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**Wan Kei Group Holdings Limited**

**宏基集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1718)**

**ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS  
ENDED 30 SEPTEMBER 2021**

**FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the Reporting Period amounted to approximately HK\$149,225,000 (six months ended 30 September 2020: approximately HK\$129,963,000).
- Profit attributable to the Shareholders for the Reporting Period amounted to approximately HK\$1,595,000 (six months ended 30 September 2020: loss of approximately HK\$5,711,000).
- Basic and diluted earnings per share of the Company for the Reporting Period amounted to approximately HK cents 0.17 (six months ended 30 September 2020: basic and diluted loss per share of approximately HK cents 0.60 (restated)).
- The Board does not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2020: nil).

## RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Wan Kei Group Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2021 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2020 as follows:

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

For the six months ended 30 September 2021

		For the six months ended 30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
			(Restated)
Revenue	4	149,225	129,963
Direct costs		<u>(115,804)</u>	<u>(106,052)</u>
<b>Gross profit</b>		<b>33,421</b>	23,911
Other revenue	5	810	2,538
Other net income		72	1,176
General and administrative expenses		<u>(25,912)</u>	<u>(27,040)</u>
<b>Profit from operations</b>		<b>8,391</b>	585
Finance costs	6(a)	(5,445)	(5,212)
Share of (loss)/profit of an associate	10	<u>(1,720)</u>	<u>251</u>
<b>Profit/(Loss) before taxation</b>	6	<b>1,226</b>	(4,376)
Income tax credit/(expense)	7	<u>369</u>	<u>(1,335)</u>
<b>Profit/(Loss) for the period attributable to equity shareholders of the Company</b>		<b><u>1,595</u></b>	<b><u>(5,711)</u></b>
<b>Earnings/(Loss) per share</b>			
– Basic (HK cents per share)	9	<u>0.17</u>	<u>(0.60)</u>
– Diluted (HK cents per share)	9	<u>0.17</u>	<u>(0.60)</u>

	<b>For the six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	334	293
Share of other comprehensive income of investment accounted for using the equity method	(48)	–
Debt investment at fair value through other comprehensive income (recycling):		
– net movement in fair value reserve	<u>1,203</u>	<u>–</u>
Other comprehensive income for the period	<u><u>1,489</u></u>	<u><u>293</u></u>
<b>Profit/(loss) and total comprehensive income/(expenses) for the period attributable to equity shareholders of the Company</b>	<u><u>3,084</u></u>	<u><u>(5,418)</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		11,185	13,569
Interest in an associate	10	33,249	35,017
Club membership		290	290
Deposit for acquisition of property, plant and equipment		—	178
		<u>44,724</u>	<u>49,054</u>
<b>Current assets</b>			
Contract assets		106,421	108,186
Trade and other receivables	11	73,322	80,730
Loan receivables		27,909	28,486
Financial assets at fair value through profit or loss	12	24,440	21,081
Debt investment at fair value through other comprehensive income	13	43,273	42,070
Cash and cash equivalents		145,806	136,947
		<u>421,171</u>	<u>417,500</u>
<b>Current liabilities</b>			
Trade and other payables	14	35,152	43,901
Amount due to a related company	15	110,850	108,600
Amount due to a director of a subsidiary	15	125,428	122,378
Lease liabilities		3,381	2,671
Tax payable		3,645	3,801
		<u>278,456</u>	<u>281,351</u>
<b>Net current assets</b>		<u>142,715</u>	<u>136,149</u>
<b>Total assets less current liabilities</b>		<u>187,439</u>	<u>185,203</u>

		As at <b>30 September</b> <b>2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Long service payment liabilities		973	973
Lease liabilities		2,008	2,488
Deferred tax liabilities		<u>548</u>	<u>916</u>
		<u>3,529</u>	<u>4,377</u>
<b>Net assets</b>		<u><b>183,910</b></u>	<u><b>180,826</b></u>
<b>Capital and reserves</b>			
Share capital	16	9,600	9,600
Reserves		<u>174,310</u>	<u>171,226</u>
<b>Total equity</b>		<u><b>183,910</b></u>	<u><b>180,826</b></u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 October 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, 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, 9/F., Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong.

The Group is principally engaged in the provision of (i) foundation construction; (ii) ground investigation services; (iii) financial services; and (iv) trading of beauty and skin care products.

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

The unaudited condensed consolidated interim financial information is presented in Hong Kong Dollars (HK\$), unless otherwise stated. The unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 24 November 2021.

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

## 2. BASIS OF PRESENTATION

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

### 3. CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of the interim financial statements for the current period are consistent with those of the annual financial statements for the year ended 31 March 2021, as described in those annual financial statements.

#### Application of new/revised HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRS”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendment to HKFRS 16, COVID-19-Related rent concessions

Amendment to HKFRS 16, COVID-19-Related rent concessions beyond 30 June 2021

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – Phase 2

The Group has not applied any new Standard or interpretation that is not yet effective for the current period. The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

### 4. 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.

Revenue represents revenue from construction contracts, ground investigation services, financial services and trading of beauty and skin care products. Disaggregation of revenue from contracts with customers of each significant category during the respective periods is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
Revenue from construction contracts	<b>130,455</b>	91,858
Revenue from ground investigation services	<b>15,753</b>	34,175
Revenue from trading of beauty and skin care products	<b>1,383</b>	2,040
	<u><b>147,591</b></u>	<u>128,073</u>
<b>Revenue from other sources</b>		
Revenue from financial services	<u><b>1,634</b></u>	<u>1,890</u>
	<u><b>149,225</b></u>	<u>129,963</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b).



**(b) Segment reporting**

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and performance assessment, the Group has presented the following 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, profit/(loss) from operations and assets were derived from activities outside Hong Kong.

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

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

Segment assets include all current and non-current assets with the exception of unallocated head office and corporate assets, interest in an associate, profit guarantee, put option and call option in relation to acquisition of an associate and tax recoverable (if any). Segment liabilities include all current and non-current liabilities with the exception of tax payable and deferred tax liabilities.

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

Disaggregation of revenue from customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and performance assessment of segment performance for the six months ended 30 September 2021 and 2020 are as follows:

	Six months ended 30 September 2021				Total
	Foundation construction	Ground investigation services	Financial services	Trading of beauty and skin care products	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Disaggregated by timing of revenue recognition</b>					
– overtime	130,455	15,753	1,634	–	147,842
– at a point in time	–	–	–	1,383	1,383
<b>Revenue from external customers</b>	<u>130,455</u>	<u>15,753</u>	<u>1,634</u>	<u>1,383</u>	<u>149,225</u>
<b>Reportable segment revenue</b>	<u><u>130,455</u></u>	<u><u>15,753</u></u>	<u><u>1,634</u></u>	<u><u>1,383</u></u>	<u><u>149,225</u></u>
<b>Reportable segment gross profit</b>	<u><u>26,041</u></u>	<u><u>4,363</u></u>	<u><u>1,634</u></u>	<u><u>1,383</u></u>	<u><u>33,421</u></u>
<b>Reportable segment profit/(loss)</b>	<u><u>13,681</u></u>	<u><u>(235)</u></u>	<u><u>(2,600)</u></u>	<u><u>984</u></u>	<u><u>11,830</u></u>
Interest income from bank deposit	–	–	43	–	43
Interest expense	3,056	–	108	–	3,164
Depreciation for the period	<u>2,718</u>	<u>454</u>	<u>974</u>	<u>–</u>	<u>4,146</u>

## Six months ended 30 September 2020

	Foundation construction	Ground investigation services	Financial services	Trading of beauty and skin care products	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Disaggregated by timing of revenue recognition</b>					
– overtime	91,858	34,175	1,890	–	127,923
– at a point in time	–	–	–	2,040	2,040
<b>Revenue from external customers</b>	<u>91,858</u>	<u>34,175</u>	<u>1,890</u>	<u>2,040</u>	<u>129,963</u>
<b>Reportable segment revenue</b>	<u>91,858</u>	<u>34,175</u>	<u>1,890</u>	<u>2,040</u>	<u>129,963</u>
<b>Reportable segment gross profit</b>	<u>3,945</u>	<u>16,038</u>	<u>1,888</u>	<u>2,040</u>	<u>23,911</u>
<b>Reportable segment (loss)/profit</b>	<u>(7,346)</u>	<u>12,447</u>	<u>(2,036)</u>	<u>1,466</u>	<u>4,531</u>
Interest income from bank deposit	–	–	146	–	146
Interest expense	2,791	–	165	–	2,956
Depreciation for the period	<u>3,861</u>	<u>236</u>	<u>1,019</u>	<u>–</u>	<u>5,116</u>

As at 30 September 2021

	Foundation construction	Ground investigation services	Financial services	Trading of beauty and skin care products	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Reportable segment assets</b>	<b>258,671</b>	<b>48,898</b>	<b>277,741</b>	<b>56,780</b>	<b>642,090</b>
Additions to non-current segment assets during the period	64	237	52	–	353
<b>Reportable segment liabilities</b>	<b>184,550</b>	<b>7,102</b>	<b>334,798</b>	<b>53,020</b>	<b>579,470</b>

As at 31 March 2021

	Foundation construction	Ground investigation services	Financial services	Trading of beauty and skin care products	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
<b>Reportable segment assets</b>	<b>248,477</b>	<b>51,682</b>	<b>285,522</b>	<b>55,417</b>	<b>641,098</b>
Additions to non-current segment assets during the year	1,147	3,441	10	–	4,598
<b>Reportable segment liabilities</b>	<b>188,037</b>	<b>9,495</b>	<b>340,557</b>	<b>52,641</b>	<b>590,730</b>

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	<b>149,225</b>	129,963
	<b>=====</b>	<b>=====</b>
<b>Profit/(Loss)</b>		
Reportable segment profit	<b>11,830</b>	4,531
Share of (loss)/profit of an associate	<b>(1,720)</b>	251
Unallocated head office and corporate expenses	<b>(8,884)</b>	(9,158)
	<b>-----</b>	<b>-----</b>
Consolidated profit/(loss) before taxation	<b>1,226</b>	(4,376)
	<b>=====</b>	<b>=====</b>
	<b>At</b>	<b>At</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2021</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>		
Reportable segment assets	<b>642,090</b>	641,098
Elimination	<b>(236,991)</b>	(237,534)
	<b>-----</b>	<b>-----</b>
	<b>405,099</b>	403,564
Interest in an associate	<b>33,249</b>	35,017
Profit guarantee	<b>3,190</b>	3,190
Put option	<b>128</b>	128
Call option	<b>619</b>	619
Unallocated head office and corporate assets	<b>23,610</b>	24,036
	<b>-----</b>	<b>-----</b>
Consolidated total assets	<b>465,895</b>	466,554
	<b>=====</b>	<b>=====</b>
<b>Liabilities</b>		
Reportable segment liabilities	<b>579,470</b>	590,730
Elimination	<b>(415,194)</b>	(419,650)
	<b>-----</b>	<b>-----</b>
	<b>164,276</b>	171,080
Tax payable	<b>3,645</b>	3,801
Deferred tax liabilities	<b>548</b>	916
Unallocated head office and corporate liabilities	<b>113,516</b>	109,931
	<b>-----</b>	<b>-----</b>
Consolidated total liabilities	<b>281,985</b>	285,728
	<b>=====</b>	<b>=====</b>

## 5. OTHER REVENUE

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	135	151
Sales of raw materials	542	146
Government grants ( <i>note</i> )	–	2,130
Others	133	111
	<u>133</u>	<u>111</u>
	<b>810</b>	<b>2,538</b>

*Note:* The government grants are mainly related to the employment support scheme. In 2020, the Group successfully applied for funding support from the employment support scheme under the anti-epidemic fund, set up by the Hong Kong government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 6. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>(a) Finance costs</b>		
Interest on borrowing from a related company	2,250	2,250
Interest on borrowing from a director of a subsidiary	3,050	2,752
Interest on lease liabilities	145	210
	<u>5,445</u>	<u>5,212</u>
<b>(b) Staff costs (including directors' remuneration)</b>		
Contributions to defined contribution retirement plans	1,490	1,041
Salaries, wages and other benefits	30,600	30,581
	<u>32,090</u>	<u>31,622</u>
<b>(c) Other items</b>		
Depreciation		
– owned property, plant and equipment	2,997	3,712
– right-of-use assets	1,416	1,444
Impairment losses on trade and other receivables, contract assets, loan receivables and financial asset at fair value through profit or loss	(489)	9
Gain on disposal of financial asset	–	(181)
Gain on disposal of property, plant and equipment	(388)	–

## 7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for Hong Kong Profits Tax for the period	–	1,750
Deferred tax	(369)	(415)
	<u>(369)</u>	<u>1,335</u>

### Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The provision for Hong Kong Profits Tax for the period is calculated at 16.5% (six months ended 30 September 2020: 16.5%) of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

- (iii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for periods ended 30 September 2021 and 2020.
- (iv) The provision for People's Republic of China Income Tax is calculated at 25% of the estimated assessable profits for the period ended 30 September 2021.

## 8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: nil).



## 9. EARNINGS/(LOSS) PER SHARE

### Basic earnings/(loss) per share

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

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
		(Restated)
Profit/(loss) attributable to equity shareholders of the Company ( <i>HK\$'000</i> )	1,595	(5,711)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share ( <i>in thousand</i> )	928,355	949,252
Basic earnings/(loss) per share ( <i>HK cents</i> )	<u>0.17</u>	<u>(0.60)</u>

For the six months ended 30 September 2020, the weighted average number of ordinary shares has been restated in order to achieve comparability with the Reporting Period's presentation.

For the six months ended 30 September 2021, the calculation of the basic earnings per share attributable to equity shareholders of the Company was based on (i) the profit attributable to equity shareholders of the Company and (ii) the weighted average numbers of ordinary shares in issue which was adjusted by the effect of 31,645,000 shares held for the Group's share award scheme. For the period ended 30 September 2020, 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.

### Diluted earnings/(loss) per share

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

## 10. INTEREST IN AN ASSOCIATE

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	35,017	–
Acquisition of an associate ( <i>note</i> )	–	41,475
Fair value of the profit guarantee	–	(988)
Fair value of the put option	–	(11)
Fair value of the call option	–	(6,190)
Exchange difference on retranslation	(48)	965
Share of loss	(1,720)	(234)
	<u>33,249</u>	<u>35,017</u>

*Note:* On 4 September 2020, the Company completed the acquisition of 35% equity interest in Matsu Gami IP Development Limited (“**Matsu Gami**”) at a consideration of HK\$41,475,000. Matsu Gami is a company incorporated in the British Virgin Islands. Matsu Gami, together with its subsidiaries, are primarily engaged in the business of, inter alia, the provision of food and beverage corporate management services.

The arrangement of the investment in Matsu Gami provided the Group with the power to participate in the financial and operating policy decisions of Matsu Gami but is not in control or has joint control over those policies. Under HKAS 28, Matsu Gami was classified as an associate and has been accounted for in the consolidated financial statements using equity method.

## 11. TRADE AND OTHER RECEIVABLES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables, net of allowance	52,266	54,158
Deposits, prepayments and other receivables, net of allowance ( <i>note</i> )	<u>21,056</u>	<u>26,572</u>
Financial assets measured at amortised cost	<u>73,322</u>	<u>80,730</u>

*Note:* Except for the amounts of approximately HK\$1,217,000 and HK\$970,000 as at 30 September 2021 and 31 March 2021 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

(a) Aging analysis

At 30 September 2021 and 31 March 2021, the aging analysis of the trade receivables, based on the invoice date for trading of beauty and skin care products and the date of progress certificates issued by customers for foundation construction and ground investigation services, and net of allowance for doubtful debts, is as follows:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Within 1 month	25,923	23,443
1 to 2 months	16,496	23,844
2 to 3 months	7,398	1,623
Over 3 months	2,449	5,248
	<u>52,266</u>	<u>54,158</u>

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Unlisted fund investments at FVPL		
– outside Hong Kong	16,852	17,144
Wealth management product ( <i>note</i> )	3,651	–
Profit guarantee	3,190	3,190
Put option	128	128
Call option	619	619
	<u>24,440</u>	<u>21,081</u>

*Note:* As at 30 September 2021, the balance represents investment in short-term wealth management product issued by bank. The principal amounts of this product is RMB3,000,000 (31 March 2021: nil) in total, and it bears interests at floating rates. It was classified as financial assets at FVPL at 30 September 2021 as the contractual cash flows is not solely payments of principal and interest.

**13. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Unlisted debt investment at FVOCI (recycling)		
– outside Hong Kong	<u>43,273</u>	<u>42,070</u>

The debt investment is entitled to a fixed return of 8% per annum and maybe redeemed at the option of the Company.

**14. TRADE AND OTHER PAYABLES**

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables	21,949	31,190
Retention payables ( <i>note</i> )	6,715	5,498
Other payables and accruals	<u>6,488</u>	<u>7,213</u>
	<u>35,152</u>	<u>43,901</u>

*Note:* Except for the amounts of approximately HK\$2,384,000 and HK\$2,214,000 as at 30 September 2021 and 31 March 2021 respectively, all of the remaining balances are expected to be settled within one year.

**(a) Aging analysis**

An aging analysis of trade payables based on the invoice date is as follows:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Within 1 month	7,674	15,224
1 to 2 months	9,833	14,720
2 to 3 months	2,659	107
Over 3 months	<u>1,783</u>	<u>1,139</u>
	<u>21,949</u>	<u>31,190</u>

## 15. AMOUNT DUE TO A RELATED COMPANY/A DIRECTOR OF A SUBSIDIARY

The amount due to a related company, Bright Dynasty Trading Limited (“**Bright Dynasty**”), a related company which is 100% beneficially owned by Mr. Fong Hon Hung (“**Mr. Fong**”), was unsecured, repayable on demand and interest bearing at 5% (for the year ended 31 March 2021: 5%) per annum. Mr. Fong is a member of key management personnel of the Group, a director of a principal subsidiary, and is also the director of Bright Dynasty.

The amount due to a director of a subsidiary, Mr. Lau Woon Si (“**Mr. Lau**”), was unsecured, bearing interest rate at 5% (for the year ended 31 March 2021: 5%) per annum and repayable on demand. Mr. Lau is a member of key management personnel of the Group and is a director of a subsidiary.

## 16. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Nominal amount HK\$'000</b>
<b>Ordinary shares of HK\$0.01 each authorised:</b>		
As at 30 September 2021 and 31 March 2021	<u>2,000,000,000</u>	<u>20,000</u>
<b>Ordinary shares, issued and fully paid:</b>		
As at 30 September 2021 and 31 March 2021	<u>960,000,000</u>	<u>9,600</u>

## 17. COMMITMENTS

Capital Commitments outstanding at 30 September 2021 and 31 March 2021 not provided for in the consolidated financial statements were as follows:

	<b>At 30 September 2021 HK\$'000 (Unaudited)</b>	<b>At 31 March 2021 HK\$'000 (Audited)</b>
Contracted for	<u>–</u>	<u>417</u>

## 18. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2021, the related parties that had transactions with the Group were as follows:

<b>Name of related parties</b>	<b>Relationship with the Group</b>
Chung Hang Enterprises Holdings Limited	A related company owned by Mr. Lau
Chung Wah Investment Company Limited	A related company owned by Mr. Lau

In addition to the transactions and balances disclosed in notes 6(a) and 15 in these condensed consolidated financial statements, the Group rented properties from the related parties during the period which were carried out in accordance with the terms agreed between the Group and the related parties and in the ordinary and usual course of business:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Repayment of lease liabilities		
– Chung Hang Enterprises Holdings Limited	<b>360</b>	360
– Chung Wah Investment Company Limited	<b>690</b>	690
	<b>1,050</b>	<b>1,050</b>

### **Key management personnel remuneration**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Short-term employee benefits	<b>4,122</b>	4,050
Post-employment benefits	<b>45</b>	36
	<b>4,167</b>	<b>4,086</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the Reporting Period, the Group was principally engaged in the provision of (i) foundation construction; (ii) ground investigation services; (iii) financial services; and (iv) trading of beauty and skin care products.

### Foundation Construction

During the Reporting Period, the Group was principally engaged in the provision of foundation construction in Hong Kong. The foundation construction undertaken by the Group mainly consisted of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. The Group undertook foundation construction projects in both public and private sectors. Revenue from foundation construction works contributed approximately 87.4% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2020: approximately 70.7%).

### Ground Investigation Services

The Group also acted as a contractor to provide ground investigation services in Hong Kong, and it undertook ground investigation services in both public and private sectors during the Reporting Period. Revenue from ground investigation services contributed approximately 10.6% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2020: approximately 26.3%).

### Financial Services

During the Reporting Period, revenue from financial services contributed approximately 1.1% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2020: approximately 1.4%).

### Trading of beauty and skin care products

During the Reporting Period, revenue from trading business contributed approximately 0.9% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2020: approximately 1.6%).

## **FINANCIAL REVIEW**

### **Revenue**

The Group's total revenue for the Reporting Period increased by approximately HK\$19,262,000, or approximately 14.8%, from approximately HK\$129,963,000 for the six months ended 30 September 2020 to approximately HK\$149,225,000 for the Reporting Period, primarily as a result of the following:

#### ***Foundation Construction***

The revenue from foundation construction works increased by approximately 42.0%, from approximately HK\$91,858,000 for the six months ended 30 September 2020 to approximately HK\$130,455,000 for the Reporting Period, mainly due to the increase in number of sizeable projects during the Reporting Period.

#### ***Ground Investigation Services***

The revenue from ground investigation services decreased by approximately 53.9%, from approximately HK\$34,175,000 for the six months ended 30 September 2020 to approximately HK\$15,753,000 for the Reporting Period, mainly due to the decrease in number of sizeable projects tendered by the Group during the Reporting Period.

#### ***Financial Services***

The revenue for financial services amounted to approximately HK\$1,634,000 for the Reporting Period (six months ended 30 September 2020: approximately HK\$1,890,000).

#### ***Trading of beauty and skin care products***

The revenue for trading business amounted to approximately HK\$1,383,000 for the Reporting Period (six months ended 30 September 2020: approximately HK\$2,040,000).

### **Gross Profit and Gross Profit Margin**

The Group's gross profit amounted to approximately HK\$33,421,000 for the Reporting Period (six months ended 30 September 2020: approximately HK\$23,911,000). The Group's overall gross profit margin during the Reporting Period was approximately 22.4% (six months ended 30 September 2020: approximately 18.4%).



Gross profit of the Group's foundation construction segment was approximately HK\$26,041,000 for the Reporting Period (six months ended 30 September 2020: approximately HK\$3,945,000). Gross profit margin of the foundation construction segment was approximately 20.0% for the Reporting Period (six months ended 30 September 2020: approximately 4.3%). The ascent in gross profit margin was mainly due to (i) the improvement of bidding prices and tightened control on direct costs of the newly tendered foundation works projects.

Gross profit of the Group's ground investigation services segment was approximately HK\$4,363,000 for the Reporting Period, representing a decrease of approximately 72.8% from approximately HK\$16,038,000 compared to the six months ended 30 September 2020. Gross profit margin of the ground investigation services segment decreased from approximately 46.9% for the six months ended 30 September 2020 to approximately 27.7% for the Reporting Period. The decrease in gross profit margin was mainly due to decrease in number of new tenders during the Reporting Period.

Gross profit of the Group's financial services was approximately HK\$1,634,000 for the Reporting Period (six months ended 30 September 2020: approximately HK\$1,888,000). Gross profit margin of the financial service amounted to approximately 100.0% for the Reporting Period (six months ended 30 September 2020: approximately 99.9%).

Gross profit of the Group's trading business was approximately HK\$1,383,000 for the Reporting Period (six months ended 30 September 2020: approximately HK\$2,040,000).

### **Other Revenue**

The other revenue decreased by approximately HK\$1,728,000, or approximately 68.1%, from approximately HK\$2,538,000 for the six months ended 30 September 2020 to approximately HK\$810,000 for the Reporting Period. The decrease was mainly due to the absence of the government grants during the Reporting Period (six months ended 30 September 2020: HK\$2,130,000).

### **Other Net Income**

The other net income decreased by approximately HK\$1,104,000, from approximately HK\$1,176,000 for the six months ended 30 September 2020 to approximately HK\$72,000 for the Reporting Period. The decrease was mainly due to the net fair value change of financial assets (Reporting Period: loss of approximately HK\$293,000; six months ended 30 September 2020: gain of approximately HK\$995,000).

## **General and administrative expenses**

The Group's general and administrative expenses for the Reporting Period were approximately HK\$25,912,000 (six months ended 30 September 2020: approximately HK\$27,040,000), representing a decrease of approximately 4.2% over the corresponding period in 2020. The higher general and administrative expenses incurred during the six months ended 30 September 2020 as compared to that of the Reporting Period was mainly attributable to the one-off professional fees incurred regarding the adoption of share award scheme of the Company on 30 June 2020 (six months ended 30 September 2020: HK\$1,382,000).

## **Finance Costs**

For the Reporting Period, the finance costs were approximately HK\$5,445,000 (six months ended 30 September 2020: approximately HK\$5,212,000). The increase was mainly due to the increase of interest-bearing borrowing from a director of a subsidiary.

## **Share of (loss)/profit of an associate**

The Company acquired 35% of the issued share capital of Matsu Gami on 4 September 2020. During the Reporting Period, the sharing of loss was approximately HK\$1,720,000 (six months ended 30 September 2020: sharing of profit of approximately HK\$251,000). Although the share of post-acquisition profit amounted to approximately HK\$2,091,000, after taking into account the amortisation expense and deferred tax impact on the intangible assets arising from the fair value adjustments made on the acquisition date of approximately HK\$7,005,000, a share of loss was recognised.

For details, please refer to the announcements of the Company dated 10 December 2019, 9 June 2020, 4 September 2020, 10 August 2021 and 10 September 2021.

## **Income Tax**

The tax credit for the Reporting Period was approximately HK\$369,000 (six months ended 30 September 2020: income tax expense approximately HK\$1,335,000). The change was mainly due to the decrease in assessable profits of Hong Kong Profits Tax for the Reporting Period due to the reasons mentioned above.

## **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 (i) investment in a private fund; (ii) the profit guarantee, put option, and call option in relation to the acquisition of an associate; and (iii) investment in a wealth management product.

The investment in a private fund is measured at fair value and was subscribed and purchased by a wholly owned subsidiary of the Group. During the Reporting Period, the net fair value loss of private fund was recognised in the condensed consolidated statement of profit or loss amounted to approximately HK\$293,000 (six months ended 30 September 2020: net fair value gain of approximately HK\$995,000).

The profit guarantee, call option and put option are measured at fair value using the Monte Carlo simulation model and binomial options pricing model.

### **Debt investment at fair value through other comprehensive income**

During the Reporting Period, the debt investment at fair value through other comprehensive income represents the investment in a private fund. The debt investment is measured at fair value and was subscribed and purchased by a wholly owned subsidiary of the Group. During the Reporting Period, the net fair value gain of debt investment was recognised in the condensed consolidated statement of other comprehensive income amounted to approximately HK\$1,203,000 (six months ended 30 September 2020: nil).

### **Profit/(loss) Attributable to Equity Shareholders of the Company**

For the Reporting Period, the Group recorded a net profit of approximately HK\$1,595,000, as compared to the net loss of approximately HK\$5,711,000 for the corresponding period in 2020. The increase was mainly attributable to the increase in revenue and overall gross profit margin.

### **Prospects**

The Board is of the view that despite the constant overhang of novel coronavirus, there are hopeful signs of a steady recovery of the overall foundation industry in Hong Kong. Sizeable projects in both private and public sectors have steadily increased. In general, the Group will be prudent in tendering potential project but future strategy will depend on the evolvement of the pandemic.

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, the IP Rights licensing industry has 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 maximise the overall value by also expanding to the downstream derivative market of 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 parks, hotels 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 into the downstream derivative market in the PRC, on 4 September 2020, the Company completed the acquisition of 35% of the issued share capital of Matsu Gami which, together with its subsidiaries, are principally engaged in the business of provision of food and beverage catering services utilising well-known IP Rights.

### **Debts and Charge on Assets**

The total interest-bearing borrowings of the Group, which consist of lease liabilities, borrowing from a director of a subsidiary and borrowing from a related company, increased from approximately HK\$236,138,000 as at 31 March 2021 to approximately HK\$241,667,000 as at 30 September 2021, which were mainly denominated in Hong Kong Dollars. Interest on borrowings are charged at fixed rates. The Group currently does not have any interest rate hedging policy, and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

### **Net Current Assets**

As at 30 September 2021, the Group's net current assets amounted to approximately HK\$142,715,000, which was approximately HK\$6,566,000 larger than its net current assets of approximately HK\$136,149,000 as at 31 March 2021. The increase was primarily due to the net cash inflow from operating activities. As at 30 September 2021, the Group's current liabilities amounted to approximately HK\$278,456,000, representing a decrease of approximately HK\$2,895,000 over approximately HK\$281,351,000 as at 31 March 2021.

### **Liquidity and Financial Resources**

As at 30 September 2021, the Group had cash and bank balances of approximately HK\$145,806,000 (31 March 2021: approximately HK\$136,947,000), which were mainly denominated in Hong Kong Dollars.

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

### **Cash Flow**

The Group's net cash used in operating activities was approximately HK\$9,944,000 during the Reporting Period, which was mainly generated from the foundation construction. Net cash generated from investing activities was approximately HK\$176,000, which was mainly related to the receipt for proceeds from disposal of property, plant and equipment. The net cash used in financing activities was approximately HK\$1,597,000. It was mainly related to the lease rentals paid.

The gearing ratio of the Group as at 30 September 2021 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 131.4% (As at 31 March 2021: approximately 130.6%).

## **Treasury Policy**

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

## **Foreign Exchange Exposure**

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

## **Capital Structure**

As at 30 September 2021, the Company's issued share capital was HK\$9,600,000 and the number of its issued ordinary shares was 960,000,000 of HK\$0.01 each.

## **Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies**

During the Reporting Period, there were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies by the Company during the Reporting Period and up to the date of this announcement.

## **Contingent liabilities**

The Group had no contingent liabilities as at 30 September 2021 and 31 March 2021.

## **Event after the Reporting Period**

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

## **Employees and Remuneration Policy**

As at 30 September 2021, the Group had 123 full-time employees (31 March 2021: 137 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\$32,090,000 compared to approximately HK\$31,622,000 for the six months ended 30 September 2020.

## **INTERIM DIVIDEND**

The Board did not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2020: nil).

## **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 and up to the date of this announcement.

## **CORPORATE GOVERNANCE**

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the Reporting Period and up to the date of this announcement.

The Group commits to continuously improving its corporate governance practices by periodic review to ensure that the Group continues to meet the requirements of the Code.

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

The Company has adopted the Model Code for Securities Transaction 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.

## **Audit Committee and Review of Financial Information**

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

## **PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.hkex1718.hk](http://www.hkex1718.hk), and the interim report of the Company containing all the information required by the Listing Rules will be despatched to the Company’s shareholders and published on the Company’s and the Stock Exchange’s websites in due course.

By order of the Board  
**Wan Kei Group Holdings Limited**  
**Yan Shuai**  
*Chairman*

Hong Kong, 24 November 2021

*As at the date of this announcement, the executive Directors are Mr. Yan Shuai, Mr. Chan Kwan and Mr. Zhu Jiayu; the non-executive Directors are Mr. Zhang Zhenyi and Mr. Chui Kwong Kau; and the independent non-executive Directors are Mr. Lo Wa Kei Roy, Mr. Leung Ka Fai Nelson and Mr. Eric, Todd.*