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 2020

GROUP FINANCIAL HIGHLIGHT

For the year ended 31 March 2020

	2020	2019
	HK$	*HK$*
Revenue	**255,534,989**	202,893,907
Gross profit/(loss)	**21,254,162**	(6,622,021)
Loss before taxation	**(60,777,847)**	(56,988,999)
Loss attributable to equity shareholders of the Company	**(60,371,732)**	(55,228,625)
Loss per share		
Basic and Diluted *(HK cents)*	**(6.29)**	(5.75)
Cash and cash equivalents	**228,720,343**	337,512,371
Net assets	**207,908,768**	268,280,500
Total assets	**481,554,074**	504,611,137

DIVIDENDS

The Board did not recommend the payment of a final dividend to the shareholders of the Company for the year ended 31 March 2020.

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 2020 (the "**Reporting Period**" or "**YR2020**") together with the comparative audited figures for the year ended 31 March 2019 (the "**YR2019**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** ***HK$***	2019 *HK$*
Revenue	*3(a)*	**255,534,989**	202,893,907
Direct costs		**(234,280,827)**	(209,515,928)
Gross profit/(loss)		**21,254,162**	(6,622,021)
Other revenue	*4*	**5,271,228**	3,868,242
Other net (loss)/income		**(17,353,974)**	1,754,220
General and administrative expenses		**(61,449,609)**	(51,021,877)
Loss from operations		**(52,278,193)**	(52,021,436)
Finance costs	*5(a)*	**(8,499,654)**	(4,967,563)
Loss before taxation	*5*	**(60,777,847)**	(56,988,999)
Income tax credit	*6*	**406,115**	1,760,374
Loss and total comprehensive income for the year attributable to equity shareholders of the Company		**(60,371,732)**	(55,228,625)
Loss per share			
Basic and diluted *(HK cents)*	*8*	**(6.29)**	(5.75)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	**2020**	2019
		HK$	*HK$*
Non-current assets			
Property, plant and equipment		**17,407,447**	18,612,912
Prepayment		**–**	212,874
Club memberships		**290,000**	290,000
		17,697,447	19,115,786
Current assets			
Contract assets		**87,581,206**	68,388,439
Trade and other receivables	*9*	**73,062,144**	29,076,876
Loan receivables		**54,584,808**	7,985,672
Financial assets at fair value through profit or loss	*10*	**19,908,126**	41,733,096
Tax recoverable		**–**	798,897
Cash and cash equivalents		**228,720,343**	337,512,371
		463,856,627	485,495,351
Current liabilities			
Trade and other payables	*11*	**48,326,584**	32,891,704
Amount due to a related company	*12*	**104,100,000**	99,600,000
Amount due to a former director	*12*	**110,699,082**	95,405,332
Deferred income		**–**	656,999
Lease liabilities		**2,756,941**	3,281,378
Tax payable		**2,010,895**	1,672,186
		267,893,502	233,507,599
Net current assets		**195,963,125**	251,987,752
Total assets less current liabilities		**213,660,572**	271,103,538

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2020

	Note	**2020**	2019
		HK$	*HK$*
Non-current liabilities			
Long service payment liabilities		**579,804**	409,831
Lease liabilities		**3,736,897**	–
Deferred tax liabilities		**1,435,103**	2,413,207
		5,751,804	2,823,038
Net assets		**207,908,768**	268,280,500
Capital and reserves			
Share capital	*13*	**9,600,000**	9,600,000
Reserves		**198,308,768**	258,680,500
Total equity attributable to equity shareholders of the Company		**207,908,768**	268,280,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 Unit No. 901, 9th Floor, Capital Centre, 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 2020 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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, *Leases* (Continued)

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

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 7.6%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(a) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, *Leases* (Continued)

(ii) Lessee accounting and transitional impact (Continued)

(b) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(c) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019 *HK$*
Operating lease commitments at 31 March 2019	6,036,700
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(1,939,700)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	2,276,451
	6,373,451
Less: total future interest expenses	(366,045)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019	6,007,406
Add: finance lease liabilities recognised as at 31 March 2019	3,281,378
Total lease liabilities recognised at 1 April 2019	9,288,784

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, *Leases* (Continued)

(ii) Lessee accounting and transitional impact (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019 *HK$*	Capitalisation of operating lease contracts *HK$*	Carrying amount at 1 April 2019 *HK$*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	18,612,912	6,007,406	24,620,318
Total non-current assets	19,115,786	6,007,406	25,123,192
Lease liabilities (current)	3,281,378	4,370,934	7,652,312
Total current liabilities	233,507,599	4,370,934	237,878,533
Net current assets	251,987,752	4,370,934	256,358,686
Total assets less current liabilities	271,103,538	1,636,472	272,740,010
Lease liabilities (non-current)	–	1,636,472	1,636,472
Total non-current liabilities	2,823,038	1,636,472	4,459,510
Net assets	268,280,500	–	268,280,500

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, *Leases* (Continued)

(iii) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, *Leases* (Continued)

(iii) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2020				2019
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** *(note 1)*	**Hypothetical amounts for 2020 as if under HKAS 17**	Compared to amounts reported for 2019 under HKAS 17
	HK$	***HK$***	***HK$***	***HK$***	*HK$*
Financial result for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Loss from operations	**(52,278,193)**	**4,643,997**	**(4,674,000)**	**(52,308,196)**	(52,021,436)
Finance costs	**(8,499,654)**	**346,934**	**–**	**(8,152,720)**	(4,967,563)
Loss before taxation	**(60,777,847)**	**4,990,931**	**(4,674,000)**	**(60,460,916)**	(56,988,999)
Loss for the year	**(60,371,732)**	**4,990,931**	**(4,674,000)**	**(60,054,801)**	(55,228,625)
Reportable segment (loss)/profit for year ended 31 March 2020 (note 3(b)) impacted by the adoption of HKFRS 16:					
Foundation construction	**(22,502,460)**	**1,241,005**	**(1,194,000)**	**(22,455,455)**	(38,978,367)
Financial services	**(30,714,337)**	**3,749,926**	**(3,480,000)**	**(30,444,411)**	(10,804,256)
Total	**(48,355,737)**	**4,990,931**	**(4,674,000)**	**(48,038,806)**	(47,391,489)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, *Leases* (Continued)

(iii) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2020				2019
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** *(notes 1 & 2)*	**Hypothetical amounts for 2020 as if under HKAS 17**	Compared to amounts reported for 2019 under HKAS 17
	HK$	***HK$***	***HK$***	***HK$***	*HK$*
Line items in the consolidated statement of cash flows for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Cash used in operations	**(98,001,066)**	**–**	**(4,674,000)**	**(102,675,066)**	117,842,645
Net cash used in operating activities	**(97,435,644)**	**–**	**(4,674,000)**	**(102,109,644)**	(118,255,724)
Capital element of lease rentals paid	**(7,652,312)**	**4,370,934**	**–**	**(3,281,378)**	(5,406,613)
Interest element of lease rentals paid	**(361,841)**	**303,066**	**–**	**(58,775)**	313,963
Net cash generated from financing activities	**3,685,847**	**4,674,000**	**–**	**8,359,847**	32,579,424

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash generated from financing activities as if HKAS 17 still applied.

2. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(c) Changes in accounting policies (Continued)

HKFRS 16, *Leases* (Continued)

(iv) Lessor accounting

The Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

3. **REVENUE AND SEGMENT REPORTING**

(a) Revenue

The principal activities of the Group are foundation construction, ground investigation services, financial services and trading of beauty and skin care products. Further details regarding the Group's principal activities are disclosed in note 3(b).

Disaggregation of revenue from contracts with customers of each significant category is as follows:

	2020	2019
	HK$	*HK$*
Revenue from contracts with customers within the scope of HKFRS 15:		
Revenue from construction contracts	**212,640,509**	166,458,951
Revenue from ground investigation services	**39,250,804**	35,681,700
Revenue from trading of beauty and skin care products	**915,798**	–
	252,807,111	202,140,651
Revenue from other sources		
Revenue from financial services	**2,727,878**	753,256
	255,534,989	202,893,907

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$133,472,000 (2019: 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 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 four 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.

- Trading of beauty and skin care products: this segment engages in the trading of beauty and skin care products.

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 2020 and 2019 is set out below:

	Year ended 31 March 2020				
	Foundation construction *HK$*	**Ground investigation services** *HK$*	**Financial services** *HK$*	**Trading of beauty and skin care products** *HK$*	**Total** *HK$*
Disaggregated by timing of revenue recognition					
– Over time	**212,640,509**	**39,250,804**	**2,727,878**	**–**	**254,619,191**
– Point in time	**–**	**–**	**–**	**915,798**	**915,798**
Revenue from external customers	**212,640,509**	**39,250,804**	**2,727,878**	**915,798**	**255,534,989**
Reportable segment revenue	**212,640,509**	**39,250,804**	**2,727,878**	**915,798**	**255,534,989**
Reportable segment gross profit	**3,638,464**	**14,306,495**	**2,393,405**	**915,798**	**21,254,162**
Reportable segment (loss)/profit	**(22,502,460)**	**4,841,119**	**(30,714,337)**	**19,941**	**(48,355,737)**
Interest income from bank deposit	**–**	**–**	**3,632,523**	**–**	**3,632,523**
Interest expenses	**3,787,626**	**–**	**212,028**	**–**	**3,999,654**
Depreciation for the year	**7,985,754**	**433,793**	**4,352,955**	**–**	**12,772,502**
Reportable segment assets	**232,067,894**	**31,948,096**	**357,894,961**	**46,461,831**	**668,372,782**
Additions to non-current segment assets during the year	**961,469**	**700,180**	**5,628,793**	**–**	**7,290,442**
Reportable segment liabilities	**177,669,040**	**6,133,233**	**377,271,976**	**46,471,590**	**607,545,839**

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Year ended 31 March 2019			
	Foundation construction *HK$*	Ground investigation services *HK$*	Financial services *HK$*	Total *HK$*
Disaggregated by timing of revenue recognition – Over time	166,458,951	35,681,700	753,256	202,893,907
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)

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

	2020	2019
	HK$	*HK$*
Revenue		
Reportable segment revenue and consolidated revenue (note 3(a))	**255,534,989**	202,893,907
Loss		
Reportable segment loss	**(48,355,737)**	(47,391,489)
Unallocated head office and corporate expenses	**(12,422,110)**	(9,597,510)
Consolidated loss before taxation	**(60,777,847)**	(56,988,999)
Assets		
Reportable segment assets	**668,372,782**	663,643,726
Elimination	**(207,701,073)**	(160,933,570)
	460,671,709	502,710,156
Tax recoverable	**–**	798,897
Unallocated head office and corporate assets	**20,882,365**	1,102,084
Consolidated total assets	**481,554,074**	504,611,137
Liabilities		
Reportable segment liabilities	**607,545,839**	554,430,264
Elimination	**(441,606,530)**	(421,950,020)
	165,939,309	132,480,244
Tax payable	**2,010,895**	1,672,186
Deferred tax liabilities	**1,435,103**	2,413,207
Unallocated head office and corporate liabilities	**104,259,999**	99,765,000
Consolidated total liabilities	**273,645,306**	236,330,637

3. **REVENUE AND SEGMENT REPORTING (Continued)**

(b) **Segment reporting (Continued)**

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

Information about major customers

Revenue from customers of construction contracts contributing over 10% of the total revenue of the Group for the corresponding years are as follows:

	2020	2019
	HK$	*HK$*
Construction contracts:		
Customer A	**N/A***	60,387,071
Customer B	**76,994,604**	41,659,621
Customer C	**63,346,185**	N/A*

* Revenue from the relevant customer was less than 10% of the Group's total revenue for the respective year.

4. OTHER REVENUE

	2020	2019
	HK$	*HK$*
Rental income from lease of machinery	**976,591**	–
Bank interest income	**3,632,523**	2,736,282
Insurance claims	**312,906**	–
Others	**349,208**	1,131,960
	5,271,228	3,868,242

5. LOSS BEFORE TAXATION

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

	2020	2019
	HK$	*HK$*
(a) Finance costs		
Interest on borrowing from a related company	**4,500,000**	2,812,500
Interest on borrowing from a former director	**3,593,750**	1,840,695
Interest on bank overdraft	**195**	405
Interest on lease liabilities	**405,709**	313,963
	8,499,654	4,967,563

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

5. LOSS BEFORE TAXATION (Continued)

	2020	2019
	HK$	*HK$*
(b) Staff costs (including directors' remuneration)		
Contribution to defined contribution retirement plans	**1,867,628**	1,782,117
Salaries, wages and other benefits	**64,993,446**	61,459,472
	66,861,074	63,241,589
(c) Other items		
Depreciation *(note)*		
– owned property, plant and equipment	**8,128,505**	9,316,258
– right-of-use assets	**4,643,997**	–
	12,772,502	9,316,258
Impairment loss on club memberships	**–**	110,000
Impairment losses on trade and other receivables, contract assets and loan receivables	**772,211**	291,050
Bad debt written off of trade receivables and contract assets	**5,884,680**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 *(note)*		
– hire of machinery	**–**	11,042,669
– hire of properties	**–**	6,557,240
Auditors' remuneration	**970,000**	880,000
Gain on disposal of property, plant and equipment	**(1,658,978)**	(1,181,497)
Net foreign exchange loss	**132,781**	2,096

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

6. INCOME TAX CREDIT

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

	2020	2019
	HK$	*HK$*
Current tax		
Provision for Hong Kong Profits Tax for the year	**630,175**	329,652
Over-provision in respect of prior years	**(58,186)**	(30,000)
	571,989	299,652
Deferred tax		
Origination and reversal of temporary differences	**(978,104)**	(2,060,026)
	(406,115)	(1,760,374)

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 profits 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%.

The provision for Hong Kong Profits Tax for 2020 is taken into account a reduction granted by the Hong Kong SAR of 100% of the tax payable for the year of assessment 2019-20 subject to a maximum reduction of HK$20,000 for each business (2019: a maximum reduction of HK$30,000 was granted for the year of assessment 2018-19).

Accordingly, 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.

(iii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for years ended 31 March 2020 and 2019.

7. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2020. No dividend has been declared or paid by the Company for the years ended 31 March 2020 and 2019.

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:

	2020	2019
	HK$	*HK$*
Loss		
Loss attributable to equity shareholders of the Company	**(60,371,732)**	(55,228,625)
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 2020 and 2019, 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 2020 and 2019.

9. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$	*HK$*
Trade receivables, net of loss allowance	**39,335,306**	17,681,106
Deposits, prepayments and other receivables, net of loss allowance *(note)*	**33,726,838**	11,395,770
	73,062,144	29,076,876

Note: Except for the amounts of approximately HK$949,000 and approximately HK$1,235,000 as at 31 March 2020 and 2019 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

9. TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the date of progress certificates issued by customers or the date of invoice issued to customers and net of allowance, is as follows:

	2020	2019
	HK$	*HK$*
Within 1 month	**16,423,637**	11,122,267
1 to 2 months	**1,276,787**	794,298
2 to 3 months	**21,138,842**	330,000
Over 3 months	**496,040**	5,434,541
	39,335,306	17,681,106

Trade receivables are normally due within 30 to 45 days from the payment application date or 30 to 60 days from the certificate date or 60 to 90 days from the invoice date.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$	*HK$*
Listed equity securities at FVPL		
– in Hong Kong	**–**	1,968,000
Unlisted equity securities at FVPL		
– outside Hong Kong	**19,908,126**	39,765,096
	19,908,126	41,733,096

11. TRADE AND OTHER PAYABLES

	2020	2019
	HK$	*HK$*
Trade payables	**35,176,154**	21,428,389
Retention payables *(note (ii))*	**5,019,668**	3,756,355
Other payables and accruals	**8,130,762**	7,706,960
	48,326,584	32,891,704

11. TRADE AND OTHER PAYABLES (Continued)

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 approximately HK$2,572,000 and approximately HK$1,257,000 as at 31 March 2020 and 2019 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:

	2020	2019
	HK$	*HK$*
Within 1 month	**16,934,632**	7,752,539
1 to 2 months	**11,874,981**	9,876,642
2 to 3 months	**4,532,697**	2,140,305
Over 3 months	**1,833,844**	1,658,903
	35,176,154	21,428,389

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 5% (2019: 2.5%-5%) per annum and repayable on demand. Mr. Fong who is the former director of the Group is also the director of Bright Dynasty.

Except for the amount of HK$22,500,000 (2019: HK$25,300,000), the other amount due to a former director, Mr. Lau Woon Si, was unsecured, bearing interest rate at 5% (2019: 2.5%-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 2018, 31 March 2019, 1 April 2019 and 31 March 2020	2,000,000,000	20,000,000
Ordinary shares, issued and fully paid:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	960,000,000	9,600,000

14. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 March 2020, 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 subsidiaries
Chung Wah Investment Company Limited	A related company owned by a director of the subsidiaries

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

	2020	2019
	HK$	*HK$*
Leases of properties from		
Chung Hang Enterprises Holdings Limited	**720,000**	720,000
Chung Wah Investment Company Limited	**1,380,000**	1,380,000
	2,100,000	2,100,000

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; (iii) financial services in Hong Kong; and (iv) trading of beauty and skin care products.

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 83.2% to the total revenue of the Group during the Reporting Period (YR2019: approximately 82.0%).

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 15.4% to the total revenue of the Group during the Reporting Period (YR2019: approximately 17.6%).

Financial Services

During the Reporting Period, revenue from the financial services contributed approximately 1.1% to the total revenue of the Group during the Reporting Period (YR2019: approximately 0.4%).

Trading of beauty and skin care products

During the Reporting Period, the trading business had commenced. Revenue from trading business contributed approximately 0.3% of the total revenue of the Group during the Reporting Period (YR2019: nil).

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period increased by approximately HK$52,641,000, or approximately 25.9%, from approximately HK$202,894,000 for the year ended 31 March 2019 to approximately HK$255,535,000 for the Reporting Period, which was primarily due to:

Foundation Construction

The revenue from undertaking foundation construction projects increased by approximately HK$46,182,000, or approximately 27.7%, from approximately HK$166,459,000 for the year ended 31 March 2019 to approximately HK$212,641,000 for the Reporting Period. This was primarily due to the increase of the number of sizable projects tendered by the Group during the Reporting Period.

Ground Investigation Services

The revenue from ground investigation services increased by approximately HK$3,569,000, or approximately 10.0%, from approximately HK$35,682,000 for the year ended 31 March 2019 to approximately HK$39,251,000 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, revenue for financial services amounted to approximately HK$2,728,000 for the Reporting Period (YR2019: HK$753,000).

Trading of beauty and skin care products

During the Reporting Period, the trading business had commenced. The revenue for trading business amounted to approximately HK$916,000 for the Reporting Period (YR2019: nil).

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

The gross loss decreased from approximately HK$6,622,000 for the year ended 31 March 2019 to the gross profit of approximately HK$21,254,000 for the Reporting Period. The Group's overall gross profit margin during the Reporting Period was approximately 8.3% (YR2019: gross loss margin amounted to approximately 3.3%).

The gross loss of the Group's foundation construction segment decreased from approximately HK$17,028,000 for the year ended 31 March 2019 to the gross profit of approximately HK$3,638,000 for the Reporting Period. Gross profit margin of the foundation construction segment amounted to approximately 1.7% (YR2019: gross loss margin of approximately 10.2%). The decline in gross loss margin was mainly due to (i) the tight control of direct costs; and (ii) the improvement of the bidding prices on the new tenders.

Gross profit of the Group's ground investigation services segment was approximately HK$14,306,000 for the Reporting Period, representing an increase of 45.2% from approximately HK$9,853,000 as compared to that for the year ended 31 March 2019. Gross profit margin of the ground investigation services segment increased from approximately 27.6% for the year ended 31 March 2019 to approximately 36.4% 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 services was approximately HK$2,393,000 for the Reporting Period (YR2019: HK$553,000). Gross profit margin of the financial services amounted to approximately 87.7% (YR2019: 73.4%).

Gross profit of the Group's trading business was approximately HK$916,000 for the Reporting Period (YR2019: nil).

Other Revenue

The other revenue of the Group increased by approximately HK$1,403,000, or approximately 36.3%, from approximately HK$3,868,000 for the year ended 31 March 2019 to approximately HK$5,271,000 for the Reporting Period. The increase was mainly due to (i) the rental income from lease of machinery during the Reporting Period (YR2020: approximately HK$977,000; YR2019: nil); and (ii) the increase of bank interest income (YR2020: approximately HK$3,633,000; YR2019: approximately HK$2,736,000).

Other Net (Loss)/Income

The other net income decreased from approximately HK$1,754,000 for the year ended 31 March 2019 to the other net loss of approximately HK$17,354,000 for the Reporting Period. The decrease was mainly due to the net change in fair value on financial assets at fair value through profit or loss (YR2020: loss of approximately HK$19,857,000; YR2019: loss of approximately HK$551,000).

General and administrative expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$61,450,000 (YR2019: approximately HK$51,022,000), representing an increase of approximately 20.4% as compared to that for the year ended 31 March 2019. The increase was mainly attributable to (i) the engagement fee of financial advisor which amounted to HK$4,000,000 (YR2019: approximately HK$1,333,000); and (ii) the bad debt written off of trade receivables and contract assets (YR2020: approximately HK$5,885,000; YR2019: nil).

Finance Costs

The finance costs increased by approximately HK$3,532,000, from approximately HK$4,968,000 for the year ended 31 March 2019 to approximately HK$8,500,000 for the Reporting Period. The increase was mainly due to the increase in the interest rate for borrowing from a related company, Bright Dynasty Trading Limited and borrowing from a former director, Mr. Lau Woon Si (YR2020: 5% per annum; YR2019: 2.5-5% per annum).

Income Tax

The tax credit for the Reporting Period was approximately HK$406,000 (YR2019: tax credit of approximately HK$1,760,000). The change was mainly due to the increase in assessable profits of Hong Kong Profits Tax and 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 private fund and 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 consolidated statement of profit or loss amounted to approximately HK$19,857,000 (YR2019: approximately HK$551,000) and the gain on disposal of the listed equity securities was approximately HK$320,000 (YR2019: nil).

LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

For the Reporting Period, the Group recorded a net loss of approximately HK$60,372,000, as compared with the net loss of approximately HK$55,229,000 for the year ended 31 March 2019.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend to the Shareholders for the Reporting Period (YR2019: nil).

PROSPECTS

The Board is of the view that the growth of the overall foundation industry in Hong Kong will be expected to slow down in the near future due to effect of novel coronavirus. Moreover, the global economy is in turmoil following (i) the outbreak of the trade war between the People's Republic of China (the "**PRC**") and the United States of America; and (ii) the outbreak of novel coronavirus. The outlook for the global and Hong Kong economy is bleak in the near future. 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 Company 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 PRC.

In recent years, IP Rights licensing industry have developed rapidly in PRC. In addition to exploiting the core content of the IP Rights through movies, television series, animations and games, Chinese companies as licensees of the IP Rights maximizes the overall value by also expanding to the downstream derivative market of the IP Rights in the PRC, including manufacturing IP Rights-related toys, clothings and food and beverages, as well as operating and managing IP Rights-themed exhibitions, theme park, hotel and catering services. Accordingly, the scale of consumer demand and revenue sources generated through the commercialisation of the IP Rights have significantly expanded. Keen to leverage on the rapid expansion to the downstream derivative market in the PRC, on 10 December 2019, the Company, the vendors and the warrantors entered into the sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire 51% of issued share capital of the target group which is principally engaged in the business of provision of food and beverage catering services utilizing well-known IP Right.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing borrowings of the Group mainly consisted of leases liabilities, borrowing from a former director and borrowing from a related company. The above borrowings were incurred during the Reporting Period (YR2020: approximately HK$221,293,000; YR2019: approximately HK$198,287,000). All borrowings were denominated in Hong Kong dollar. Interest on borrowings are charged at fixed rates except for a lease of the Group was secured by the Group's machinery with an aggregate net book value of approximately HK$8,267,000 as at 31 March 2019 (YR2020: nil). 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.

NET CURRENT ASSETS

As at 31 March 2020, the Group's net current assets amounted to approximately HK$195,963,000, which was approximately HK$56,025,000 lower than net current assets of approximately HK$251,988,000 as at 31 March 2019. As at 31 March 2020, the Group's current liabilities amounted to approximately HK$267,894,000, representing an increase of approximately HK$34,386,000 from approximately HK$233,508,000 as at 31 March 2019. The increase was mainly due to (i) the borrowing from a former director during the Reporting Period, with the principal amount of HK$14,500,000, (ii) the interests incurred by the borrowing from a related company and a former director during the Reporting Period, with the amount of approximately HK$8,094,000 and (iii) the increase in trade payables of approximately HK$13,748,000 as compared to that as at 31 March 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had cash and bank balances of approximately HK$228,720,000, representing a decrease of approximately HK$108,792,000 (as at 31 March 2019: approximately HK$337,512,000), which were mainly denominated in Hong Kong dollar.

CASH FLOWS

The net cash used by the Group in its operating activities amounted to approximately HK$97,436,000 during the Reporting Period, which was mainly used for the foundation construction and ground investigation services. Net cash used in investing activities was approximately HK$15,042,000, in which HK$20,000,000 arose from the payment of refundable earnest money for potential acquisition. And the net cash generated from financing activities was approximately HK$3,686,000.

The gearing ratio of the Group as at 31 March 2020 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 106.4% (as at 31 March 2019: approximately 73.9%).

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 2020, the Company's issued share capital was HK$9,600,000 (as at 31 March 2019: HK$9,600,000) and the number of its issued ordinary shares was 960,000,000 (as at 31 March 2019: 960,000,000) of HK$0.01 each.

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

On 10 December 2019, the Company, the vendors and the warrantors entered into the sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire 51% of issued share capital of the target group which is principally engaged in the business of provision of food and beverage catering services utilizing well-known IP Right. The acquisition is still in progress. For further details, please refer to the announcements of the Company dated 10 December 2019 and 9 June 2020.

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

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2020 and 2019.

EVENTS AFTER THE REPORTING PERIOD

On 20 April 2020, a wholly-owned subsidiary of the Company has subscribed for the Class C Shares in the fund portfolio company at a total subscription amount of HK$60,000,000. The subscriber is entitled to a return equal to 8% per annum of its subscription amount. For further details, please refer to the announcements of the Company dated 20 April 2020 and 8 May 2020.

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

LITIGATIONS

As at 31 March 2020, the Group had no material pending litigation.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 143 full-time employees (as at 31 March 2019: 128 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$66,861,000 as compared to approximately HK$63,242,000 for the year ended 31 March 2019.

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 operation 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 the 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.

CORPORATE GOVERNANCE

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code (the "**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 provisions A.2.1, A.2.7, A.5.5 and A.6.7.

In accordance with code provision A.2.1 of the Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. However, from 7 September 2018 up until 18 September 2019, Mr. Fong Hon Hung served as both the chairman and chief executive officer ("**CEO**") of the Company. As after evaluation of the then situation of the Group and taking into account of the experience and past performance of Mr. Fong, the Board believed that it was appropriate and in the best interest of the Company for vesting the roles of the chairman and the CEO of the Company in the same person during that period of time which helped to facilitate the execution of the Group's business strategies and maximized the effectiveness of its operation. In addition, there were various experienced individuals in charge of the daily business and the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors with the balance of skills and experience appropriate for the Group's further development. Mr. Fong ceased to be the chairman and CEO of the Company with effect from 18 September 2019 and resigned as a non-executive Director with effect from 17 January 2020.

In accordance with code provision A.2.7 of the Code, the chairman should at least annually hold meeting with the independent non-executive Director(s) without the presence of the executive Directors. However, the chairman did not hold meeting with the independent non-executive Directors without the presence of the executive Directors during the Reporting Period due to other business engagement. The company secretary of the Company will evaluate this deficiency and arrange meeting(s) between chairman and the independent non-executive Director(s) without the presence of the executive Directors at least annually from the next financial year.

In accordance with code provision A.5.5 of the Code, where the Board proposes a resolution to elect an independent non-executive Director at the general meeting, the Board should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting if the independent non-executive Director is holding his seventh (or more) listed company directorship. However, the Company did not comply with the relevant disclosure requirement in respect of the re-election of Mr. Lo Wa Kei Roy as an independent non-executive Director in the circular of the Company dated 19 July 2019 due to an unintentional and inadvertent oversight. For details, please refer to the interim report of the Company dated 27 November 2019.

In accordance with code provision A.6.7 of the Code, the non-executive Director and independent non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. However, one of the independent non-executive Directors was absent from the annual general meeting of the Company held on 19 August 2019 due to other business engagement. The Company will finalise and inform the dates of the general meetings as early as possible to ensure that all the independent non-executive Directors can attend the general meetings in future.

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

At the forthcoming annual general meeting ("AGM") of the Company will be held on 1 September 2020 (Tuesday), the transfer books and Register of Members of the Company will be closed from 27 August 2020 (Thursday) to 1 September 2020 (Tuesday), both days inclusive. During such period, no share transfers will be affected. In order to qualify for attending the AGM, 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 26 August 2020 (Wednesday).

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 2020.

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 2020 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
Yan Shuai
Chairman

Hong Kong, 24 June 2020

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