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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

GROUP FINANCIAL HIGHLIGHT

For the year ended 31 March 2017

(Expressed in Hong Kong Dollars)

	2017	2016
	HK\$	HK\$
Revenue	235,519,620	369,569,772
Gross profit	39,980,190	78,008,325
(Loss)/Profit before taxation	(149,564)	32,881,714
(Loss)/Profit attributable to:		
Equity shareholders of the Company	(1,010,941)	25,573,227
(Loss)/Earnings per share		
Basic and Diluted (HK cents)	(0.12)	3.35
Cash and cash equivalents	412,347,245	150,291,845
Net assets	395,274,885	262,275,826
Total assets	601,528,891	341,748,467

DIVIDEND

The Board did not recommend the payment of a final dividend to the shareholders of the Company for the year ended 31 March 2017.

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Wan Kei Group Holdings Limited (“**Wan Kei Group**” or the “**Company**”) announces the audited consolidated final results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2017 (the “**Reporting Period**” or “**YR2017**”) together with the comparative audited figures for the year ended 31 March 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017 (in HK Dollars)

	Notes	2017 HK\$	2016 HK\$
Revenue	3(a)	235,519,620	369,569,772
Direct costs		(195,539,430)	(291,561,447)
Gross profit		39,980,190	78,008,325
Other revenue	4	2,732,612	815,534
Other net income		471,358	739,098
General and administrative expenses		(40,625,997)	(46,261,694)
Profit from operations		2,558,163	33,301,263
Finance costs	5(a)	(2,707,727)	(419,549)
(Loss)/profit before taxation	5	(149,564)	32,881,714
Income tax	6	(861,377)	(7,317,439)
(Loss)/profit and total comprehensive income for the year		(1,010,941)	25,564,275
Attributable to:			
Equity shareholders of the Company		(1,010,941)	25,573,227
Non-controlling interests		—	(8,952)
(Loss)/profit and total comprehensive income for the year		(1,010,941)	25,564,275
(Loss)/earnings per share			
Basic and diluted (HK cents)	8	(0.12)	3.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017 (in HK Dollars)

	<i>Notes</i>	2017 HK\$	2016 HK\$
Non-current assets			
Property, plant and equipment		53,067,955	41,857,929
Prepayment		–	34,500
Club memberships		400,000	400,000
Deferred tax assets		25,170	61,874
		53,493,125	42,354,303
Current assets			
Gross amounts due from customers for contract work	9	46,373,072	50,770,892
Trade and other receivables	10	84,724,294	96,114,462
Tax recoverable		4,591,155	2,216,965
Cash and cash equivalents		412,347,245	150,291,845
		548,035,766	299,394,164
Current liabilities			
Gross amounts due to customers for contract work	9	22,936,722	36,215,434
Trade and other payables	11	47,138,409	35,156,111
Amount due to a related company	12	92,287,500	–
Amount due to a director	12	18,168,481	–
Provision for onerous contract		428,158	–
Deferred income	13	1,126,283	–
Obligations under finance leases	14	5,196,874	–
Tax payable		3,133,812	2,223,367
		190,416,239	73,594,912
Net current assets		357,619,527	225,799,252
Total assets less current liabilities		411,112,652	268,153,555

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2017 (in HK Dollars)

	<i>Notes</i>	2017 HK\$	2016 HK\$
Non-current liabilities			
Obligations under finance leases	<i>14</i>	8,693,064	–
Provision for long service payment		557,333	557,333
Deferred income	<i>13</i>	1,783,282	–
Deferred tax liabilities		4,804,088	5,320,396
		15,837,767	5,877,729
Net assets		395,274,885	262,275,826
Capital and reserves			
Share capital	<i>15</i>	9,600,000	8,000,000
Reserves		385,674,885	254,275,826
Total equity attributable to equity shareholders of the Company		395,274,885	262,275,826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

1. GENERAL INFORMATION

Wan Kei Group Holdings Limited (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 Room 1802, 18/F, AXA Centre, No. 151 Gloucester Road, Wanchai, Hong Kong.

Pursuant to a reorganisation which was completed on 9 May 2015 to rationalise the corporate structure in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company became the holding company of the subsidiaries now comprising the Group. Details of the reorganisation are set out in the prospectus of the Company dated 28 July 2015.

The Group’s businesses were conducted principally through Wan Kei Geotechnical Engineering Company Limited (“**Wan Kei Engineering**”), Wan Kei Machinery Company Limited (“**Wan Kei Machinery**”) and Chung Shun Boring Engineering Company Limited (“**Chung Shun**”). These companies were collectively controlled by Mr. Lau Woon Si (“**Mr. Lau**”), Mr. Fong Hon Hung (“**Mr. Fong**”) and Mr. Leung Man Lun Stephen (“**Mr. Leung**”). Mr. Lau and Mr. Fong controlled these companies through Chung Hang Enterprises Holdings Limited and Gold Crown Consultants Limited up to 20 November 2014 respectively and thereafter through Suntecli Company Limited (“**Suntecli**”) and Samwood Global Limited (“**Samwood**”) respectively.

The companies that took part in the reorganisation were controlled by Mr. Lau, Mr. Fong and Mr. Leung before and after the reorganisation. As the control is not transitory and, consequently, there was a continuation of the risks and benefits to Mr. Lau, Mr. Fong and Mr. Leung, the reorganisation is considered to be a restructuring of entities under common control. The consolidated financial statements has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the reorganisation are combined using the book values from Mr. Lau, Mr. Fong and Mr. Leung perspective. The equity interests of equity shareholders other than Mr. Lau, Mr. Fong and Mr. Leung in the companies taking part in the reorganisation have been presented as non-controlling interests in the Group’s consolidated financial statements.

The Company’s shares were listed on the Stock Exchange on 11 August 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the “**Group**”).

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis, except certain assets and liabilities are stated at their fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are foundation construction, ground investigation services and financial services.

Revenue represents revenue from construction contracts and from ground investigation services. The amount of each significant category of revenue is as follows:

	2017	2016
	HK\$	HK\$
Revenue from construction contracts	180,768,568	326,659,903
Revenue from ground investigation services	54,751,052	42,909,869
	<u>235,519,620</u>	<u>369,569,772</u>

For the years ended 31 March 2017 and 2016, there were 2 and 3 customers which individually contributed over 10% of the Group's revenue in relation to construction contracts, respectively. The aggregate amount of revenue from these customers amounted to 24% and 64% of the Group's total revenue, respectively.

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Foundation construction: this segment provides foundation construction works to customers in Hong Kong and Macau.
- Ground investigation services: this segment provides ground investigation services to customers in Hong Kong.
- Financial services: this segment provides investment, financing and money lending services.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue, profit from operations and assets were derived from activities outside Hong Kong.

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

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

Segment assets include all current and non-current assets with the exception of unallocated head office and corporate assets, 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.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2017 and 2016 is set out below:

	Year ended 31 March 2017			Total HK\$
	Foundation construction HK\$	Ground investigation services HK\$	Financial services HK\$	
Revenue from external customers	180,768,568	54,751,052	–	235,519,620
Reportable segment revenue	180,768,568	54,751,052	–	235,519,620
Reportable segment gross profit	24,085,466	15,894,724	–	39,980,190
Reportable segment (loss)/profit	(1,099,912)	7,225,337	(2,453,666)	3,671,759
Interest income from bank deposit	215	–	100,041	100,256
Interest expenses	420,227	–	–	420,227
Depreciation for the year	17,726,549	995,136	3,527	18,725,212
Reportable segment assets	266,405,075	30,271,486	310,222,280	606,898,841
Additions to non-current segment assets during the year	42,558,165	845,999	48,516	43,452,680
Reportable segment liabilities	189,202,761	9,144,547	282,675,945	481,023,253

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Year ended 31 March 2016		
	Foundation	Ground	Total
	construction	investigation	
	HK\$	services	HK\$
Revenue from external customers	326,659,903	42,909,869	369,569,772
Reportable segment revenue	326,659,903	42,909,869	369,569,772
Reportable segment gross profit	65,277,062	12,731,263	78,008,325
Reportable segment profit	39,739,472	2,514,447	42,253,919
Interest expenses	412,037	7,512	419,549
Depreciation for the year	19,568,418	671,622	20,240,040
Reportable segment assets	243,932,952	24,391,600	268,324,552
Additions to non-current segment assets during the year	16,296,431	1,312,434	17,608,865
Reportable segment liabilities	69,852,549	11,175,949	81,028,498

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Revenue		
Reportable segment revenue and consolidated revenue (<i>note 3(a)</i>)	<u>235,519,620</u>	<u>369,569,772</u>
Profit		
Reportable segment profit	3,671,759	42,253,919
Unallocated head office and corporate expenses	<u>(3,821,323)</u>	<u>(9,372,205)</u>
Consolidated (loss)/profit before taxation	<u>(149,564)</u>	<u>32,881,714</u>
Assets		
Reportable segment assets	606,898,841	268,324,552
Elimination of inter-segment receivables	<u>(282,876,755)</u>	<u>(9,099,620)</u>
	324,022,086	259,224,932
Tax recoverable	4,591,155	2,216,965
Deferred tax assets	25,170	61,874
Unallocated head office and corporate assets	<u>272,890,480</u>	<u>80,244,696</u>
Consolidated total assets	<u>601,528,891</u>	<u>341,748,467</u>
Liabilities		
Reportable segment liabilities	481,023,253	81,028,498
Elimination of inter-segment payables	<u>(282,876,755)</u>	<u>(9,099,620)</u>
	198,146,498	71,928,878
Tax payable	3,133,812	2,223,367
Deferred tax liabilities	4,804,088	5,320,396
Unallocated head office and corporate liabilities	<u>169,608</u>	<u>–</u>
Consolidated total liabilities	<u>206,254,006</u>	<u>79,472,641</u>

4. OTHER REVENUE

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Rental income from lease of machineries	474,040	73,733
Bank interest income	730,416	–
Interest income on financial assets not at fair value through profit or loss	–	6,000
Insurance claims	840,527	–
Others	687,629	735,801
	<u>2,732,612</u>	<u>815,534</u>

5. (LOSS)/PROFIT BEFORE TAXATION

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
(a) Finance costs		
Interest on borrowing from a related company	2,287,500	–
Interest on borrowing from a director	168,481	–
Finance charges on obligations under finance leases	251,746	419,549
	<u>2,707,727</u>	<u>419,549</u>
(b) Staff costs (including directors' remuneration)		
Contribution to defined contribution retirement plans	2,028,082	2,112,956
Salaries, wages and other benefits	68,395,712	69,807,648
	70,423,794	71,920,604
Less: Amounts included in gross amounts due from customers for contract work	<u>(1,893,042)</u>	<u>(1,054,390)</u>
	<u>68,530,752</u>	<u>70,866,214</u>

5. (LOSS)/PROFIT BEFORE TAXATION (Continued)

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
(c) Other items		
Depreciation	19,534,770	19,973,716
(Less)/add: Amounts included in gross amounts due (to)/from customers for contract work	<u>(809,558)</u>	<u>266,324</u>
	18,725,212	20,240,040
Operating lease charges		
– hire of machineries	8,914,661	20,037,114
– hire of properties	2,907,835	1,801,760
Auditors' remuneration	760,000	750,000
Listing expenses (included in general and administrative expenses)	–	9,235,831
Net foreign exchange gain	<u>(7,531)</u>	<u>(45,598)</u>

6. INCOME TAX

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Current tax		
Provision for Hong Kong Profits Tax for the year	1,207,358	6,393,653
Under-provision in respect of prior years	<u>25,603</u>	<u>343,956</u>
	1,232,961	6,737,609
Current tax – Overseas		
Provision for the year	102,384	68,234
Under-provision in respect of prior years	<u>5,636</u>	<u>-</u>
	108,020	68,234
Deferred tax		
Origination and reversal of temporary differences	<u>(479,604)</u>	<u>511,596</u>
	<u>861,377</u>	<u>7,317,439</u>

6. INCOME TAX (Continued)

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 March 2017 and 2016, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2016-17 subject to a maximum reduction of HK\$20,000 for each business (2016: a maximum reduction of HK\$20,000 was granted for the year of assessment 2015-16).
- (iii) The provision for Macau Complementary Tax is calculated at 12% (2016: 12%) of the estimated assessable profits excluding MOP600,000 for the years ended 31 March 2017 and 2016.

7. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2017. No dividend has been declared or paid by the Company for the years ended 31 March 2017 and 2016.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
(Loss)/earnings		
(Loss)/profit attributable to equity shareholders of the Company	<u><u>(1,010,941)</u></u>	<u><u>25,573,227</u></u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u><u>846,465,753</u></u>	<u><u>763,934,426</u></u>

For the year ended 31 March 2017, the calculation of the basic loss per share attributable to equity shareholders of the Company was based on (i) the loss attributable to equity shareholders of the Company and (ii) the weighted average number of ordinary shares and the effects of 160,000,000 shares issued under placing as described in note 15.

8. (LOSS)/EARNINGS PER SHARE (Continued)

(a) Basic (loss)/earnings per share (Continued)

For the year ended 31 March 2016, the calculation of the basic earnings per share attributable to equity shareholders of the Company was based on (i) the profit attributable to equity shareholders of the Company and (ii) the weighted average number of ordinary shares (adjusted retrospectively for 10,000 shares in issue and 699,990,000 shares to be issued pursuant to the reorganisation on 9 May 2015), and the effects of 100,000,000 shares issued under public offer and placing as described in note 15.

(b) Diluted (loss)/earnings per share

There were no diluted potential shares in existence during the years ended 31 March 2017 and 2016.

9. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2017 HK\$	2016 HK\$
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	193,541,765	299,507,891
Less: Progress billings received and receivable	<u>(147,168,693)</u>	<u>(248,736,999)</u>
	<u>46,373,072</u>	<u>50,770,892</u>
Gross amounts due to customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	395,882,719	663,746,655
Less: Progress billings received and receivable	<u>(418,819,441)</u>	<u>(699,962,089)</u>
	<u>(22,936,722)</u>	<u>(36,215,434)</u>

The gross amounts due from customers for contract work at 31 March 2017 that is expected to be recovered after more than one year is HK\$38,422,936 (2016: HK\$31,871,683). The gross amounts due to customers for contract work at 31 March 2017 that is expected to be settled after more than one year is HK\$902,955 (2016: HK\$14,571,403).

10. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Trade debtors	32,773,008	28,275,427
Deposits, prepayments and other receivables (<i>note (i)</i>)	10,815,147	9,562,537
Retention receivables (<i>note (ii)</i>)	<u>41,136,139</u>	<u>58,276,498</u>
	<u>84,724,294</u>	<u>96,114,462</u>

Notes:

- (i) Except for the amounts of HK\$300,364 and HK\$50,000 as at 31 March 2017 and 2016 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.
- (ii) Except for the amounts HK\$5,755,259 and HK\$12,481,386 as at 31 March 2017 and 2016 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.
- (a) **Ageing analysis**

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Within 1 month	24,292,896	23,059,515
1 to 2 months	700,940	1,928,652
2 to 3 months	2,745,928	1,473,102
Over 3 months	<u>5,033,244</u>	<u>1,814,158</u>
	<u>32,773,008</u>	<u>28,275,427</u>

Trade debtors are normally due within 30 to 50 days from the payment application date or 0 to 60 days from the certificate date.

10. TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment losses are written off against trade debtors directly.

At 31 March 2017 and 2016, none of the trade debtors was individually determined to be impaired.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Neither past due nor impaired	18,160,426	7,504,437
Less than 1 month past due	3,826,436	6,799,772
1 to 3 months past due	641,298	10,667,425
Over 3 months past due	10,144,848	3,303,793
	<u>32,773,008</u>	<u>28,275,427</u>

Receivables which were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security over this balance.

11. TRADE AND OTHER PAYABLES

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Trade payables	29,866,250	25,943,435
Retention payables (<i>note (ii)</i>)	2,110,362	3,917,028
Other payables and accruals	<u>15,161,797</u>	<u>5,295,648</u>
	<u>47,138,409</u>	<u>35,156,111</u>

Notes:

- (i) Save as disclosed in note 11(ii) below, all trade and other payables are expected to be settled within one year.
- (ii) Except for the amounts of HK\$612,938 and HK\$487,634 as at 31 March 2017 and 2016 respectively, all of the remaining balances are expected to be settled within one year.
- (iii) An ageing analysis of trade payables based on the invoice date is as follows:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Within 1 month	16,069,643	13,352,952
1 to 2 months	10,589,890	7,932,472
2 to 3 months	1,155,564	586,941
Over 3 months	<u>2,051,153</u>	<u>4,071,070</u>
	<u>29,866,250</u>	<u>25,943,435</u>

12. AMOUNT DUE TO A RELATED COMPANY/A DIRECTOR

The amount due to a related company, Bright Dynasty Trading Limited (“**Bright Dynasty**”), a related company which 100% beneficially owned by Mr. Fong, was unsecured, bearing interest rate at 5% per annum and repayable on demand. Mr. Fong who is the executive director and chief executive officer of the Group is also the director of Bright Dynasty.

The amount due to a director, Mr. Lau, was unsecured, bearing interest rate at 5% per annum and repayable on demand.

13. DEFERRED INCOME

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
At 1 April	–	–
Additions	3,378,850	–
Credit to profit or loss	<u>(469,285)</u>	–
At 31 March	2,909,565	–
Less: current portion of deferred income	<u>(1,126,283)</u>	–
	<u><u>1,783,282</u></u>	<u><u>–</u></u>

Deferred income mainly represents deferred differences arising from the sales and leaseback arrangement resulting in finance leases, which would be recognised as income on a straight-line basis over the lease periods of 36 months.

14. OBLIGATIONS UNDER FINANCE LEASES

	2017		2016	
	Present value of the minimum lease payments <i>HK\$</i>	Total minimum lease payments <i>HK\$</i>	Present value of the minimum lease payments <i>HK\$</i>	Total minimum lease payments <i>HK\$</i>
Within 1 year	<u>5,196,874</u>	<u>5,684,568</u>	–	–
After 1 year but within 2 years	5,420,197	5,684,568	–	–
After 2 years but within 5 years	<u>3,272,867</u>	<u>3,320,060</u>	–	–
	<u>8,693,064</u>	<u>9,004,628</u>	–	–
	<u><u>13,889,938</u></u>	<u>14,689,196</u>	<u><u>–</u></u>	–
Less: total future interest expenses		<u>(799,258)</u>		–
Present value of lease obligations		<u><u>13,889,938</u></u>		<u><u>–</u></u>

15. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$
Ordinary shares of HK\$0.01 each authorised:		
At 1 April 2015	38,000,000	380,000
Increase in authorised share capital (<i>note (i)</i>)	<u>1,962,000,000</u>	<u>19,620,000</u>
At 31 March 2016, 1 April 2016 and 31 March 2017	<u>2,000,000,000</u>	<u>20,000,000</u>
Ordinary shares, issued and fully paid:		
At 1 April 2015	10,000	–
Shares issued on reorganisation (<i>note (i)</i>)	699,990,000	7,000,000
Shares issued under share offer (<i>note (ii)</i>)	<u>100,000,000</u>	<u>1,000,000</u>
At 31 March 2016 and 1 April 2016	800,000,000	8,000,000
Shares issued under placing (<i>note (iii)</i>)	<u>160,000,000</u>	<u>1,600,000</u>
At 31 March 2017	<u>960,000,000</u>	<u>9,600,000</u>

Notes:

- (i) On 9 May 2015, pursuant to the written resolution of shareholders of the Company, the authorised share capital was increased to HK\$20,000,000 divided into 2,000,000,000 ordinary shares of a par value of HK\$0.01 each. On 9 May 2015, pursuant to the reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Hong Kong Wan Wai Company Limited from Suntecli, Samwood, Mr. Leung and Ms. Yeung Siu Lai Shirley (“**Ms. Yeung**”), the 5,682, 2,364, 1,939 and 15 nil paid shares then held by Suntecli, Samwood, Mr. Leung and Ms. Yeung respectively were credited as fully paid at par, and 397,734,318, 165,477,636, 135,728,061 and 1,049,985 shares, all credited as fully paid at par, were allotted and issued to Suntecli, Samwood, Mr. Leung and Ms. Yeung respectively.

15. SHARE CAPITAL(Continued)

Notes: (Continued)

- (ii) On 11 August 2015, the Company issued 100,000,000 shares pursuant to its global offering at an offer price of HK\$0.85 per share. As a result, after capitalising approximately HK\$5,052,000 share issuance costs, approximately HK\$79,948,000 were recognised in equity of the consolidated statement of financial position including a credit of approximately HK\$78,948,000 to the share premium account.
- (iii) On 16 December 2016, 160,000,000 ordinary shares of HK\$0.01 each were issued to the public at a price of HK\$0.86 per share for cash totaling HK\$137,600,000 by way of placing. The excess of issue price over the par value of the shares, net of issuance costs of approximately HK\$132,410,000, were credited to the share premium account of the Company.

16. COMMITMENTS

- (a) Capital commitments outstanding at 31 March 2017 and 2016 not provided for in the consolidated financial statement were as follows:

	2017 HK\$	2016 HK\$
Contracted for	—	80,500

- (b) At 31 March 2017 and 2016, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK\$	2016 HK\$
Within 1 year	2,875,300	1,777,700
After 1 year but within 5 years	2,967,000	—
	<u>5,842,300</u>	<u>1,777,700</u>

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

17. MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the year ended 31 March 2017, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationships with the Group
Chung Hang Enterprises Holdings Limited	A related company owned by certain directors of the Company
Chung Wah Investment Company Limited	A related company owned by certain directors of the Company

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

	2017 HK\$	2016 HK\$
Lease of properties from		
– Chung Hang Enterprises Holdings Limited	624,000	624,000
– Chung Wah Investment Company Limited	<u>1,140,000</u>	<u>1,140,000</u>
	<u>1,764,000</u>	<u>1,764,000</u>

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

(b) Transaction with key management personnel

(i) Key management personnel remuneration

	2017 HK\$	2016 HK\$
Short-term employee benefits	10,754,329	10,933,390
Post-employment benefits	<u>102,000</u>	<u>72,000</u>
	<u>10,856,329</u>	<u>11,005,390</u>

Total remuneration is included in “staff costs” (see note 5(b)).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Foundation Construction

During the Reporting Period, the foundation construction undertaken by the Group mainly consisted of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. The Group undertook foundation construction projects in both the public sectors and private sectors. Income from foundation works contributed approximately 76.8% of the total revenue during the Reporting Period (For the year ended 31 March 2016 (“YR2016”): approximately 88.4%).

Ground Investigation Services

The Group also acted as a contractor to provide ground investigation services and it undertook ground investigation services in both public and private sectors in Hong Kong during the Reporting Period. Income from ground investigation services contributed approximately 23.2% of the total revenue of the Group during the Reporting Period (YR2016: approximately 11.6%).

Financial Services

The Group started in preparation for applying the money lenders licenses and the relevant licenses from the Securities and Futures Commission during the Reporting Period.

FINANCIAL REVIEW

Revenue

The Group’s total revenue for the Reporting Period decreased by approximately HK\$134,050,000, or approximately 36.3%, from approximately HK\$369,570,000 for the year ended 31 March 2016 to approximately HK\$235,520,000 for the year ended 31 March 2017, was primarily as a result of the following:

Foundation Construction

The decrease in revenue from construction contracts by approximately 44.7%, from approximately HK\$326,660,000 for the year ended 31 March 2016 to approximately HK\$180,769,000 for the Reporting Period, was primarily due to (i) the decrease in the contract sum of newly tendered projects of foundation works of the Group as a result from the lower bidding price on the new tenders; and (ii) the absence of sizable projects tendered by the Group.

Ground Investigation Services

The increase in revenue from ground investigation services by approximately 27.6%, from approximately HK\$42,910,000 for the year ended 31 March 2016 to approximately HK\$54,751,000 for the Reporting Period, was primarily due to a number of relative sizable projects tendered by the Group during the Reporting Period.

Financial Services

The Group started in preparation for applying the money lenders license and the relevant licenses from the Securities and Futures Commission during the Reporting Period. This segment has not yet generated any revenue during the Reporting Period.

Direct Costs

The Group's direct costs amounted to approximately HK\$195,539,000 for the Reporting Period, representing a decrease of approximately 32.9% from approximately HK\$291,561,000 for the year ended 31 March 2016.

Foundation Construction

The direct costs for the foundation construction mainly consisted of construction material costs, subcontracting fees and wages of workers. The decrease in direct costs by approximately 40.1%, from approximately HK\$261,382,000 for the year ended 31 March 2016 to approximately HK\$156,683,000 for the year ended 31 March 2017, was primarily due to the decrease in revenue of foundation construction by approximately 44.7% during the Reporting Period.

Ground Investigation Services

The direct costs for the ground investigation services mainly included subcontracting fees and wages of workers. The increase in direct costs by approximately 28.8% from approximately HK\$30,179,000 for the year ended 31 March 2016 to approximately HK\$38,856,000 for the Reporting Period, was primarily due to the increase in revenue of ground investigation services by approximately 27.6% during the Reporting Period.

Gross Profit and Gross Profit Margin

The Group's gross profit amounted to approximately HK\$39,980,000 for the Reporting Period, representing a decrease of 48.7% from approximately HK\$78,008,000 compared to the year ended 31 March 2016. The Group's overall gross profit margin during the Reporting Period was approximately 17.0% (YR2016: approximately 21.1%).

Gross profit of the Group's foundation construction segment was approximately HK\$24,085,000 for the Reporting Period, representing a decrease of 63.1% from approximately HK\$65,277,000 compared to the year ended 31 March 2016. Gross profit margin of the foundation construction segment decreased from 20.0% for the year ended 31 March 2016 to 13.3% for the Reporting Period.

Gross profit of the Group's ground investigation services segment was approximately HK\$15,895,000 for the Reporting Period, representing an increase of 24.9% from approximately HK\$12,731,000 compared to the year ended 31 March 2016. Gross profit margin of the ground investigation services segment slightly decreased from 29.7% for the year ended 31 March 2016 to 29.0% for the Reporting Period.

The decline in gross profit margin was mainly due to a decrease in gross profit margin of the newly tendered foundation works projects of the Group during the Reporting Period as a result from the lower bidding prices on the new tenders.

Other Revenue

The other revenue increased by approximately HK\$1,917,000, or approximately 234.9%, from approximately HK\$816,000 for the year ended 31 March 2016 to approximately HK\$2,733,000 for the Reporting Period. The increase was mainly due to (i) the increase of rental income from lease of machineries (YR2017: approximately HK\$474,000; YR2016: approximately HK\$74,000) to independent third parties; (ii) the increase of interest income (YR2017: approximately HK\$730,000, YR2016: HK\$6,000) as a result of increased in cash and bank balances during the Reporting Period; and (iii) the existence of insurance reimbursement of approximately HK\$841,000 (YR2016: Nil) from certain insurance companies.

Other Net Income

The other net income decreased by approximately HK\$268,000, or approximately 36.3%, from approximately HK\$739,000 for the year ended 31 March 2016 to approximately HK\$471,000 for the Reporting Period. The decrease was mainly due to the decrease of gain on disposal of property, plant and equipment (YR2017: Loss of approximately HK\$6,000; YR2016: Gain of approximately HK\$694,000), net off the existence of amortised deferred income arising from the sales and leaseback transaction of certain property, plant and equipment during the Reporting Period (YR2017: approximately HK\$469,000; YR2016: Nil).

General and administrative expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK\$40,626,000 (YR2016: approximately HK\$46,262,000) representing a decrease of approximately 12.2% over 2016. This was mainly attributable to absence of the listing expenses (YR2016: approximately HK\$9,236,000), net off the increase in related administration and engaged the consultant for the application of securities licenses purposes during the Reporting Period (YR2017: approximately HK\$2,454,000; YR2016: Nil).

Finance Costs

The finance costs increased by approximately HK\$2,288,000, from approximately HK\$420,000 for the year ended 31 March 2016 to approximately HK\$2,708,000 for the Reporting Period. The increase was mainly due to interest expense of borrowing from a related company, named Bright Dynasty Trading Limited (YR2017: approximately HK\$2,288,000; YR2016: Nil) and interest expense of borrowing from a director (YR2017: approximately HK\$168,000; YR2016: Nil).

Income Tax

The income tax decreased by approximately HK\$6,456,000, or approximately 88.2%, from approximately HK\$7,317,000 for the year ended 31 March 2016 to approximately HK\$861,000 for the Reporting Period. The decrease was mainly due to the decrease in assessable profits of Hong Kong Profits Tax for the Reporting Period due to the reasons mentioned above.

(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

For the Reporting Period, the Group recorded a net loss of approximately HK\$1,011,000, as compared with the net profit of approximately HK\$25,564,000 for the year ended 31 March 2016. The decrease was mainly attributable to the decrease in revenue and gross profit margin as previously discussed and the expenses incurred for the development of financial services as a new business segment of the Group.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend to the shareholders of the Company for the Reporting Period (YR2016: Nil).

PROSPECTS

The Directors estimate that the growth of the overall foundation industry in Hong Kong will further slow down in the coming year. The Directors are of the view that the current political disputes and the delay of funding approval process from the Legislative Council due to filibuster will not be solved within a short period of time, this will eventually lead to the decrease in the number of available Government project tenders in 2017. In addition, due to the decrease in the number of public works projects tenders, the profit of the foundation industry business is under pressure from the lower bidding price on the tenders, which will in turn affect the growth of the Group. Nevertheless, the Directors are confident that with the Group's reputation in the foundation industry and experienced management team, the Group is in well position to compete with its competitors.

In order to grasp the opportunity for the economic growth of Guangdong, Hong Kong and Macau Bay Area and speed up the development of the business, the Group started in preparation for applying the money lending business license and securities business licenses and aims to provide a comprehensive range of financial services in Hong Kong and Asia. As disclosed in the announcement dated 23 June 2017, in anticipation of more headcount to develop the financial and money lending business, the principal place of business of the Company in Hong Kong has been changed to AXA Centre, Wanchai, Hong Kong. The Group will try to strike a balance between risk and return to make investment decisions based on the market situation.

DEBTS AND CHARGE ON ASSETS

The total interest bearing borrowings of the Group consisted of finance leases, loan from a director and loan from a related company. The above borrowings were incurred during the Reporting Period (YR2017: HK\$124,346,000; YR2016: Nil). All borrowings were denominated in Hong Kong Dollar. Except for finance leases, interest on other borrowings were charged at fixed rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. As at 31 March 2017 and 2016, the amount of unused banking facilities was HK\$6,000,000. The aforesaid unused banking facilities were unsecured and the finance leases of the Group were secured by the Group's property, plant and equipment with an aggregate net book value of approximately HK\$14,667,000 (YR2016: Nil).

NET CURRENT ASSETS

As at 31 March 2017, the Group's net current assets amounted to approximately HK\$357,620,000, which was approximately HK\$131,821,000 higher than net current assets of approximately HK\$225,799,000 as at 31 March 2016. The increase was mainly due to the net proceeds from the placing during the Reporting Period, amounted to approximately HK\$134,000,000. As at 31 March 2017, the Group's current liabilities amounted to approximately HK\$190,416,000, representing an increase of approximately HK\$116,821,000 over approximately HK\$73,595,000 as at 31 March 2016. The increase was primarily due to the borrowings from a related company and a Director during the Reporting Period, with the principal amount of HK\$90,000,000 and HK\$18,000,000 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group had cash and bank balances of approximately HK\$412,347,000, representing increase of approximately HK\$262,055,000 (As at 31 March 2016: approximately HK\$150,292,000), all of which were denominated in Hong Kong dollar.

CASH FLOW

The Group generated net cash inflows from operating activities of approximately HK\$24,056,000, during the Reporting Period which was mainly generated from the foundation construction and ground investigation services. Net cash used in investing activities was approximately HK\$17,176,000, and the net cash generated from financing activities was approximately HK\$255,176,000 in which HK\$134,000,000 was the net proceeds from the placing and HK\$108,000,000 was arising from borrowings from a Director and a related company during the Reporting Period.

The gearing ratio of the Group as at 31 March 2017 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 31.5% (As at 31 March 2016: Nil).

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

CAPITAL STRUCTURE

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

As at 31 March 2017, the Company's issued share capital was HK\$9,600,000 (As at 31 March 2016: HK\$8,000,000) and the number of its issued ordinary shares was 960,000,000 (As at 31 March 2016: 800,000,000) of HK\$0.01 each.

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

During the Reporting Period, there was no significant investments hold, material acquisitions or disposal of subsidiaries and associated companies by the Group.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and warehouses. The Group's operating lease commitments amounted to approximately HK\$5,842,000 as at 31 March 2017 (As at 31 March 2016: approximately HK\$1,778,000). As at 31 March 2017, the Group had no other capital commitments. (As at 31 March 2016: approximately HK\$81,000).

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2017 and 2016.

EVENTS AFTER THE REPORTING PERIOD

The principal place of business of the Company has been changed to Room 1802, 18th Floor, AXA Centre, No. 151 Gloucester Road, Wanchai, Hong Kong since 23 June 2017. Save as disclosed above, there are no other significant events after the Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group had 145 full-time employees (As at 31 March 2016: 157 full-time employees).

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and in-house training programmes, salaries 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\$68,531,000 compared to approximately HK\$70,866,000 for the year ended 31 March 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- (i) The Group had a concentrated clientele base. Any loss for major customers or decrease in number of projects with the top 5 customers of the Group may adversely affect the Group's operations and financial results;
- (ii) The Group's past revenue and profit margin may not be indicative of the Group's future revenue and profit margin, in particular, the Group's revenue were on project basis, which are non-recurrent in nature, and the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group's order book for its new projects;
- (iii) The Group is dependent on its Board members and senior management staff, the departure of its staff may adversely affect the Group's business operations;

- (iv) Failure to accurately estimate and control the costs of the Group's projects may adversely affect the Group's financial performance;
- (v) Any delays or default of progress payments or retention monies by the customers may affect the Group's cash flow and may have adverse impact on the Group's financial results; and
- (vi) Failure to renew the Group's current registrations and licenses may adversely affect the Group's business operations. For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

Customers

For foundation construction, the principal customers are generally from the main contractors of construction projects in Hong Kong. For ground investigation services, the principal customers are generally from the employers of construction projects in Hong Kong. During the Reporting Period, the Directors consider that the Group was not reliant on any single customer. The Group also maintains long-term relationship with its customers, some of which have established more than 10 years of working relationship with the Group.

Suppliers and Subcontractors

During the Reporting Period, the suppliers of goods and services which were specific to the business of the Group and were acquired on a regular basis to enable the Group to continue to carry its business included (i) subcontractors engaged by the Group to perform the site works; (ii) materials and equipment suppliers to supply materials and equipments used in the site works; and (iii) suppliers of miscellaneous goods and services required for the Group's business operations. The Group maintains multiple suppliers and subcontractors to avoid the over-reliance on a few suppliers and subcontractors and did not experience any material difficulties in sourcing materials from suppliers and assigning subcontractors during the Reporting Period. The Group did not have any significant disputes with any of its suppliers and subcontractors during the Reporting Period.

Employees

The Group recognised employees as valuable assets of the Group. During the Reporting Period, the Group has complied with the applicable labour laws and regulations and regularly reviewed the existing staff benefits for improvement. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package.

The Group determines the salary of its employees mainly based on each employee's qualification, relevant experience, position and seniority. The Group conducts annual review on salary increment, bonuses and promotions based on the performance of each employee.

The Group consider that the Group has maintained good relationship with its employees. The Group has not experienced any strikes, work stoppages or labour disputes which affected its operations during the Reporting Period. The Directors also consider that the management team and the employees maintained a good relationship and well co-operated during the Reporting Period.

ENVIRONMENTAL POLICIES

The Group places an emphasis on environmental protection when undertaking its projects. The Group was awarded the ISO 14001:2004 (environmental management system). The current ISO 14001:2004 certificate is valid from 23 June 2007 to 29 April 2018. When preparing the tender document, the Group will take into consideration the environmental protection requirements of potential customers as well as the relevant laws and regulations in relation to environmental protection. The Group's safety officers are responsible for ensuring that the Group satisfies the applicable laws and regulations requirements and identifying and reporting on environmental issues to our project management team.

COMPLIANCE WITH LAWS AND REGULATIONS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Except for the establishment of new subsidiaries for financial and money lending business, the Group did not have other plans for material investments and capital assets up to the date of this announcement.

USE OF NET PROCEEDS FROM LISTING

The Company's shares were listed on the Main Board of The Stock Exchange of the Hong Kong Limited (the "Stock Exchange") on 11 August 2015 ("Date of Listing"). The receipts of proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit of loss and other comprehensive income and deducted from the share premium ("Net Proceeds") from the Company's listing were approximately HK\$70,700,000. In accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the prospectus of the Company dated 28 July 2015 (the "Prospectus"), the net proceeds received were applied by the Group since the Date of Listing up to 31 March 2017 as follows:

Use of net proceeds	Planned use of proceeds as stated in the Prospectus	Actual use of proceeds from the Date of Listing up to 31 March 2017	Unused amount
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Acquisition of additional machinery	48.4	37.4	11.0
Recruitment of additional staff	7.6	6.2	1.4
Repayment of finance leases	8.1	8.1	–
General working capital	6.6	6.6	–
Total	<u>70.7</u>	<u>58.3</u>	<u>12.4</u>

The unutilised amounts of the Net Proceeds will be applied in the manner consistent with that mentioned in the Prospectus. The Directors are not aware of any material change to the planned use of Net Proceeds as at the date of this announcement.

The unused Net Proceeds have been placed as bank balances in a licensed bank in Hong Kong as at the date of this announcement.

ISSUE OF SHARES FROM THE PLACING

On 29 November 2016, the Company entered into a placing agreement with Kingston Securities Limited (the "Placing Agent"), whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 160,000,000 new ordinary shares of the Company of HK\$0.01 each (the "Placing Shares") to not less than six places which are independent third parties at a price of HK\$0.86 per Placing Share (net placing price of HK\$0.84 per placing share) (the "Placing").

The Placing was completed on 16 December 2016. The gross proceeds of HK\$137,600,000 were received by the Company in accordance with the terms of the placing agreement. The net proceeds from the Placing, after deducting the Placing Agent's commission and other related expenses payable by the Company, amounted to approximately HK\$134,000,000.

The net proceeds from the Placing are intended to be used for development a business regarding investment and financing services and for setting up a subsidiary with money lending license. As at 31 March 2017, we used in related administration and engaged the consultant for application for securities licenses purposes, amounted to approximately HK\$2,454,000.

CORPORATE GOVERNANCE

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the Reporting Period.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS

At the forthcoming Annual General Meeting of the Company will be held on 15 August 2017 (Tuesday), the transfer books and Register of Members of the Company will be closed from 10 August 2017 (Thursday) to 15 August 2017 (Tuesday), both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 9 August 2017 (Wednesday).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has discussed with the Company's management and reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2017.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by HLB Hodgson Impey Cheng Limited in this respect was limited and did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

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

The results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.wankei.com.hk. The annual report of the Company for the year ended 31 March 2017 containing all information required by the Listing Rules will be despatched to shareholders of the Company and published on the above websites in due course.

By order of the Board
Wan Kei Group Holdings Limited
Lau Woon Si
Chairman

Hong Kong, 28 June 2017

As at the date of this announcement, the executive Directors are Mr. Lau Woon Si, Mr. Fong Hon Hung, Mr. Cheung Lap Kei and Mr. Chan Chi Ming Tony; and the independent non-executive Directors are Mr. Lo Wa Kei Roy, Ms. Li Zhongye Cindy and Ms. Wang Qing.