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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 2024

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Reporting Period amounted to approximately HK\$178,596,000 (six months ended 30 September 2023: approximately HK\$155,868,000).
- Loss attributable to the owners of the Company for the Reporting Period amounted to approximately HK\$10,563,000 (six months ended 30 September 2023: profit attributable to the owners of the Company of approximately HK\$18,378,000).
- Basic and diluted loss per share of the Company for the Reporting Period amounted to approximately HK cents 9.30 (six months ended 30 September 2023: restated basic and diluted earnings per share of approximately HK cents 19.80).
- The Board does not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2023: 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 2024 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Notes	For the six months ended 30 September	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue	4	178,596	155,868
Cost of sales	5(c)	(140,066)	(114,693)
Gross profit		38,530	41,175
Other income, other gains and losses, net		1,512	942
Selling expenses		(2,947)	–
General and administrative expenses		(41,906)	(25,766)
(Impairment losses)/Reversal of impairment losses on financial and contract assets, net	5(c)	(725)	8,711
(Loss)/Profit from operations		(5,536)	25,062
Finance costs	5(a)	(5,113)	(4,587)
(Loss)/Profit before tax	5	(10,649)	20,475
Income tax expense	6	(1,090)	(2,097)
(Loss)/Profit for the period		(11,739)	18,378
(Loss)/Profit attributable to:			
Owners of the Company		(10,563)	18,378
Non-controlling interests		(1,176)	–
		(11,739)	18,378
		HK cents	HK cents
			(Restated)
(Loss)/Earnings per share			
– Basic	8	(9.30)	19.80
– Diluted	8	(9.30)	19.80

	For the six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit for the period	<u>(11,739)</u>	<u>18,378</u>
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of foreign operations	148	(562)
Other comprehensive income that will not reclassified to profit or loss in subsequent periods:		
Equity investment at fair value through other comprehensive income :		
– Change in fair value	<u>(1,211)</u>	–
Other comprehensive income for the period, net of tax	<u>(1,063)</u>	<u>(562)</u>
Total comprehensive income for the period	<u><u>(12,802)</u></u>	<u><u>17,816</u></u>
Attributable to:		
Owners of the Company	(11,656)	17,816
Non-controlling interests	<u>(1,146)</u>	–
	<u><u>(12,802)</u></u>	<u><u>17,816</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		As at 30 September 2024 (Unaudited) <i>HK\$'000</i>	As at 31 March 2024 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	21,551	9,235
Intangible assets		378	290
Financial assets at fair value through other comprehensive income		1,524	2,735
Other receivable	10	271	–
Loans and interest receivables	11	2,775	809
Total non-current assets		<u>26,499</u>	<u>13,069</u>
Current assets			
Inventories		6,769	–
Contract assets		108,671	117,555
Trade and other receivables	10	59,724	49,152
Loans and interest receivables	11	9,140	3,953
Financial assets at fair value through profit or loss		1,562	1,959
Cash and cash equivalents		115,353	138,286
Total current assets		<u>301,219</u>	<u>310,905</u>
Current liabilities			
Trade and other payables and accruals	12	38,074	48,755
Due to a related company	13	54,684	55,351
Due to directors of subsidiaries	13	128,010	122,000
Lease liabilities		5,284	1,618
Tax payable		2,995	2,449
Total current liabilities		<u>229,047</u>	<u>230,173</u>
Net current assets		<u>72,172</u>	<u>80,732</u>
Total assets less current liabilities		<u>98,671</u>	<u>93,801</u>

		As at 30 September 2024 (Unaudited) <i>Notes</i> HK\$'000	As at 31 March 2024 (Audited) <i>HK\$'000</i>
Non-current liabilities			
Long service payment liabilities		1,398	1,486
Lease liabilities		4,636	973
Deferred tax liabilities		<u>902</u>	<u>513</u>
Total non-current liabilities		<u>6,936</u>	<u>2,972</u>
Net assets		<u>91,735</u>	<u>90,829</u>
Capital and reserves attributable to the owners of the Company			
Share capital	14	11,520	9,600
Reserves		<u>80,722</u>	<u>80,722</u>
		92,242	90,322
Non-controlling interests		<u>(507)</u>	<u>507</u>
Total equity		<u>91,735</u>	<u>90,829</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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. 07, 16/F., Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

The Group is principally engaged in the provision of (i) foundation construction; (ii) ground investigation services; (iii) financial services; (iv) trading of consumer products; and (v) e-commerce sales, live streaming and promotion business in the social media.

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 statements is presented in Hong Kong Dollars (HK\$) and all values are rounded to the nearest thousand except otherwise stated. The unaudited condensed consolidated interim financial statements was approved for issue by the Board of Directors on 27 November 2024.

The unaudited condensed consolidated interim financial statements 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 has 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 D2 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 2024, 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 2024 for the preparation of the Group’s unaudited condensed consolidated interim financial statements:

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current (the “2020 Amendments”)*

Amendments to HKAS 1, Non-current Liabilities with Covenants (the “2022 Amendments”)*

Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

* As a consequence of amendments to HKAS 1 issued in August 2020 and December 2022, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording without change in conclusion.

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 interim financial statements.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of foundation construction, ground investigation services, financial services, trading of consumer products and e-commerce sales, live streaming and promotion business in the social media.

Revenue represents revenue from construction contracts, ground investigation services, financial services, trading of consumer products and e-commerce sales, live streaming and promotion business in the social media. Disaggregation of revenue from contracts with customers of each significant category during the respective periods is as follows:

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15:		
Revenue from construction contracts	119,280	115,005
Revenue from ground investigation services	24,583	40,460
Revenue from trading of consumer products	2,808	–
Revenue from e-commerce sales, live streaming and promotion business	28,511	–
Revenue from others	3,297	–
	<u>178,479</u>	<u>155,465</u>
Revenue from other sources		
Interest income from financial services	<u>117</u>	<u>403</u>
	<u>178,596</u>	<u>155,868</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 five 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 consumer products: this segment engages in the trading of consumer products.
- E-commerce sales, live streaming and promotion business: this segment engages in the merchandise sales in e-commerce platform, the provision of e-commerce live streaming and promotion services in the social media.

(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 (i) unallocated head office and corporate assets, (ii) financial assets at fair value through other comprehensive income ("FVOCI") and (iii) financial assets at fair value through profit or loss ("FVTPL"), if any. Segment liabilities include all current and non-current liabilities with the exception of (i) unallocated head office and corporate liabilities, (ii) tax payable and (iii) 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 profit/(loss) is profit/(loss) before tax.

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 2024 and 2023 are as follows:

	Six months ended 30 September 2024						Total
	Foundation construction works	Ground investigation services	Financial services	Trading of consumer products	E-commerce sales, live streaming and promotion business	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Disaggregated by timing of revenue recognition							
– overtime	119,280	24,583	117	–	–	–	143,980
– at a point in time	–	–	–	2,808	28,511	3,297	34,616
Revenue from external customers	119,280	24,583	117	2,808	28,511	3,297	178,596
Reportable segment revenue	<u>119,280</u>	<u>24,583</u>	<u>117</u>	<u>2,808</u>	<u>28,511</u>	<u>3,297</u>	<u>178,596</u>
Reportable segment gross profit	<u>25,173</u>	<u>10,531</u>	<u>117</u>	<u>338</u>	<u>2,142</u>	<u>229</u>	<u>38,530</u>
Reportable segment profit/(loss) before tax	<u>9,964</u>	<u>4,556</u>	<u>(8,771)</u>	<u>276</u>	<u>(4,818)</u>	<u>(1,117)</u>	<u>90</u>
Interest income from bank deposits	–	–	365	368	1	6	740
Interest expense	3,356	–	306	8	84	–	3,754
Depreciation and amortisation for the period	539	860	1,696	81	174	32	3,382
Impairment losses/(Reversal of impairment losses) on financial and contract assets, net	<u>3,220</u>	<u>32</u>	<u>(2,211)</u>	<u>27</u>	<u>36</u>	<u>14</u>	<u>1,118</u>

	Foundation construction works	Ground investigation services	Financial services	Trading of consumer products	E-commerce sales, live streaming and promotion business	Total
	<i>HK\$'000</i>	<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)	(Unaudited)
Disaggregated by timing of revenue recognition						
– overtime	115,005	40,460	403	–	–	155,868
– at a point in time	–	–	–	–	–	–
Revenue from external customers	<u>115,005</u>	<u>40,460</u>	<u>403</u>	<u>–</u>	<u>–</u>	<u>155,868</u>
Reportable segment revenue	<u>115,005</u>	<u>40,460</u>	<u>403</u>	<u>–</u>	<u>–</u>	<u>155,868</u>
Reportable segment gross profit	<u>22,443</u>	<u>18,329</u>	<u>403</u>	<u>–</u>	<u>–</u>	<u>41,175</u>
Reportable segment profit before tax	<u>10,698</u>	<u>12,575</u>	<u>3,576</u>	<u>2,551</u>	<u>–</u>	<u>29,400</u>
Interest income from bank deposits	–	–	6	–	–	6
Interest expense	3,054	–	61	–	–	3,115
Depreciation for the period	338	874	232	–	–	1,444
Impairment losses/(Reversal of impairment losses) on financial and contract assets, net	<u>679</u>	<u>79</u>	<u>(7,021)</u>	<u>(2,330)</u>	<u>–</u>	<u>(8,593)</u>

	As at 30 September 2024						Total
	Foundation construction works	Ground investigation services	Financial services	Trading of consumer products	E-commerce sales, live streaming and promotion business		
					Others		
					Others		
<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	
Reportable segment assets	292,059	70,264	210,302	66,960	7,279	9,913	656,777
Capital expenditure	4,985	7	1,465	367	16	324	7,164
Reportable segment liabilities	198,533	14,388	339,252	60,135	5,859	984	619,151

	As at 31 March 2024						Total
	Foundation construction works	Ground investigation services	Financial services	Trading of consumer products	E-commerce sales, live streaming and promotion business		
					Others		
					Others		
<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	
Reportable segment assets		283,990	65,394	165,693	67,080	6,953	589,110
Capital expenditure		459	204	1,067	–	650	2,380
Reportable segment liabilities		201,092	14,074	286,619	60,376	814	562,975

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

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue and consolidated revenue	<u>178,596</u>	<u>155,868</u>
(Loss)/Profit		
Reportable segment profit	90	29,400
Net change in fair value of financial assets at FVTPL	(397)	–
Unallocated head office and corporate expenses	<u>(10,342)</u>	<u>(8,925)</u>
Consolidated (loss)/profit before tax	<u>(10,649)</u>	<u>20,475</u>
	As at	As at
	30 September	31 March
	2024	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Assets		
Reportable segment assets	656,777	589,110
Elimination of inter-segment and head office's receivables	<u>(340,811)</u>	<u>(278,885)</u>
	315,966	310,225
Financial assets at FVOCI	1,524	2,735
Financial assets at FVTPL	1,562	1,959
Unallocated head office and corporate assets	<u>8,666</u>	<u>9,055</u>
Consolidated total assets	<u>327,718</u>	<u>323,974</u>
Liabilities		
Reportable segment liabilities	619,151	562,975
Elimination of inter-segment and head office's payables	<u>(443,952)</u>	<u>(390,487)</u>
	175,199	172,488
Tax payable	2,995	2,449
Deferred tax liabilities	902	513
Unallocated head office and corporate liabilities	<u>56,887</u>	<u>57,695</u>
Consolidated total liabilities	<u>235,983</u>	<u>233,145</u>

(iii) Geographical information

(i) Revenue from external customers

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	146,788	155,868
Chinese Mainland	31,808	—
	178,596	155,868

(ii) Non-current assets

	As at	As at
	30 September	31 March
	2024	2024
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	23,975	11,339
Chinese Mainland	2,524	1,730
	26,499	13,069

5. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest on borrowing from a related company	1,333	1,462
Interest on borrowings from directors of subsidiaries	3,419	3,050
Interest on lease liabilities	361	75
	<u>5,113</u>	<u>4,587</u>
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	41,156	30,613
Contributions to defined contribution retirement plans	1,576	1,030
	<u>42,732</u>	<u>31,643</u>
(c) Other items		
Cost of sales:		
– cost of construction	108,159	114,693
– cost of services provided	19,062	–
– cost of goods sold	12,845	–
	<u>140,066</u>	114,693
Depreciation and amortisation:		
– property, plant and equipment	1,640	1,201
– right-of-use assets	2,162	852
– Intangible assets	2	–
	<u>3,804</u>	2,053
Impairment losses/(Reversal of impairment losses) on financial and contract assets, net		
– loans and interest receivables	(1,353)	(6,772)
– trade receivables and contract assets	3,281	(1,576)
– other receivables	(1,203)	(363)
	<u>725</u>	<u>(8,711)</u>
Gain on disposal of property, plant and equipment	(500)	(135)
Foreign exchange gain, net	(134)	–
	<u>(134)</u>	<u>–</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Charge for the period	702	2,043
Deferred tax	388	54
	<u>1,090</u>	<u>2,097</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 2023: 16.5%) of the estimated assessable profits for the period. Except for one subsidiary of the Group selected as qualifying corporation under the two-tiered Profits Tax rate regime, in which, the first HK\$2 million of assessable profits is taxed at 8.25% and the remaining assessable profits is taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in both periods.
- (iii) According to the relevant announcements of income tax relief policy for small low-profit enterprises issued by the State Administration of Taxation, a lower corporate income tax (“CIT”) rate is applicable to small scale enterprises with low profitability that meet certain conditions, pursuant to which, the subsidiaries qualified as small-scale enterprises with assessable profits not over RMB3,000,000 are effectively taxable at 5% (i.e. 20% CIT rate on the 25% of the assessable profits) for the Reporting Period and the period ended 30 September 2023.

7. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: nil).

8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the following:

	Six months ended	
	30 September	
	2024	2023
	(Unaudited)	(Unaudited)
(Loss)/Profit		
(Loss)/Profit attributable to owners of the Company (<i>HK\$'000</i>)	(10,563)	18,378
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share (<i>in thousand</i>)	113,626	92,836
Basic (loss)/earnings per share (<i>HK cents</i>)	<u>(9.30)</u>	<u>19.80</u>

For the six months ended 30 September 2024 and 2023, the calculation of the basic (loss)/earnings per share attributable to owners of the Company was based on (i) the (loss)/profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares in issue which was adjusted by the effect of 3,164,500 shares (adjusted) held for the Group's share award scheme and share consolidation in November 2023 (note 14(b)(i)). Comparative figure has also been adjusted on the assumption that the share consolidation have been effective in the previous period.

Diluted (loss)/earnings per share

There were no diluted potential shares in existence during the periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the movements in the Group's property, plant and equipment are mainly as follows:

- (i) Additions to property, plant and equipment amounted to approximately HK\$7,074,000 during the Reporting Period (six months ended 30 September 2023: approximately HK\$263,000), which mainly represented the additions to machineries.
- (ii) The Group entered into 4 tenancy agreements with independent third parties for a term from 2 to 3 years during the Reporting Period. The present value of the right-of-use assets and lease liabilities amounted to approximately HK\$9,000,000 were initially recognised during the Reporting Period (six months ended 30 September 2023: nil).

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Trade receivables (<i>note</i>)	43,275	31,800
Deposits, prepayments and other receivables	<u>49,791</u>	<u>50,530</u>
	<u>93,066</u>	<u>82,330</u>
Less: Impairment		
– trade receivables (<i>note</i>)	(3,885)	(1,177)
– other receivables	<u>(29,186)</u>	<u>(32,001)</u>
	<u>(33,071)</u>	<u>(33,178)</u>
	<u>59,995</u>	<u>49,152</u>
Less: other receivable classified as non-current portion	<u>(271)</u>	–
Current portion	<u>59,724</u>	<u>49,152</u>

Note: The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Trade receivables are normally due within 30 to 60 days from the certificate date or 45 to 90 days from the invoice date.

Aging analysis

As at the end of the Reporting Period, the aging analysis of trade receivables, net of impairment, based on the date of progress certificates issued by customers or date of invoice issued to customers and net of allowance is as follows:

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
Less than 30 days	24,389	10,409
31 to 60 days	991	6,330
61 to 90 days	18	1,754
Over 90 days	13,992	12,130
	<u>39,390</u>	<u>30,623</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
At beginning of period/year	1,177	10,584
Impairment provided/(Reversal of impairment) during the period/year	2,708	(9,407)
At end of period/year	<u>3,885</u>	<u>1,177</u>

11. LOANS AND INTEREST RECEIVABLES

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
Fixed-rate loans receivable	18,700	12,900
Less: Impairment	(6,785)	(8,138)
	<u>11,915</u>	<u>4,762</u>
Less: loan receivable classified as non-current portion	(2,775)	(809)
Current portion	<u>9,140</u>	<u>3,953</u>

As at 30 September 2024, (i) the loan receivable (the “**Corporate Loan**”) from a corporate borrower with an outstanding amount of HK\$8,900,000 (31 March 2024: HK\$12,900,000), which is secured by personal guarantees, is repayable by instalments up to 30 September 2025 and the interest thereon has been waived unless any default occurs in repayment as scheduled pursuant to the settlement agreement entered by the Group and the corporate borrower on 31 July 2023; and (ii) the loans receivables (the “**Personal Loans**”) from two individuals with an aggregate principal amount of HK\$9,800,000 are newly granted by the Group during the Reporting Period. The Personal Loans are unsecured, interest bearing at 8% and 15% per annum and repayable on or before 26 February 2025 and 8 July 2026, respectively.

Provision for impairment on loans and interest receivables of approximately HK\$6,785,000 (31 March 2024: approximately HK\$8,138,000) are provided for the outstanding balances of the Corporate Loan and the Personal Loans as at 30 September 2024.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
Trade payables	22,452	30,930
Retention payables	6,862	5,919
Other payables and accruals	8,760	11,906
	<u>38,074</u>	<u>48,755</u>

Aging analysis

As at the end of the Reporting Period, aging analysis of trade payables based on the invoice date is as follows:

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
Less than 30 days	10,854	17,348
31 to 60 days	9,136	9,357
61 to 90 days	848	2,922
Over 90 days	1,614	1,303
	<u>22,452</u>	<u>30,930</u>

13. AMOUNT DUE TO A RELATED COMPANY/DIRECTORS OF SUBSIDIARIES

Due to a related company

The amount due to Bright Dynasty Trading Limited (“**Bright Dynasty**”), a related company, which is 100% beneficially owned by Mr. Fong Hon Hung (“**Mr. Fong**”), is unsecured, repayable on demand and bearing interest at 5% (for the year ended 31 March 2024: 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.

Due to directors of subsidiaries

The amount due to Mr. Lau Woon Si (“**Mr. Lau**”), is unsecured, bearing interest at 6.5% (year ended 31 March 2024: 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.

The amount due to Mr. Chen Yu (“**Mr. Chen**”), is unsecured, bearing interest at 4.5% (year ended 31 March 2024: nil) per annum and repayable on demand. Mr. Chen is a member of key management personnel of the Group and is a director of a subsidiary.

14. SHARE CAPITAL

	As at 30 September 2024 (Unaudited) <i>HK\$'000</i>	As at 31 March 2024 (Audited) <i>HK\$'000</i>
Share capital of the Company		
Authorised:		
200,000,000 (31 March 2024: 200,000,000) ordinary shares of HK\$0.1 each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid:		
115,200,000 (31 March 2024: 96,000,000) ordinary shares of HK\$0.1 each	<u>11,520</u>	<u>9,600</u>

(a) A summary of movements in the Company's authorised share capital is as follows:

	30 September 2024 (Unaudited)		31 March 2024 (Audited)	
	Number of ordinary shares	Nominal value HK\$'000	Number of ordinary shares	Nominal value HK\$'000
Authorised:				
At beginning of period/year, ordinary shares of HK\$0.1 each (1 April 2023: HK\$ 0.01 each)	200,000,000	20,000	2,000,000,000	20,000
Share consolidation	–	–	(1,800,000,000)	–
At end of period/year, ordinary shares of HK\$0.1 each	<u>200,000,000</u>	<u>20,000</u>	<u>200,000,000</u>	<u>20,000</u>

(b) A summary of movements in the Company's issued and fully paid share capital is as follows:

	30 September 2024 (Unaudited)		31 March 2024 (Audited)	
	Number of ordinary shares	Nominal value HK\$'000	Number of ordinary shares	Nominal value HK\$'000
Issued and fully paid:				
At beginning of period/year	96,000,000	9,600	960,000,000	9,600
Share consolidation (<i>note (i)</i>)	–	–	(864,000,000)	–
Issue of shares (<i>note (ii)</i>)	<u>19,200,000</u>	<u>1,920</u>	–	–
At end of period/year	<u>115,200,000</u>	<u>11,520</u>	<u>96,000,000</u>	<u>9,600</u>

Notes:

- (i) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 20 November 2023, every ten issued and unissued existing shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.1 each. The share consolidation has been effective on 22 November 2023.
- (ii) On 3 April 2024, the Company entered into a placing agreement (the “**Placing Agreement**”) with a placing agent, pursuant to which, the placing agent has conditionally agreed, as the placing agent of the Company, to procure, on a best effort basis, not less than six placees to subscribe for (the “**Placing**”) up to 19,200,000 placing shares (the “**Placing Shares**”) at placing price of HK\$1.00 per Placing Share.

Upon the completion of the Placing on 16 April 2024, the net proceeds from the Placing were approximately HK\$18,708,000 (net of the issuing expense of approximately HK\$492,000).

15. COMMITMENTS

As at 30 September 2024, the Group had no significant capital commitments (31 March 2024: nil).

16. MATERIAL RELATED PARTY TRANSACTIONS

During the Reporting Period, 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 Mr. Lau
Chung Wah Investment Company Limited	A related company owned by Mr. Lau
Mr. Cheung Kit Shing (“ Mr. Cheung ”)	A director of a subsidiary (Resigned on 3 May 2024)
Cheer Trend Limited	Non-controlling interest of a subsidiary until the completion of the Pure Luck Acquisition (defined hereinbelow), wholly-owned by Mr. Cheung
Etoiles Consultancy Limited	A related company owned by Mr. Cheung

In addition to the transactions and balances disclosed in notes 5(a) and 13 in these condensed consolidated interim financial statements, the Group rented properties from the related parties during the Reporting 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Repayment of lease liabilities		
– Chung Hang Enterprises Holdings Limited	360	360
– Chung Wah Investment Company Limited	690	690
Acquisition of the additional interest in the Pure Luck Acquisition		
– Cheer Trend Limited	5,000	–
Annual retainer of investor relation service		
– Etoiles Consultancy Limited	96	–
	6,146	1,050

Key management personnel remuneration

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	7,379	4,922
Post-employment benefits	54	20
	<u>7,433</u>	<u>4,942</u>

17. ACQUISITION OF THE ADDITIONAL INTEREST IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

At the beginning of the Reporting Period, the Group held 51% equity interest in Pure Luck International Limited (“**Pure Luck**”) which was accounted for as interest in a subsidiary as the Group had controls over Pure Luck.

During the Reporting Period, the Group further entered into an agreement and supplemental agreement with the non-controlling interest, pursuant to which, the Group acquired (the “**Pure Luck Acquisition**”) (i) the remaining 49% equity interests of Pure Luck from the non-controlling interest; and (ii) assumed the outstanding indebtedness due from the non-controlling interest for a cash consideration of HK\$5,000,000.

Upon completion of the Pure Luck Acquisition on 3 May 2024, Pure Luck became a wholly owned subsidiary of the Group. As the Pure Luck Acquisition did not involve the change of control, therefore the difference between the consideration and the carrying amount of the non-controlling interests of approximately HK\$5,132,000 was recognised into the condensed consolidated statement of change in equity as “Capital reserve”.

18. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the Reporting Period, the Group had the following material transactions:

(a) Disposal of financial assets at FVOCI

On 11 November 2024, the Group entered into an agreement with certain independent third parties, pursuant to which, the Group shall dispose (the “**Disposal**”) of approximately 19.7% equity interest in Matsu Gami Group at a consideration of HK\$1,600,000. The completion of the Disposal will take place on 31 December 2024.

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; (iv) trading of consumer products; and (v) e-commerce sales, live streaming and promotion business in the social media.

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 amounted to approximately 66.8% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2023: approximately 73.8%).

Ground Investigation Services

The Group also acted as a contractor to provide ground investigation services in both public and private sectors in Hong Kong during the Reporting Period. Revenue from ground investigation services amounted to approximately 13.8% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2023: approximately 25.9%).

Financial Services

During the Reporting Period, revenue from financial services amounted to approximately 0.1% of the total revenue of the Group (six months ended 30 September 2023: approximately 0.3%).

Trading of consumer products

During the Reporting Period, revenue from trading of consumer products amounted to approximately 1.6% of the total revenue of the Group (six months ended 30 September 2023: nil).

E-commerce sales, live streaming and promotion business in the social media

During the Reporting Period, revenue from e-commerce sales, live streaming and promotion business in the social media contributed approximately 16.0% to the total revenue of the Group (six months ended 30 September 2023: nil).

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period increased by approximately HK\$22,728,000 or approximately 14.6%, from approximately HK\$155,868,000 for the six months ended 30 September 2023 to approximately HK\$178,596,000 for the Reporting Period, primarily as a net effect of the following:

Foundation Construction

The revenue from foundation construction works increased by approximately 3.7%, from approximately HK\$115,005,000 for the six months ended 30 September 2023 to approximately HK\$119,280,000 for the Reporting Period, mainly due to the increase in number of sizeable foundation construction projects tendered by the Group during the Reporting Period.

Ground Investigation Services

The revenue from ground investigation services decreased by approximately 39.2%, from approximately HK\$40,460,000 for the six months ended 30 September 2023 to approximately HK\$24,583,000 for the Reporting Period, mainly due to the decrease in number of sizeable ground investigation projects tendered by the Group during the Reporting Period.

Financial Services

The revenue for financial services amounted to approximately HK\$117,000 for the Reporting Period (six months ended 30 September 2023: approximately HK\$403,000).

Trading of consumer products

The revenue for trading of consumer products amounted to approximately HK\$2,808,000 for the Reporting Period. There was no revenue generated from the Group's trading business in the six month ended 30 September 2023 as the Group was yet to receive an outstanding trade receivable. The Group has resumed the trading business with a broader focus on general consumer products during the Reporting Period since the said outstanding trade receivable was fully settled.

E-commerce sales, live streaming and promotion business in the social media

During the Reporting Period, revenue from e-commerce sales, live streaming and promotion business in the social media amounted to approximately HK\$28,511,000 (six month ended 30 September 2023: nil). The increase in revenue was mainly due to that the Group has commenced e-commerce sales, live streaming and promotion business since 2024.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately HK\$38,530,000 for the Reporting Period (six months ended 30 September 2023: approximately HK\$41,175,000). The Group's overall gross profit margin during the Reporting Period was approximately 21.6% (six months ended 30 September 2023: approximately 26.4%).

Gross profit of the Group's foundation construction segment was approximately HK\$25,173,000 for the Reporting Period (six months ended 30 September 2023: approximately HK\$22,443,000). Gross profit margin of the foundation construction segment was approximately 21.1% for the Reporting Period (six months ended 30 September 2023: approximately 19.5%). The increase in gross profit margin was mainly due to the improvement in the bidding price of the new tenders.

Gross profit of the Group's ground investigation services segment was approximately HK\$10,531,000 for the Reporting Period, representing a decrease of approximately 42.5% from approximately HK\$18,329,000 as compared to the six months ended 30 September 2023. Gross profit margin of the ground investigation services segment decreased from approximately 45.3% for the six months ended 30 September 2023 to approximately 42.8% for the Reporting Period. The decrease in gross profit margin was mainly due to the decrease in the bidding price of the new tenders.

Gross profit of the Group's financial services was approximately HK\$117,000 for the Reporting Period (six months ended 30 September 2023: approximately HK\$403,000). Gross profit margin of the financial service amounted to approximately 100.0% for the Reporting Period (six months ended 30 September 2023: approximately 100.0%).

Gross profit of the Group's trading of consumer products was approximately HK\$338,000 for the Reporting Period (six months ended 30 September 2023: nil). Gross profit margin of the trading of consumer products amounted to approximately 12.0% for the Reporting Period (six months ended 30 September 2023: nil).

Gross profit of the Group's e-commerce sales, live streaming and promotion segment was approximately HK\$2,142,000 for the Reporting Period (six months ended 30 September 2023: nil). Gross profit margin of e-commerce sales, live streaming and promotion segment amounted to approximately 7.5% for the Reporting Period (six months ended 30 September 2023: nil).

Other Income, Other Gains and Losses, Net

The other income, other gains and losses, net increased by approximately HK\$570,000 from approximately HK\$942,000 for the six months ended 30 September 2023 to approximately HK\$1,512,000 for the Reporting Period. The increase was mainly due to (i) the increase in sales of raw materials by approximately HK\$204,000 and (ii) increase in gain on disposal of property, plant and equipment by approximately HK\$365,000.

Selling expenses

The Group's selling expenses for the Reporting Period were approximately HK\$2,947,000 (six months ended 30 September 2023: nil). The expenses were mainly contributed from the e-commerce sales, live streaming and promotion business in the social media.

General and administrative expenses and impairment losses on the financial and contract assets, net

The Group's general and administrative expenses and impairment losses on the financial and contract assets, net for the Reporting Period were approximately HK\$42,631,000 (six months ended 30 September 2023: approximately HK\$17,055,000), representing an increase of approximately 150.0% as compared to the corresponding period in 2023. The higher general and administrative expenses incurred during Reporting Period as compared to that of the six months ended 30 September 2023 was mainly due to the increase in staff costs by approximately HK\$11,089,000. In addition, the provision of impairment losses on financial and contract assets was recorded in the Reporting Period while a reversal of impairment losses on financial and contract assets was recorded in the corresponding period in 2023.

Finance Costs

For the Reporting Period, the finance costs were approximately HK\$5,113,000 (six months ended 30 September 2023: approximately HK\$4,587,000). The increase was mainly due to (i) the increase in interest on borrowing from directors of subsidiaries by approximately HK\$369,000 and (ii) the increase in interest on lease liabilities by approximately HK\$286,000.

Income Tax

The tax expense for the Reporting Period was approximately HK\$1,090,000 (six months ended 30 September 2023: approximately HK\$2,097,000). The change was mainly due to the decrease in assessable profits of Hong Kong Profits Tax for the Reporting Period.

Financial assets at fair value through other comprehensive income

As at 30 September 2024, the financial assets at fair value through other comprehensive income represents approximately 19.7% equity interest of Matsu Gami IP Development Limited and its subsidiaries (collectively, the “**Matsu Gami Group**”). During the Reporting Period, the fair value loss amounted to approximately HK\$1,211,000 (six months ended 30 September 2023: approximately HK\$2,397,000). The Group determined the fair value of these equity investments as at 30 September 2024 by using discounted cash flow method.

Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss (“**FVTPL**”) represents the listed equity investments.

The fair value of listed equity investments is determined with reference to quoted market bid price from the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) and within level 1 of the fair value hierarchy. The fair value loss of approximately HK\$397,000 (six month ended 30 September 2023: nil) was recognised in the condensed consolidated statement of profit or loss for the Reporting Period.

Material provision for expected credit losses in relation to specific corporate loan receivable and other receivable from subscription

In relation to the specific corporate loan receivable for money lending business (the “**Corporate Loan Receivable**”) and other receivable from subscription, the Group recognised reversal of expected credit losses of the Corporate Loan of approximately HK\$1,442,000 due to the partial subsequent settlement of the outstanding balances for the Reporting Period. The aggregate amount of expected credit losses was approximately HK\$33,622,000 (after reversal was made) as at 30 September 2024 (the “**Impairment Loss**”).

(a) Corporate Loan Receivable

Prior to the grant of the Corporate Loan Receivable, the Group performed various due diligence and credit assessment work on each of the borrowers and guarantors, which include (i) obtaining of the latest management financial statements, statutory records and credit history (where applicable) to assess the background and financial position of the borrowers and to identify any indicators of high default risks; (ii) considering the key terms by referencing the prevailing market interest rate and the financial position of the borrowers to compensate the associated credit risk (the “**Credit Risk Assessments**”); and (iii) performing an assessment to ensure compliance with the relevant requirements and regulations of anti-money laundering and counter-terrorist financing. The Group, having not identified any indication of high default risk of the loans and having assessed the terms and conditions for the grant of the Corporate Loan Receivable based on Credit Risk Assessments, considered that the initial grant of the loans based on such terms and conditions was fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Corporate Loan Receivable was past due since June 2020. The Company has commenced the winding up process against the customer company responsible for the non-payment of the Corporate Loan Receivable in April 2023. The hearing of the winding-up petition originally fixed on 28 June 2023 was adjourned to 7 August 2023, and the Group has been liaising with the borrower in the interim with the view of settling the outstanding repayment amount. The Company subsequently entered into a settlement agreement and deed of guarantee with the borrower of the Corporate Loan Receivable and related guarantors on 31 July 2023, with the last instalment repayable on or before 30 September 2025 based on the repayment scheme. Following the settlement agreement, the winding-up petition has been withdrawn on 7 August 2023. As at 30 September 2024, the outstanding principal was HK\$8,900,000.

(b) Other receivable from subscription

Other receivable from subscription is represented by an outstanding redemption amount arising from the redemption of a debt instrument which expired on 18 March 2023. The debt instrument was represented by certain class C shares in a fixed-income focused fund portfolio company (the “**Fund**”) managed by an external manager (the “**Manager**”) and a delegated investment manager (the “**Investment Manager**”) (all being independent third parties) which were subscribed by Sino Topper Holdings Limited (“**Sino Topper**”), a wholly-owned subsidiary of the Company, on 20 April 2020 at a total subscription amount of HK\$60,000,000 with a term of 36 months after first issuance of any class B shares and class C shares (the “**Subscription**”). The Subscription was made at the material time as an investment to utilize the idle cash balance of the Group. For details of the Subscription, please refer to the announcements of the Company dated 20 April 2020 and 8 May 2020.

Prior to the Subscription, the Group performed various due diligence work on the Fund, the Manager and the Investment Manager, which include (i) conducting the necessary “know your customer” checks by obtaining their constitutional documents and statutory records to assess their background, (ii) reviewing the experience, qualifications and licenses of the Manager, the Investment Manager and the personnel in charge of the day-to-day operation of the Fund to consider their competence, (iii) reviewing the nature, composition, historical performance and future prospects of the target investments of the Fund to consider its risk profile and (iv) reviewing the material terms and conditions of the Fund including but not limited to rate of returns, target investment size, maturity period and exit mechanisms to consider their commercial reasonableness (the “**Investment Risk Assessments**”). The Group, having not identified any indication of high default risk of the Fund, and having assessed the terms and conditions for the Subscription based on the Investment Risk Assessments, considered that the Subscription based on such terms and conditions was fair and reasonable and was in the interest of the Company and its shareholders as a whole.

After the expiry date of the debt instrument (i.e. 18 March 2023), and taking into account the repayments received by Sino Topper for the partial redemption made prior to the expiry date, Sino Topper has received an aggregate of approximately HK\$40,181,000 (inclusive of accrued interest) as repayments for redemption of its subscription amount with the last batch of repayments received in December 2023, after which no further repayments have been received. Despite repeated efforts made by the Directors throughout the Reporting Period to communicate with the Fund, the Manager and the Investment Manager to demand for settlement of the outstanding redemption amount, Sino Topper has not received any explanation for the delay in repayment, and no further reply has been received since June 2023.

Between April 2024 and July 2024, Sino Topper has issued demand letters against the Fund, the Manager, the Investment Manager, and the former Responsible Officer of the Investment Manager. Sino Topper has further engaged BVI lawyers in September 2024 and issued a Statutory Demand against the Fund in October 2024. Sino Topper intends to commence winding up proceedings against the Fund. As at the date of this announcement, a total redemption amount of approximately HK\$26,926,000 remains outstanding and payable to Sino Topper by the Fund and/or others.

(c) Impairment loss and key value of inputs used and assumptions adopted in impairment assessment

The Group has conducted the impairment assessment over its Corporate Loan Receivable and other receivable from subscription as at 30 September 2024 (the “**Impairment Assessment**”).

The calculation adopted in the expected credit loss model (the “**ECL Model**”) to measure the ECL of the Corporate Loan Receivable and other receivable from subscription. Major inputs of the ECL Model include (i) probability of default (the “**PD**”) of the borrowers/debtors which in turn affecting the credit specific factor by, inter alia, assessing the loss stages and checking forward looking assumptions involved; (ii) loss given default; (iii) exposure at default; and (iv) discount factor reflecting time value of money. There is no significant change in the calculation methodology and major inputs.

The expected credit loss rate (the “**ECL rate**”) for the Corporate Loan Receivable was 75.2% (as at 31 March 2023: 63.1%), and the provision for expected credit loss for the Corporate Loan Receivable was approximately HK\$6,696,000 for the Corporate Loan Receivable with gross carrying amount of approximately HK\$8,900,000 as at 30 September 2024.

The ECL rate for other receivable from subscription in respect of the outstanding redemption amount was relatively high in the Reporting Period due to significant increase in credit risks since initial recognition due to (i) the debt instrument has matured for more than a year since March 2023, and (ii) it is uncertain whether Sino Topper is able to enter into any settlement agreements with the Fund, the Manager and the Investment Manager to secure the repayment of the outstanding redemption amount as the Fund, the Manager and the Investment Manager have not been responsive, and (iii) between April and July 2024, Sino Topper has issued demand letters to the Fund, the Manager, the Investment Manager and the former Responsible Officer of the Investment Manager for the non-payment of the outstanding redemption amount, Sino Topper has further and engaged BVI lawyers in September 2024 and issued a Statutory Demand against the Fund in October 2024, Sino Topper intends to commence the winding up proceedings against the Fund. Accordingly, the Group has provided a full provision of approximately HK\$26,926,000 for other receivable in respect of the outstanding redemption amount with gross carrying amount of approximately HK\$26,926,000 as at 30 September 2024.

Money lending business

Within the Group's money lending business, prospective borrowers are sourced from the management's business networks. A credit committee ("**Credit Committee**") was established and the primary responsibility of this committee is to assess and approve loans. During the credit assessment phase, multiple approval criteria are considered, including the client's income source, outstanding debt, credit history, loan history with our company and relevant assessment results obtained during the application procedure.

As of 30 September 2024, the combined outstanding balances of the top three clients (as of 31 March 2024: one client) in the money lending business equated to 100% of the Group's total loan receivables (as of 31 March 2024: 100%).

Business model of the Group's money lending business

The Group's money lending business is managed through a wholly-owned subsidiary, Fortune Shiny (Hong Kong) Limited ("**Fortune Shiny**"), which holds a money lenders license issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Fortune Shiny provides loan financing services to both individual and corporate clients who are third parties independent of the Company and its connected persons (as defined in the Rules (the "**Listing Rules**")) Governing the Listing of Securities on the Stock Exchange. Corporate loans are offered to corporate clients requiring loan financing for their corporate needs, while individual loans are provided to clients who require loan financing for their personal needs.

Fortune Shiny is capable of granting loan financing services to both corporate and individual clients with greater flexibility compared to licensed banks and was established to generate interest income by providing loan financing services in Hong Kong. The Group's money lending business is primarily financed through internal resources.

Credit assessment policy

Loan applications are evaluated and processed on a case-by-case basis, with each application assessed based on its individual merit. Prior to granting loans, the management conducts a financial background and credit check procedure.

The process for loan application involves collecting customer information including identity and financial documents, performing a customer due diligence check to verify identity and understand the purpose of the loan, conducting a background check including legal and property ownership searches, performing a valuation check on the collateral, conducting a credit assessment to determine the borrower's ability to repay, and performing an assessment to ensure compliance with the relevant requirements and regulations of anti-money laundering and counter-terrorist financing. The details of each step may vary depending on the specific circumstances of the loan application.

Overall, the loan application process involves a thorough evaluation of the borrower's financial standing, legal and financial history, collateral, and ability to repay the loan. By performing these checks and assessments, the Group can reduce the risk of default and ensure that their loans are being used for legitimate purposes.

Ongoing monitoring of loan recoverability and loan collection

To ensure recoverability, the Group places particular emphasis on the financial background, assets or capital base, repayment ability, and reputation of the borrower when establishing loan terms. The manager communicates with borrowers regularly to monitor the recoverability of loans and assess the conditions of the borrowers. Any delays in payment or defaults on significant terms of the loan agreement are reported to the management. To mitigate risk and potential credit losses, various measures may be implemented, including but not limited to revising repayment terms, executing a settlement agreement, and/or initiating legal proceedings against the borrower to recover any late payments and default interest. These measures are taken after considering the normal market practice and the actual circumstances during the credit collection processes and negotiations with the relevant customers with the ultimate goal of reducing the possibility of credit losses.

Credit committee

To manage credit risk and operations, the Credit Committee has been established. As at 30 September 2024, the Credit Committee consisted Mr. Bai Huawei and Ms. Xia Liping, with full authority to handle all credit-related matters of Fortune Shiny. All loans must be approved by the Credit Committee, following the authorization matrix for final approval.

The primary responsibilities of the Credit Committee include approving and supervising the Group's money lending business and monitoring the loan portfolio. The Credit Committee is also responsible for overseeing compliance and governance matters such as regularly reviewing and modifying the money lending policy to be in line with changes in the market environment.

Major terms of loans granted

Under the Group's money lending business for the Reporting Period, the Group offered a credit period of 6-24 months for the loan to its personal customers with interest rate of 8%–15% per annum (as at 31 March 2024: nil). The loan to a corporate customer is interest-free, and secured by personal guarantee.

Breakdowns of material loan receivables

As of 30 September 2024, the Group had a total outstanding loan principal amount of approximately HK\$18,700,000 (as at 31 March 2024: approximately HK\$12,900,000) before taking into account the ECL. The outstanding principal amounts relate to the Corporate Loan Receivable and two other personal loans (as at 31 March 2024: one corporate loan). The corporate loan accounted for 47.6% of the outstanding principal amounts of HK\$18,700,000 (as at 31 March 2024: the corporate loan accounted for 100% of the outstanding principal amount of HK\$12,900,000).

The Corporate Loan Receivable became interest-free based on the settlement agreement. During the Reporting Period, the Group granted two personal loans, the interest rates for the principal amounts were 8% to 15% per annum (as at 31 March 2024: nil). The corporate loan receivable accounts as of 30 September 2024 was secured by personal guarantees.

Loan interest income

For the Reporting Period, the total loan interest income from the Group's money lending business was approximately HK\$117,000 (six months ended 30 September 2023: approximately HK\$403,000).

Loss attributable to owners of the Company

For the Reporting Period, the Group recorded a net loss attributable to the owners of the Company of approximately HK\$10,563,000, as compared to a net profit attributable to the owners of the Company of approximately HK\$18,378,000 for the corresponding period in 2023. The turnaround from profit to loss was mainly attributable to (i) the provision of impairment losses on financial and contract assets for the Reporting Period while a reversal of impairment losses on financial and contract assets was recorded in the corresponding period in 2023; and (ii) the increase of selling expenses and general and administrative expense (including Directors' remuneration and staff salaries, the depreciation of right-of-use assets and other operation expenses).

Use of net proceeds from the placing in 2024

References are made to the Company's announcements on 3 April 2024 and 16 April 2024 (the "**2024 Announcements**") in relation to placing of 19,200,000 new ordinary shares of the Company (the "**2024 Placing**") which raised net proceeds of approximately HK\$18.7 million (the "**2024 Net Proceeds**"), representing a net issue price of approximately HK\$0.97 per placing share, and the 2024 Placing was completed on 16 April 2024.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the placees under the 2024 Placing are individual investors who are third parties independent of and not connected with the Company and its connected persons. None of the placees under the 2024 Placing has become a substantial shareholder (as defined under the Listing Rules) of the Company immediately upon completion of the 2024 Placing.

In view of the uncertainties in the economic and business environment of Hong Kong, the Company considered it is critical to replenish the financial resources of the Group for its development. The Directors were of the view that the 2024 Placing would strengthen the financial position and liquidity of the Group and provide financial resources to the Group without incurring interest costs. The Directors also believed that the 2024 Placing represents an opportunity to raise capital for the Company while broadening its Shareholder and capital base.

The aggregate nominal value of the maximum number of placing shares under the 2024 Placing is HK\$1,920,000. The placing price of HK\$1.00 per placing share under the 2024 Placing represents (i) a discount of approximately 14.53% to the closing price of HK\$1.17 per share of the Company (the "**Share**") as quoted on the Stock Exchange on 3 April 2024; and (ii) a discount of approximately 18.70% to the average closing price of approximately HK\$1.23 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding 3 April 2024.

	Planned use of proceeds as disclosed in the 2024 Announcements	Amount utilised during the Reporting Period	Unutilised 2024 Net Proceeds as at 30 September 2024	Expected timeline
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>	
Administration and operation expenses of the headquarters of the Group in Hong Kong				By 31 March 2025
– approximately 70% for director and staff remuneration	13,095	9,793	3,302	
– approximately 8% for rental expense	1,497	1,161	336	
– approximately 12% for professional fee	2,245	2,245	–	
– approximately 10% for other operation expenses	1,871	1,871	–	
	<u>18,708</u>	<u>15,070</u>	<u>3,638</u>	

The remaining Unutilised 2024 Net Proceeds as at 30 September 2024 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations.

Use of net proceeds from the placing in 2016

References are made to the Company's announcement on 29 November 2016 (the "2016 Announcement") in relation to placing of 160,000,000 new ordinary shares of the Company (the "2016 Placing") which raised net proceeds of approximately HK\$134.0 million (the "2016 Net Proceeds") and the announcements in relation to change in use of proceeds from the 2016 Placing dated 2 October 2018 (the "2018 Announcement"), 17 August 2021 (the "2021 Announcement"), 3 January 2023 (the "2023 Announcement"), 17 November 2023 and the annual reports of the Company for the years ended 31 March 2019, 31 March 2022, 31 March 2023 and 31 March 2024.

Part of the 2016 Net Proceeds from the 2016 Placing were utilised up to 30 September 2024 and the unutilised 2016 Net Proceeds are intended to be applied in accordance with the revised proposed application set out in the announcement dated 3 January 2023.

The below table sets out the details of the application of the 2016 Net Proceeds:

Planned use of proceeds as disclosed in the 2016 Announcement	Revised allocation as at 2 October 2018	Unutilised 2016		Unutilised 2016		Unutilised 2016		Unutilised 2016		Amount utilised during the Reporting Period	Unutilised 2016 Net Proceeds as at 30 September 2024	Expected timeline
		Revised allocation as at 17 August 2021	Revised allocation as at 31 March 2021	Revised allocation as at 31 March 2022	Revised allocation as at 31 March 2023	Revised allocation as at 31 March 2024	Revised allocation as at 31 March 2024					
Investment, financing and money lending services	134.0	57.3	-	-	-	-	-	-	-	-	-	N/A
Funding the Acquisition (as defined below)	-	76.7	76.7	-	-	-	-	-	-	-	-	N/A
Funding further possible acquisition(s) (note 4)	-	-	-	70.7	70.7	25.7	25.7	25.7	5.0	20.7	By 31 March 2025	
General working capital	-	-	-	6.0	-	45.0	31.4	-	-	-	-	N/A
	134.0	134.0	76.7	76.7	70.7	70.7	57.1	25.7	5.0	20.7		

Notes:

- As disclosed in the 2018 Announcement, (i) the Group had used approximately HK\$20.8 million of the proceeds of the 2016 Placing for investment and financial services and for setting up a subsidiary with a money lenders licence and the Group intended to utilise up to approximately HK\$36.5 million of the 2016 Net Proceeds in developing the Group's money lending business in the next 12 months; and (ii) the Group intended to change the use of up to approximately HK\$76.7 million of the outstanding 2016 Net Proceeds to fund the acquisition of approximately 51.315% of the issued share capital of Blue Marble Limited at a total consideration of HK\$320,000,000 (the "Acquisition"). The Acquisition then lapsed on 2 April 2020. For details, please refer to the 2018 Announcement and the announcement of the Company dated 2 April 2020.
- On 17 August 2021, the Company resolved to change the use of the outstanding 2016 Net Proceeds, being approximately HK\$76,700,000 as at 31 March 2021 as follows: (i) as to approximately HK\$70,700,000, to fund further possible acquisition(s), including possible exercising of the right to acquire 16% of the issued share capital of Matsu Gami; and (ii) as to the remaining balance of approximately HK\$6,000,000, for general working capital. As at 31 March 2022, the Board has not exercised the call option to acquire 16% of the issued share capital of Matsu Gami. For details, please refer to the 2021 Announcement and the announcement of the Company dated 10 September 2021.
- On 3 January 2023, the Company resolved to change the use of the outstanding 2016 Net Proceeds, being approximately HK\$70,700,000 as at 31 March 2022 as follows: (i) as to approximately HK\$25,700,000, to fund further possible acquisition(s) and (ii) as to the remaining balance of approximately HK\$45,000,000, for general working capital. As at 31 March 2023, the Board has not exercised the call option to acquire 16% of the issued share capital of Matsu Gami. For details, please refer to the 2023 Announcement.

4. The unutilised 2016 Net Proceeds for the further possible acquisition (the “**Further Acquisition**”) are intended to be fully utilised by 31 March 2025 in the acquisition of equity interests in target company(-ies) engaged in the food and beverage and/or the construction sectors, provided that, if any such opportunity(ies) arise in the meantime, the Group may also utilise the unutilised 2016 Net Proceeds for Further Acquisitions (or part thereof) in the acquisition of target company(-ies) engaged in other sector(s) if such acquisition is considered by the Board to be conducive in broadening the source of the revenue for the Group or otherwise in the best interest of the Company and its shareholders as a whole.

During the Reporting Period, the Group entered into an agreement and supplemental agreement with the non-controlling interest, pursuant to which, the Group acquired (i) the remaining 49% equity interests of Pure Luck from the non-controlling interest; and (ii) assumed the outstanding indebtedness due from the non-controlling interest for a cash consideration of HK\$5,000,000.

The remaining unutilised 2016 Net Proceeds as at 30 September 2024 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations.

Prospects

The Board expected that there may be an uncertainty in the development of the construction segment for both private and public sectors. The Group will be prudent in tendering potential project. In order to maintain the stability and sustainability of the Group’s existing businesses, the Company has expanded its businesses of the existing operations. Meanwhile, 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.

Debts and charge on assets

The total interest-bearing borrowings of the Group mainly consisted of lease liabilities, borrowing from directors of subsidiaries and borrowing from a related company of the Group, increased from approximately HK\$179,942,000 as at 31 March 2024 to approximately HK\$192,614,000 as at 30 September 2024, 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. As at 30 September 2024, the Group did not have any charge on its assets (31 March 2024: nil).

Net current assets

As at 30 September 2024, the Group's net current assets amounted to approximately HK\$72,172,000, which was approximately HK\$8,560,000 lower than its net current assets of approximately HK\$80,732,000 as at 31 March 2024. The decrease was mainly due to (i) the decrease in contract assets of approximately HK\$8,884,000; and (ii) decrease in financial assets at FVTPL of approximately HK\$397,000 as compared to that as at 31 March 2024. As at 30 September 2024, the Group's current liabilities amounted to approximately HK\$229,047,000 representing a decrease of approximately HK\$1,126,000 from approximately HK\$230,173,000 as at 31 March 2024. The decrease was mainly due to the decrease in trade and other payables and accruals during the Reporting Period.

Liquidity and financial resources

As at 30 September 2024, the Group had cash and bank balances of approximately HK\$115,353,000 (31 March 2024: approximately HK\$138,286,000), 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\$30,719,000 during the Reporting Period, which was mainly related to (i) increase in inventories of approximately HK\$6,769,000; (ii) increase in trade and other receivables of approximately HK\$13,623,000; and (iii) decrease in trade and other payable of approximately HK\$10,681,000. Net cash used in investing activities during the Reporting Period was approximately HK\$10,850,000, which was mainly related to the purchase of property, plant and equipment amounted to approximately HK\$7,074,000. The net cash generated from financing activities during the Reporting Period was approximately HK\$18,509,000. It was mainly related to the proceeds from shares issued under placing.

The gearing ratio of the Group as at 30 September 2024 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 210.0% (as at 31 March 2024: approximately 199.2%). The gearing ratio of the Group was stable through the periods.

The current ratio of the Group as at 30 September 2024 was approximately 1.32 (as at 31 March 2024: approximately 1.35).

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 2024, the Company's issued share capital was HK\$11,520,000 (as at 31 March 2024: HK\$9,600,000) and the number of its issued ordinary shares was 115,200,000 (as at 31 March 2024: 96,000,000) of HK\$0.1 each.

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 20 November 2023, the Company underwent a share consolidation for every ten (10) issued and unissued existing shares of par value of HK\$0.01 each be consolidated into one (1) consolidated share of par value of HK\$0.1 each (the "**Share Consolidation**"). The Share Consolidation became effective on 22 November 2023. Details of the Share Consolidation are set out in the circular of the Company dated 27 October 2023.

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

Save as disclosed below and the paragraph "Event after the Reporting Period" in this announcement, 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.

Change in ownership interest in a subsidiary without a change of control

During the Reporting Period, the Group further entered into an agreement and supplemental agreement with the non-controlling interest, pursuant to which, the Group acquired (the "**Pure Luck Acquisition**") (i) the remaining 49% equity interests of Pure Luck from the non-controlling interest; and (ii) assumed the outstanding indebtedness due from the non-controlling interest for a cash consideration of HK\$5,000,000. Upon completion of the Pure Luck Acquisition on 3 May 2024, Pure Luck became a wholly owned subsidiary of the Group.

Contingent liabilities

The Group had no contingent liabilities as at 30 September 2024 and 31 March 2024.

Event after the Reporting Period

Disposal of financial asset at FVOCI

On 11 November 2024, the Group entered into an acquisition agreement with certain independent third parties, pursuant to which, the Group shall dispose approximately 19.7% equity interest in Matsu Gami Group at a consideration of HK\$1,600,000 (the “**Disposal**”). The completion of the Disposal will take place on 31 December 2024.

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

Employees and remuneration policy

As at 30 September 2024, the Group had 207 full-time employees (31 March 2024: 158 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\$42,732,000 compared to approximately HK\$31,643,000 for the six months ended 30 September 2023.

INTERIM DIVIDEND

The Board did not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2023: 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 C1 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 C3 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
Xu Lin
Chairman

Hong Kong, 27 November 2024

As at the date of this announcement, the executive Directors are Mr. Bai Huawei and Mr. Wang Yu; the non-executive Directors are Mr. Lui Kwok Wai and Mr. Xu Lin; and the independent non-executive Directors are Mr. Jiang Senlin, Mr. Zhang Yi and Ms. Dan Xi.