Foundation Construction

The direct costs for the foundation construction mainly consisted of construction material costs, subcontracting fees and wages of workers. The direct costs decreased by approximately 18.9%, from approximately HK$226,376,000 for the year ended 31 March 2018 to approximately HK$183,487,000 for the Reporting Period. This was mainly due to (i) the decrease in revenue of the foundation construction, and (ii) the reduction in depreciation for machinery as most machines were fully depreciated last year (YR2019: approximately HK$6,113,000; YR2018: approximately HK$13,620,000).

Ground Investigation Services

The direct costs for the ground investigation services mainly included the subcontracting fees and the wages of workers. The decrease in direct costs by approximately 6.1%, from approximately HK$27,498,000 for the year ended 31 March 2018 to approximately HK$25,829,000 for the Reporting Period, was primarily due to the higher gross profit margin projects tendered by the Group during the Reporting Period.

Financial Services

The direct cost for the financial services mainly consisted of commission fees and search fees. The direct costs amounted to approximately HK$200,000 for the Reporting Period (YR2018: nil).

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

The gross loss decreased from approximately HK$27,648,000 for the year ended 31 March 2018 to approximately HK$6,622,000 for the Reporting Period. The Group's overall gross loss margin during the Reporting Period was approximately 3.3% (YR2018: gross loss margin amounted to approximately 12.2%).

Gross loss of the Group's foundation construction segment was approximately HK$17,028,000 for the Reporting Period, representing a decrease of approximately HK$18,410,000 from approximately HK$35,438,000 gross loss as compared to that for the year ended 31 March 2018. Gross loss margin of the foundation construction segment amounted to approximately 10.2% (YR2018: gross loss margin of approximately 18.6%). The decline in gross loss margin was mainly due to (i) the reduction in depreciation for machinery as most machines were fully depreciated last year, (ii) the impact on initial application of HKFRS 15, and (iii) the improvement of the bidding prices on the new tenders.

Gross profit of the Group's ground investigation services segment was approximately HK$9,853,000 for the Reporting Period, representing an increase of approximately 26.5% from approximately HK$7,791,000 as compared to that for the year ended 31 March 2018. Gross profit margin of the ground investigation services segment increased from approximately 22.1% for the year ended 31 March 2018 to approximately 27.6% for the Reporting Period. The increase in gross profit margin was mainly due to higher gross profit margin projects tendered by the Group during the Reporting Period.

Gross profit of the Group's financial service was approximately HK$553,000 for the Reporting Period (YR2018: nil). Gross profit margin of the financial service amounted to approximately 73.4% (YR2018: nil).

Other Revenue

The other revenue of the Group decreased by approximately HK$2,427,000, or approximately 38.6%, from approximately HK$6,295,000 for the year ended 31 March 2018 to approximately HK$3,868,000 for the Reporting Period. The decrease was mainly due to the absence of rental income from lease of machinery during the Reporting Period (YR2018: approximately HK$2,682,000).

Other Net Income

The other net income of the Group decreased by approximately HK$2,353,000, from approximately HK$4,107,000 for the year ended 31 March 2018 to approximately HK$1,754,000 for the Reporting Period. The decrease was mainly due to the decrease of gain on disposal of property, plant and equipment (YR2019: gain of approximately HK$1,181,000; YR2018: gain of approximately HK$3,013,000).

General and administrative expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$51,022,000 (YR2018: approximately HK$45,958,000), representing an increase of approximately 11.0% as compared to that for the year ended 31 March 2018. The increase was mainly attributable to (i) the increase in the general operating expenses (mainly included salaries and other administrative expenses) for the financial services segment; and (ii) professional fees for the potential acquisition (YR2019: approximately HK$2,386,000; YR2018: nil) during the Reporting Period.

Finance Costs

The finance costs decreased by approximately HK$2,164,000, from approximately HK$7,132,000 for the year ended 31 March 2018 to approximately HK$4,968,000 for the Reporting Period. The decrease was mainly due to the decrease in the interest rate for borrowing from a related company and borrowing from a former director since 1 July 2018. The interest rates were further reduced from 5% to 2.5% per annum from 1 July 2018 to 31 March 2019.

Income Tax

The tax credit for the Reporting Period was approximately HK$1,760,000 (YR2018: tax credit of approximately HK$89,000). The change was mainly due to the change of deferred tax for the Reporting Period.

Financial assets at fair value through profit or loss

During the Reporting Period, the financial assets at fair value through profit or loss represents the subscription of the private fund and the purchase of the listed equity securities. These financial assets are measured at fair value and were subscribed and purchased by a wholly owned subsidiary of the Group. During the Reporting Period, the net fair value loss of financial assets was recognised in the statement of profit or loss amounted to approximately HK$551,000 (YR2018: nil).

LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

For the Reporting Period, the Group recorded a net loss of approximately HK$55,229,000, as compared with the net loss of approximately HK$70,247,000 for the year ended 31 March 2018. The decrease was mainly attributable to the decrease in overall gross loss margin as previously discussed.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend to the shareholders of the Company for the Reporting Period (YR2018: nil).

PROSPECTS

The Directors estimate that the growth of the overall foundation industry in Hong Kong will continue to slow down in the coming years. The Directors are of the view that the approval process of government projects from the Legislative Council is expected to be slow, which will lead to a decrease in the number of available Government project tenders in the coming years. In addition, the intense competition has continued to impact the foundation industry in Hong Kong, which will in turn affect the growth and profitability 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 a well position to compete with its competitors.

In view of the slow down in the growth of the overall foundation industry in Hong Kong, the Company intends to seek opportunities in the investment sector as well as its money lending business in the coming years so as to broaden the income stream of the Group. In order to maintain a stable and sustainable development of the Group's existing businesses as well as diversifying and expanding the Group's businesses at the same time, the Group will leverage on its industrial experience and the advantage of its existing resources and talented team to seek cooperation and investment opportunities with high-quality companies in the emerging industries in the People's Republic of China (the "**PRC**").

DEBTS AND CHARGE ON ASSETS

The total interest-bearing borrowings of the Group mainly consisted of finance leases, borrowing from a former director and borrowing from a related company. The above borrowings were incurred during the Reporting Period (YR2019: approximately HK$198,287,000; YR2018: approximately HK$160,740,000). All borrowings were denominated in Hong Kong dollar. Except for finance leases, interest on other borrowings were charged at fixed rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. The finance leases of the Group were secured by the Group's machinery with an aggregate net book value of approximately HK$8,267,000 (YR2018: approximately HK$11,467,000).

NET CURRENT ASSETS

As at 31 March 2019, the Group's net current assets amounted to approximately HK$251,988,000, which was approximately HK$49,173,000 lower than net current assets of approximately HK$301,161,000 as at 31 March 2018. As at 31 March 2019, the Group's current liabilities amounted to approximately HK$233,508,000, representing an increase of approximately HK$22,916,000 from approximately HK$210,592,000 as at 31 March 2018. The increase was mainly due to (i) the borrowing from a former director during the Reporting Period, with the principal amount of HK$38,300,000, and (ii) the interests incurred by the borrowings from a related company and a former director during the Reporting Period, with the amount of approximately HK$4,653,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had cash and bank balances of approximately HK$337,512,000, representing a decrease of approximately HK$77,625,000 (as at 31 March 2018: approximately HK$415,137,000), all of which were denominated in Hong Kong dollar.

CASH FLOW

The net cash used by the Group in its operating activities amounted to approximately HK$118,256,000 during the Reporting Period, which was mainly used for the foundation construction and ground investigation services. Net cash generated from investing activities was approximately HK$8,052,000, and the net cash generated from financing activities was approximately HK$32,579,000, in which HK$38,300,000 arose from borrowing from a former director during the Reporting Period, net off the repayment of finance leases (YR2019: approximately HK$5,721,000).

The gearing ratio of the Group as at 31 March 2019 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 73.9% (as at 31 March 2018: approximately 49.5%).

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 the 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 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 it has not adopted any currency hedging policy or other hedging instruments during the Reporting Period.

CAPITAL STRUCTURE

The share capital of the Group only comprises of ordinary shares.

As at 31 March 2019, the Company's issued share capital was HK$9,600,000 (as at 31 March 2018: HK$9,600,000) and the number of its issued ordinary shares was 960,000,000 (as at 31 March 2018: 960,000,000) of HK$0.01 each.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 2 October 2018, the Company, the vendors and the warrantors entered into the sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire approximately 51.315% of issued share capital of the target group which is principally engaged in the business of operation of e-sports events, production of videos of e-sports events broadcast online, and filming and production of dramas broadcast online in the PRC. The transaction is subject to the approval from The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the shareholders' approval at the general meeting of the Company. For further details, please refer to the announcements of the Company dated 2 October 2018, 29 October 2018, 23 November 2018, 25 February 2019, 3 April 2019 and 24 May 2019.

Save as disclosed in this announcement, there were no significant investments, material acquisitions or disposal of subsidiaries and associated companies made by the Group.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and warehouses. The Group's operating leases commitments amounted to approximately HK$6,037,000 as at 31 March 2019 (as at 31 March 2018: approximately HK$11,535,000). As at 31 March 2019, the Group's capital commitments amounted to HK$215,000 (as at 31 March 2018: nil).

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2019 and 2018.

EVENTS AFTER THE REPORTING PERIOD

There are no other significant events after the Reporting Period and up to the date of this announcement.

LITIGATIONS

As at 31 March 2019, the Group had no material pending litigation.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 128 full-time employees (as at 31 March 2018: 123 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, salary 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$63,242,000 as compared to approximately HK$70,677,000 for the year ended 31 March 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) The Group has a concentrated clientele base. Any loss for major customers or decrease in the 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 an indicative of the Group's future revenue and profit margin. In particular, the Group's revenue is on project basis, which is 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 delay 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 of the Company dated 28 July 2015 (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 construction, the principal customers are generally from the main contractors of construction projects in Hong Kong. For ground investigation services, the principal customers are generally from the employers of construction projects in Hong Kong. During the Reporting Period, the Directors considered that the Group did not rely on any single customer. The Group also maintains a 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 Reporting Period, 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 Reporting Period. The Group did not have any significant disputes with any of its suppliers and subcontractors during the Reporting Period.

Employees

The Group recognised employees as valuable assets of the Group. During the Reporting Period, the Group has complied with the applicable labour laws and regulations and regularly reviewed the benefits of existing staff 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 a good relationship with its employees. The Group has not experienced any strikes, work stoppages or labour disputes which affected its operations during the Reporting Period. The Directors also acknowledge that the management team and the employees have maintained a good relationship and co-operated well during the Reporting Period.

ENVIRONMENTAL POLICIES

The Group places an emphasis on environmental protection when undertaking its projects. The Group was awarded the ISO 14001:2015 (environmental management system). The current ISO 14001:2015 certificate is valid from 7 April 2018 to 29 April 2021. When preparing the tender documents, 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.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong while the Company itself is a holding company. Our operations accordingly shall comply with the relevant laws and regulations in Hong Kong. During the Reporting Period and up to date of this announcement, there is no material non-compliance with the relevant prevailing laws and regulations by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets up to the date of this announcement.

ISSUE OF SHARES FROM THE PLACING

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 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 developing a business regarding investment and financing services and for setting up a subsidiary with money lender's license. As at 31 March 2019, we used the net proceeds from the Placing of approximately HK$46,569,000 (YR2018: approximately HK$14,757,000) on the Group for the operation of money lending business, the payment of related staff costs, engaging a consultant for the application for securities licenses, administration costs and office set up cost.

Due to the increasing level of instability pertaining to the financial markets and competition in the financial services sector and the benefits of the proposed entry to the e-sports markets, the Board considers that the reallocation of the use of proceeds from the Placing, may bring better prospects to the Company and its shareholders in the current situation. The Company therefore intends to change the use of up to approximately HK$76.7 million of such outstanding proceeds, and utilise the amount to fund the acquisition instead. For further details, please refer to the announcement of the Company dated 2 October 2018.

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 (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange during the Reporting Period, except for the deviation from the code provision A.2.1.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Since 7 September 2018 and up to the date of this announcement, Mr. Fong Hon Hung serves as both the Chairman and chief executive officer ("**CEO**") of the Company. However, after evaluation of the current situation of the Group and taking into account of the experience and past performance of Mr. Fong, the Board believes that it is appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitate the execution of the Group's business strategies and maximizes the effectiveness of its operation. In addition, there are various experienced individuals in charge of the daily business and the Board comprises four executive Directors and three independent non-executive Directors with the balance of skills and experience appropriate for the Group's further development. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

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 throughout the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the Meeting, the forthcoming Annual General Meeting of the Company (the "**Meeting**") will be held on 19 August 2019 (Monday), the transfer books and Register of Members of the Company will be closed from 14 August 2019 (Wednesday) to 19 August 2019 (Monday), both days inclusive. During such period, no share transfers will be effected. In order to be qualified for attending the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 13 August 2019 (Tuesday).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the Reporting Period.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has discussed with the Company's management and reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2019.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period 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 Reporting Period. 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 and the Company's website at www.hkex1718.hk. The annual report of the Company for the year ended 31 March 2019 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
Fong Hon Hung
Chairman

Hong Kong, 26 June 2019

As at the date of this announcement, the executive Directors are Mr. Fong Hon Hung, Mr. Zhang Zhenyi, Mr. Chan Kwan and Mr. Yan Shuai; and the independent non-executive Directors are Mr. Lo Wa Kei Roy, Mr. Qin Fen and Mr. Leung Ka Fai Nelson.