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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 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Reporting Period amounted to approximately HK\$129,963,000 (six months ended 30 September 2019: approximately HK\$107,861,000).
- Loss attributable to the Shareholders for the Reporting Period amounted to approximately HK\$5,711,000 (six months ended 30 September 2019: approximately HK\$18,907,000).
- Basic and diluted loss per share of the Company for the Reporting Period amounted to approximately HK cents 0.59 (six months ended 30 September 2019: approximately HK cents 1.97).
- The Board does not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2019: 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 2020 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		For the six months ended 30 September	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	4	129,963	107,861
Direct costs		<u>(106,052)</u>	<u>(107,189)</u>
Gross profit		23,911	672
Other revenue	5	2,538	2,752
Other net income		1,176	5,264
General and administrative expenses		<u>(27,040)</u>	<u>(23,788)</u>
Profit/(Loss) from operations		585	(15,100)
Finance costs	6(a)	(5,212)	(4,074)
Share of profit of an associate		<u>251</u>	<u>–</u>
Loss before taxation	6	(4,376)	(19,174)
Income tax (expense)/credit	7	<u>(1,335)</u>	<u>267</u>
Loss for the period attributable to equity shareholders of the Company		<u><u>(5,711)</u></u>	<u><u>(18,907)</u></u>
Loss per share			
– Basic (HK cents per share)	9	<u><u>(0.59)</u></u>	<u><u>(1.97)</u></u>
– Diluted (HK cents per share)	9	<u><u>(0.59)</u></u>	<u><u>(1.97)</u></u>

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	293	–
	<u><u>293</u></u>	<u><u>–</u></u>
Other comprehensive income for the period, net of tax	293	–
	<u><u>293</u></u>	<u><u>–</u></u>
Total comprehensive income for the period attributable to equity shareholders of the Company	293	–
	<u><u>293</u></u>	<u><u>–</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		14,964	17,407
Interests in an associate		41,726	–
Club memberships		290	290
		<u>56,980</u>	<u>17,697</u>
Current assets			
Contract assets		85,339	87,582
Trade and other receivables	10	104,663	73,062
Loan receivables		34,788	54,585
Financial assets at fair value through profit or loss	11	60,903	19,908
Cash and cash equivalents		136,907	228,720
		<u>422,600</u>	<u>463,857</u>
Current liabilities			
Trade and other payables	12	54,596	48,327
Amount due to a related company	13	106,350	104,100
Amount due to a former director	13	123,451	110,699
Lease liabilities		2,991	2,757
Tax payable		3,760	2,011
Deferred income		216	–
		<u>291,364</u>	<u>267,894</u>
Net current assets		<u>131,236</u>	<u>195,963</u>
Total assets less current liabilities		<u>188,216</u>	<u>213,660</u>

		As at 30 September 2020 (Unaudited) <i>Notes</i> HK\$'000	As at 31 March 2020 (Audited) <i>HK\$'000</i>
Non-current liabilities			
Long service payment liabilities		580	579
Lease liabilities		3,553	3,737
Deferred tax liabilities		<u>1,021</u>	<u>1,435</u>
		<u>5,154</u>	<u>5,751</u>
Net assets		<u>183,062</u>	<u>207,909</u>
Capital and reserves			
Share capital	14	9,600	9,600
Reserves		<u>173,462</u>	<u>198,309</u>
Total equity		<u>183,062</u>	<u>207,909</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 October 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is 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 were listed on Main Board of the Stock Exchange.

The unaudited condensed consolidated interim financial information is presented in Hong Kong Dollar (HK\$), unless otherwise stated. The unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 25 November 2020.

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

Excepted as described below, the accounting policies applied in the preparation of the interim financial statement for the current period are consistent with those of the annual financial statements for the year ended 31 March 2020, as described in those annual financial statements.

Application of new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following new and 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 2020 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

Other than the amendments to HKFRS 16, 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.

For the six months ended 30 September 2019, the revenue and direct costs from trading of beauty and skin care products have been restated in order to achieve comparability with the Reporting Period’s presentation and enhance the relevance of the presentation of the unaudited condensed consolidated interim financial statement.

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:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
Revenue from contracts with customers within the scope of HKFRS 15:		
Revenue from construction contracts	91,858	91,142
Revenue from ground investigation services	34,175	16,035
Revenue from trading of beauty and skin care products	2,040	110
	<u>128,073</u>	<u>107,287</u>
Revenue from other sources		
Revenue from financial services	<u>1,890</u>	<u>574</u>
	<u>129,963</u>	<u>107,861</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, interests in an associate, tax recoverable and deferred tax assets (if any). Segment liabilities include all current and non-current liabilities with the exception of tax payable and deferred tax liabilities.

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

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 2020 and 2019 are as follows:

	Six months ended 30 September 2020				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)
Disaggregated by timing of revenue recognition					
– overtime	91,858	34,175	1,890	–	127,923
– at a point in time	–	–	–	2,040	2,040
Revenue from external customers	<u>91,858</u>	<u>34,175</u>	<u>1,890</u>	<u>2,040</u>	<u>129,963</u>
Reportable segment revenue	<u>91,858</u>	<u>34,175</u>	<u>1,890</u>	<u>2,040</u>	<u>129,963</u>
Reportable segment gross profit	<u>3,945</u>	<u>16,038</u>	<u>1,888</u>	<u>2,040</u>	<u>23,911</u>
Reportable segment (loss)/profit	<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>

Six months ended 30 September 2019

	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) (Restated)	(Unaudited) (Restated)
Disaggregated by timing of revenue recognition					
– overtime	91,142	16,035	574	–	107,751
– at a point in time	–	–	–	110	110
Revenue from external customers	<u>91,142</u>	<u>16,035</u>	<u>574</u>	<u>110</u>	<u>107,861</u>
Reportable segment revenue	<u>91,142</u>	<u>16,035</u>	<u>574</u>	<u>110</u>	<u>107,861</u>
Reportable segment gross (loss)/profit	<u>(5,368)</u>	<u>5,616</u>	<u>314</u>	<u>110</u>	<u>672</u>
Reportable segment (loss)/profit	<u>(15,514)</u>	<u>2,369</u>	<u>311</u>	<u>7</u>	<u>(12,827)</u>
Interest income from bank deposit	–	–	2,334	–	2,334
Interest expense	1,707	–	117	–	1,824
Depreciation for the period	<u>3,433</u>	<u>216</u>	<u>2,071</u>	<u>–</u>	<u>5,720</u>

As at 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)
Reportable segment assets	222,832	43,537	302,351	62,508	631,228
Additions to non-current segment assets during the period	635	567	10	–	1,212
Reportable segment liabilities	175,779	5,342	346,460	61,052	588,633

As at 31 March 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>
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Reportable segment assets	232,068	31,948	357,895	46,462	668,373
Additions to non-current segment assets during the year	961	700	5,629	–	7,290
Reportable segment liabilities	177,669	6,133	377,272	46,472	607,546

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

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
Revenue		
Reportable segment revenue and consolidated revenue	<u>129,963</u>	<u>107,861</u>
Loss		
Reportable segment profit/(loss)	4,531	(12,827)
Unallocated head office and corporate expenses	(9,158)	(6,347)
Share of profit of an associate	<u>251</u>	<u>–</u>
Consolidated loss before taxation	<u>(4,376)</u>	<u>(19,174)</u>
	At	At
	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	631,228	668,373
Elimination of inter-segment receivables	<u>(240,469)</u>	<u>(207,701)</u>
	390,759	460,672
Interests in an associate	41,726	–
Unallocated head office and corporate assets	<u>47,095</u>	<u>20,882</u>
Consolidated total assets	<u>479,580</u>	<u>481,554</u>
Liabilities		
Reportable segment liabilities	588,633	607,546
Elimination of inter-segment payables	<u>(426,244)</u>	<u>(441,607)</u>
	162,389	165,939
Tax payable	3,760	2,011
Deferred tax liabilities	1,021	1,435
Unallocated head office and corporate liabilities	<u>129,348</u>	<u>104,260</u>
Consolidated total liabilities	<u>296,518</u>	<u>273,645</u>

5. OTHER REVENUE

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	151	2,334
Sales of raw materials	146	37
Insurance claims	–	313
Government grants (<i>note</i>)	2,130	–
Others	111	68
	<u>2,538</u>	<u>2,752</u>

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. LOSS BEFORE TAXATION

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

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest on borrowing from a related company	2,250	2,250
Interest on borrowing from a former director	2,752	1,650
Interest on lease liabilities	210	174
	<u>5,212</u>	<u>4,074</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	1,041	899
Salaries, wages and other benefits	30,581	29,401
	<u>31,622</u>	<u>30,300</u>
(c) Other items		
Depreciation		
– owned property, plant and equipment	3,712	4,058
– right-of-use assets	1,444	1,662
Impairment losses on trade and other receivables, contract assets and loan receivables	9	326
Gain on disposal of financial asset	(181)	(320)
Gain on disposal of property, plant and equipment	–	(151)
Amortisation of deferred income	–	(563)
	<u>–</u>	<u>(563)</u>

7. INCOME TAX EXPENSE/(CREDIT)

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for Hong Kong Profits Tax for the period	1,750	178
Deferred tax	(415)	(445)
	<u>1,335</u>	<u>(267)</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) 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%.

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

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

9. LOSS PER SHARE

Basic loss per share

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

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
Loss attributable to equity shareholders of the Company (<i>HK\$'000</i>)	(5,711)	(18,907)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousand)	960,000	960,000
Basic loss per share (<i>HK cents</i>)	<u>(0.59)</u>	<u>(1.97)</u>

Diluted loss per share

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

10. TRADE AND OTHER RECEIVABLES

	At	At
	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade debtors, net of allowance	58,744	39,335
Deposits, prepayments and other receivables, net of allowance (<i>note</i>)	<u>45,919</u>	<u>33,727</u>
Financial assets measured at amortised cost	<u>104,663</u>	<u>73,062</u>

Note: Except for the amounts of approximately HK\$887,000 and HK\$949,000 as at 30 September 2020 and 31 March 2020 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 2020 and 31 March 2020, the aging analysis of the trade debtors, 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 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within 1 month	26,490	16,424
1 to 2 months	18,341	1,276
2 to 3 months	10,513	21,139
Over 3 months	3,400	496
	<u>58,744</u>	<u>39,335</u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Unlisted fund investments at FVPL – outside Hong Kong	<u>60,903</u>	<u>19,908</u>

12. TRADE AND OTHER PAYABLES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	20,460	35,176
Retention payables (<i>note</i>)	6,110	5,020
Other payables and accruals	<u>28,026</u>	<u>8,131</u>
	<u><u>54,596</u></u>	<u><u>48,327</u></u>

Note: Except for the amounts of approximately HK\$2,867,000 and HK\$2,572,000 as at 30 September 2020 and 31 March 2020 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 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within 1 month	7,903	16,934
1 to 2 months	6,565	11,875
2 to 3 months	3,121	4,533
Over 3 months	<u>2,871</u>	<u>1,834</u>
	<u><u>20,460</u></u>	<u><u>35,176</u></u>

13. 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 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 2020: 5%) per annum. Mr. Fong who is the former director of the Group and is also the director of Bright Dynasty.

The amount due to a former director, Mr. Lau Woon Si (“**Mr. Lau**”), was unsecured, bearing interest rate at 5% (for the year ended 31 March 2020: 5%) per annum and repayable on demand.

14. SHARE CAPITAL

	Number of ordinary shares	Nominal amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each authorised:		
As at 30 September 2020 and 31 March 2020	<u>2,000,000,000</u>	<u>20,000</u>
Ordinary shares, issued and fully paid:		
As at 30 September 2020 and 31 March 2020	<u>960,000,000</u>	<u>9,600</u>

15. COMMITMENTS

As at 30 September 2020, the Group had no capital commitments (31 March 2020: Nil).

16. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2020, the related parties that had transactions with the Group were as follows:

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

In addition to the transactions and balances disclosed in notes 6(a) and 13 in these condensed consolidated financial statement, 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:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Repayment of lease liabilities		
– Chung Hang Enterprises Holdings Limited	360	360
– Chung Wah Investment Company Limited	690	690
	<hr/>	<hr/>
	1,050	1,050
	<hr/> <hr/>	<hr/> <hr/>

Key management personnel remuneration

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	4,050	4,030
Post-employment benefits	36	45
	<hr/>	<hr/>
	4,086	4,075
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group was principally engaged in the provision of (i) foundation construction; (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 70.7% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2019: approximately 84.5%).

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 26.3% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2019: approximately 14.9%).

Financial Services

During the Reporting Period, revenue from financial services contributed approximately 1.4% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2019: approximately 0.5%).

Trading of beauty and skin care products

During the Reporting Period, revenue from trading business contributed approximately 1.6% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2019: approximately 0.1%).

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period increased by approximately HK\$22,102,000, or approximately 20.5%, from approximately HK\$107,861,000 for the six months ended 30 September 2019 to approximately HK\$129,963,000 for the Reporting Period, primarily as a result of the following:

Foundation Construction

The slight increase in revenue from foundation construction works by approximately 0.8%, from approximately HK\$91,142,000 for the six months ended 30 September 2019 to approximately HK\$91,858,000 for the Reporting Period.

Ground Investigation Services

The revenue from ground investigation services increased by approximately 113.1%, from approximately HK\$16,035,000 for the six months ended 30 September 2019 to approximately HK\$34,175,000 for the Reporting Period, mainly due to the increase in number of sizable projects tendered by the Group during the Reporting Period.

Financial Services

The revenue for financial services amounted to approximately HK\$1,890,000 for the Reporting Period (six months ended 30 September 2019: approximately HK\$574,000).

Trading of beauty and skin care products

During the Reporting Period, the revenue for trading business amounted to approximately HK\$2,040,000 for the Reporting Period (six months ended 30 September 2019: approximately HK\$110,000).

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately HK\$23,911,000 for the Reporting Period (six months ended 30 September 2019: approximately HK\$672,000). The Group's overall gross profit margin during the Reporting Period was approximately 18.4% (six months ended 30 September 2019: approximately 0.6%).

Gross profit of the Group's foundation construction segment was approximately HK\$3,945,000 for the Reporting Period (six months ended 30 September 2019: gross loss approximately HK\$5,368,000). Gross profit margin of the foundation construction segment was approximately 4.3% for the Reporting Period (six months ended 30 September 2019: gross loss margin approximately 5.9%). The decline in gross loss margin was mainly due to (i) the improvement of the bidding prices on the new tenders; and (ii) tight control of direct costs.

Gross profit of the Group's ground investigation services segment was approximately HK\$16,038,000 for the Reporting Period, representing an increase of approximately 185.6% from approximately HK\$5,616,000 compared to the six months ended 30 September 2019. Gross profit margin of the ground investigation services segment increased from approximately 35.0% for the six months ended 30 September 2019 to approximately 46.9% for the Reporting Period. The increase in gross profit margin was mainly due to the improvement of the bidding prices on the new tenders.

Gross profit of the Group's financial service was approximately HK\$1,888,000 for the Reporting Period (six months ended 30 September 2019: approximately HK\$314,000). Gross profit margin of the financial service amounted to approximately 99.9% for the Reporting Period (six months ended 30 September 2019: approximately 54.7%).

Gross profit of the Group's trading business was approximately HK\$2,040,000 for the Reporting Period (six months ended 30 September 2019: approximately HK\$110,000).

Other Revenue

The other revenue decreased by approximately HK\$214,000, or approximately 7.8%, from approximately HK\$2,752,000 for the six months ended 30 September 2019 to approximately HK\$2,538,000 for the Reporting Period. The decrease was mainly due to (i) the decrease of bank interest income (Reporting period: approximately HK\$151,000; six months ended 30 September 2019: approximately HK\$2,334,000); (ii) the absence of insurance claim; and (iii) the government grants which amounted to approximately HK\$2,130,000 (six months ended 30 September 2019: nil).

Other Net Income

The other net income decreased by approximately HK\$4,088,000, from approximately HK\$5,264,000 for the six months ended 30 September 2019 to approximately HK\$1,176,000 for the Reporting Period. The decrease was mainly due to the decrease of net fair value gain of financial assets (Reporting Period: approximately HK\$995,000; six months ended 30 September 2019: approximately HK\$4,163,000).

General and administrative expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK\$27,040,000 (six months ended 30 September 2019: approximately HK\$23,788,000), representing an increase of approximately 13.7% over the corresponding period in 2019. This was mainly attributable to (i) the increase in staff costs (Reporting Period: approximately HK\$31,622,000; six months ended 30 September 2019: approximately HK\$30,300,000); and (ii) the professional fee incurred regarding the adoption of share award scheme of the Company on 30 June 2020 (the "**Share Award Scheme**") (Reporting Period: approximately HK\$1,382,000; six months ended 30 September 2019: nil).

Finance Costs

For the Reporting Period, the finance costs were approximately HK\$5,212,000 (six months ended 30 September 2019: approximately HK\$4,074,000). The increase was mainly due to the increase of interest-bearing borrowing from a former director.

Share of profit of an associate

The Company acquired 35% of the issued share capital of Matsu Gami IP Development Limited ("**Matsu Gami**") on 4 September 2020. During the Reporting Period, the sharing of profit was approximately HK\$251,000 (six months ended 30 September 2019: nil).

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

Income Tax

The tax expense for the Reporting Period was approximately HK\$1,335,000 (six months ended 30 September 2019: tax credit approximately HK\$267,000). The change was mainly due to the increase 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 subscription of the private funds. 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 gain of financial assets was recognised in the statement of profit or loss amounted to approximately HK\$995,000 (six months ended 30 September 2019: approximately HK\$4,163,000).

Loss Attributable to Equity Shareholders of the Company

For the Reporting Period, the Group recorded a net loss of approximately HK\$5,711,000, as compared to the net loss of approximately HK\$18,907,000 for the corresponding period in 2019. The decrease was mainly attributable to the increase in overall gross profit margin.

Prospects

Since the worldwide outbreak of the COVID-19 pandemic in early 2020, all sectors have been severely affected. We are fortunate that the foundation construction and ground investigation service sectors are relatively insulated from the impacts of COVID-19. Nevertheless, the Group will continue to assess the development of the COVID-19 pandemic and its impact on the operation and financial performance of the Group.

In light of the challenges of the pandemic and the complicated economic landscape, the Group will be prudent in assessing potential investment opportunities with high-quality companies in the emerging industries in the People's Republic of China, 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.

Debts and Charge on Assets

The total interest-bearing borrowings of the Group, which consist of lease liabilities, borrowing from a former director and borrowing from a related company, increased from approximately HK\$221,293,000 as at 31 March 2020 to approximately HK\$236,345,000 as at 30 September 2020, which were mainly denominated in Hong Kong Dollar. Interest on borrowings are charged at fixed rates. The Group currently does not have any interest rate hedging policy, and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

Net Current Assets

As at 30 September 2020, the Group's net current assets amounted to approximately HK\$131,236,000, which was approximately HK\$64,727,000 less than its net current assets of approximately HK\$195,963,000 as at 31 March 2020. The decrease was primarily due to the net cash outflow from investing activities. As at 30 September 2020, the Group's current liabilities amounted to approximately HK\$291,364,000, representing an increase of approximately HK\$23,470,000 over approximately HK\$267,894,000 as at 31 March 2020.

Liquidity and Financial Resources

As at 30 September 2020, the Group had cash and bank balances of approximately HK\$136,907,000 (31 March 2020: approximately HK\$228,720,000), which were mainly denominated in Hong Kong Dollar.

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

Cash Flow

The Group's net cash used in operating activities was approximately HK\$18,662,000 during the Reporting Period, which was mainly used in the trading of beauty and skin care products. Net cash used in investing activities was approximately HK\$62,360,000. It was mainly related to (i) the payments for the subscription of financial assets which amounted to HK\$60,000,000, and (ii) transfer of remaining consideration of HK\$21,475,000 to an escrow account regarding to an acquisition. The net cash used in financing activities was approximately HK\$11,058,000. It was mainly related to (i) the net proceeds from borrowing from a former director which amounted to HK\$10,000,000, and (ii) purchases of shares under the Share Award Scheme which amounted to approximately HK\$19,429,000.

The gearing ratio of the Group as at 30 September 2020 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 129.1% (As at 31 March 2020: approximately 106.4%).

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 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 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 2020, 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

(a) Acquisition of an associate

On 10 December 2019, the Company, the vendors and the vendor guarantors entered into the sale and purchase agreement, pursuant to which the Company conditionally agreed to purchase, and the vendors conditionally agreed to sell, 51% of issued share capital of the Matsu Gami which is principally engaged in the business of provision of food and beverage catering services utilizing well-known IP Right.

On 4 September 2020, the Company, the vendors and the vendor guarantors entered into the 2nd supplemental agreement to supplement and amend the terms of the sale and purchase agreement. The Company conditionally agreed to purchase, and the vendors conditionally agreed to sell, 35% of the issued share capital of the Matsu Gami for a total consideration of HK\$41,475,000. All the conditions under the sale and purchase agreement have been fulfilled and the completion took place on 4 September 2020.

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

(b) Subscription of a private fund

On 20 April 2020, the Company subscribed for the Class C Shares in the Sky Success Finance Limited at a total subscription amount of HK\$60,000,000. The fund manager will achieve capital appreciation with periodic income generation by investing in fixed income securities, debt instruments and money lending projects. The Company is entitled to a return equal to 8% per annum of its subscription amount. During the Reporting Period, the Company redeemed part of subscription amount which amounted to HK\$20,000,000 with relative 8% preferred return per annum.

For further details, please refer to the announcements dated 20 April 2020 and 8 May 2020.

Save as disclosed above, there was no acquisition or disposal of subsidiaries and associated companies by the Company during the Reporting Period and up to the date of the announcement.

Contingent liabilities

The Group had no contingent liabilities as at 30 September 2020 and 31 March 2020.

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 2020, the Group had 137 full-time employees (31 March 2020: 143 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\$31,622,000 compared to approximately HK\$30,300,000 for the six months ended 30 September 2019.

INTERIM DIVIDEND

The Board did not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2019: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Reporting Period, pursuant to the terms of the rules and trust deed of the Share Award Scheme, the trustee of the Share Award Scheme purchased a total of 31,645,000 issued Shares from open market at a total consideration of approximately HK\$19,429,000.

Save as disclosed above, 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, except for the deviation from the code provision A.6.7 of the Code:

In accordance with code provision A.6.7 of 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 1 September 2020 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.

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 and the Company's website at 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, 25 November 2020

As at the date of this announcement, the executive Directors are Mr. Yan Shuai, Mr. Chan Kwan and 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.