

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2018

GROUP FINANCIAL HIGHLIGHT

For the year ended 31 March 2018

(Expressed in Hong Kong Dollars)

	2018	2017
	HK\$	HK\$
Revenue	226,225,862	235,519,620
Gross (loss)/profit	(27,647,553)	39,980,190
Loss before taxation	(70,336,139)	(149,564)
Loss attributable to:		
Equity shareholders of the Company	(70,247,482)	(1,010,941)
Loss per share		
Basic and Diluted (HK cents)	(7.32)	(0.12)
Cash and cash equivalents	415,136,973	412,347,245
Net assets	325,027,403	395,274,885
Total assets	544,489,317	601,528,891

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 March 2018.

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 2018 (the “**Reporting Period**” or “**YR2018**”) together with the comparative audited figures for the year ended 31 March 2017 (the “**YR2017**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK\$	2017 HK\$
Revenue	3(a)	226,225,862	235,519,620
Direct costs		<u>(253,873,415)</u>	<u>(195,539,430)</u>
Gross (loss)/profit		(27,647,553)	39,980,190
Other revenue	4	6,294,664	2,732,612
Other net income		4,107,208	471,358
General and administrative expenses		<u>(45,958,358)</u>	<u>(40,625,997)</u>
(Loss)/profit from operations		(63,204,039)	2,558,163
Finance costs	5(a)	<u>(7,132,100)</u>	<u>(2,707,727)</u>
Loss before taxation	5	(70,336,139)	(149,564)
Income tax credit/(expense)	6	<u>88,657</u>	<u>(861,377)</u>
Loss and total comprehensive income for the year		<u>(70,247,482)</u>	<u>(1,010,941)</u>
Attributable to:			
Equity shareholders of the Company		(70,247,482)	(1,010,941)
Non-controlling interests		<u>—</u>	<u>—</u>
Loss and total comprehensive income for the year		<u>(70,247,482)</u>	<u>(1,010,941)</u>
Loss per share			
Basic and diluted (<i>HK cents</i>)	8	<u>(7.32)</u>	<u>(0.12)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	<i>Notes</i>	2018 HK\$	2017 HK\$
Non-current assets			
Property, plant and equipment		32,336,477	53,067,955
Club memberships		400,000	400,000
Deferred tax assets		–	25,170
		<u>32,736,477</u>	<u>53,493,125</u>
Current assets			
Gross amounts due from customers for contract work	<i>9</i>	32,242,675	46,373,072
Trade and other receivables	<i>10</i>	63,581,805	84,724,294
Tax recoverable		791,387	4,591,155
Cash and cash equivalents		415,136,973	412,347,245
		<u>511,752,840</u>	<u>548,035,766</u>
Current liabilities			
Gross amounts due to customers for contract work	<i>9</i>	24,753,996	22,936,722
Trade and other payables	<i>11</i>	25,022,038	47,138,409
Amount due to a related company	<i>12</i>	96,787,500	92,287,500
Amount due to a director	<i>12</i>	55,264,637	18,168,481
Provision for onerous contract		442,795	428,158
Deferred income	<i>13</i>	1,126,283	1,126,283
Obligations under finance leases	<i>14</i>	5,416,903	5,196,874
Tax payable		1,777,698	3,133,812
		<u>210,591,850</u>	<u>190,416,239</u>
Net current assets		<u>301,160,990</u>	<u>357,619,527</u>
Total assets less current liabilities		<u>333,897,467</u>	<u>411,112,652</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2018

	<i>Notes</i>	2018 HK\$	2017 <i>HK\$</i>
Non-current liabilities			
Obligations under finance leases	<i>14</i>	3,271,088	8,693,064
Long service payment liabilities		384,405	557,333
Deferred income	<i>13</i>	656,999	1,783,282
Deferred tax liabilities		4,557,572	4,804,088
		8,870,064	15,837,767
Net assets		325,027,403	395,274,885
Capital and reserves			
Share capital	<i>15</i>	9,600,000	9,600,000
Reserves		315,427,403	385,674,885
Total equity attributable to equity shareholders of the Company		325,027,403	395,274,885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL INFORMATION

Wan Kei Group Holdings Limited was incorporated in the Cayman Islands as an exempted company with limited liability on 7 October 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Room 1802, 18th Floor, Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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 2018 comprise the Company and its subsidiaries.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Revenue from construction contracts	190,937,542	180,768,568
Revenue from ground investigation services	<u>35,288,320</u>	<u>54,751,052</u>
	<u><u>226,225,862</u></u>	<u><u>235,519,620</u></u>

For the years ended 31 March 2018 and 2017, there were 3 and 2 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 47% and 24% of the Group's total revenue, respectively.

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

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

(i) Segment results

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

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2018 and 2017 is set out below:

	Year ended 31 March 2018			Total HK\$
	Foundation construction HK\$	Ground investigation services HK\$	Financial services HK\$	
	Revenue from external customers	190,937,542	35,288,320	
Reportable segment revenue	190,937,542	35,288,320	–	226,225,862
Reportable segment gross (loss)/profit	(35,438,095)	7,790,542	–	(27,647,553)
Reportable segment loss	(56,983,796)	(33,872)	(6,404,675)	(63,422,343)
Interest income from bank deposit	100	–	2,018,766	2,018,866
Interest expenses	2,632,100	–	–	2,632,100
Depreciation for the year	15,518,152	919,713	597,147	17,035,012
	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	
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

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Revenue		
Reportable segment revenue and consolidated revenue (note 3(a))	<u>226,225,862</u>	<u>235,519,620</u>
Profit or loss		
Reportable segment (loss)/profit	(63,422,343)	3,671,759
Unallocated head office and corporate expenses	<u>(6,913,796)</u>	<u>(3,821,323)</u>
Consolidated loss before taxation	<u>(70,336,139)</u>	<u>(149,564)</u>

4. OTHER REVENUE

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Rental income from lease of machinery	2,682,270	474,040
Bank interest income	2,018,866	730,416
Insurance claims	573,821	840,527
Others	<u>1,019,707</u>	<u>687,629</u>
	<u>6,294,664</u>	<u>2,732,612</u>

5. LOSS BEFORE TAXATION

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

	2018	2017
	HK\$	HK\$
(a) Finance costs		
Interest on borrowing from a related company	4,500,000	2,287,500
Interest on borrowing from a director	2,096,156	168,481
Interest on bank overdraft	56,964	–
Finance charges on obligations under finance leases	478,980	251,746
	<u>7,132,100</u>	<u>2,707,727</u>
(b) Staff costs (including directors' remuneration)		
Contribution to defined contribution retirement plans	1,952,215	2,028,082
Salaries, wages and other benefits	65,652,121	68,395,712
	67,604,336	70,423,794
<i>Add:</i> Amounts included in gross amounts due from/(to) customers for contract work	<u>3,072,539</u>	<u>(1,893,042)</u>
	<u>70,676,875</u>	<u>68,530,752</u>

5. LOSS BEFORE TAXATION (Continued)

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
(c) Other items		
Depreciation	16,434,651	19,534,770
<i>Add:</i> Amounts included in gross amounts due from/(to) customers for contract work	<u>600,361</u>	<u>(809,558)</u>
	17,035,012	18,725,212
Operating lease charges		
– hire of machinery	14,749,870	8,914,661
– hire of properties	6,118,959	2,907,835
Auditors' remuneration	800,000	760,000
Gain/(loss) on disposal of property, plant and equipment	3,013,361	(5,533)
Net foreign exchange loss/(gain)	<u>32,436</u>	<u>(7,606)</u>

6. INCOME TAX (CREDIT)/EXPENSE

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

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Current tax		
Provision for Hong Kong Profits Tax for the year	131,401	1,207,358
Under-provision in respect of prior years	<u>1,288</u>	<u>25,603</u>
	<u>132,689</u>	<u>1,232,961</u>
Current tax – Overseas		
Provision for the year	–	102,384
Under-provision in respect of prior years	<u>–</u>	<u>5,636</u>
	<u>–</u>	<u>108,020</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(221,346)</u>	<u>(479,604)</u>
	<u>(88,657)</u>	<u>861,377</u>

6. INCOME TAX (CREDIT)/EXPENSE (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 2018 and 2017.
- (iii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for years ended 31 March 2018 and 2017.

7. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2018. No dividend has been declared or paid by the Company for the years ended 31 March 2018 and 2017.

8. LOSS PER SHARE

(a) Basic loss per share

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

	2018	2017
	HK\$	HK\$
Loss		
Loss attributable to equity shareholders of the Company	<u>(70,247,482)</u>	<u>(1,010,941)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>960,000,000</u>	<u>846,465,753</u>

8. LOSS PER SHARE (Continued)

(a) Basic loss per share (Continued)

For the year ended 31 March 2018, 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.

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.

(b) Diluted loss per share

There were no diluted potential shares in existence during the years ended 31 March 2018 and 2017.

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

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	251,219,638	193,541,765
Less: Progress billings received and receivable	<u>(218,976,963)</u>	<u>(147,168,693)</u>
	<u>32,242,675</u>	<u>46,373,072</u>
Gross amounts due to customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	389,909,472	395,882,719
Less: Progress billings received and receivable	<u>(414,663,468)</u>	<u>(418,819,441)</u>
	<u>(24,753,996)</u>	<u>(22,936,722)</u>

The gross amounts due from customers for contract work at 31 March 2018 that is expected to be recovered after more than one year is HK\$17,295,710 (2017: HK\$38,422,936). The gross amounts due to customers for contract work at 31 March 2018 that is expected to be settled after more than one year is HK\$2,139,023 (2017: HK\$902,955).

10. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK\$	HK\$
Trade debtors	9,835,763	32,773,008
Deposits, prepayments and other receivables (<i>note (i)</i>)	9,551,259	10,815,147
Retention receivables (<i>note (ii)</i>)	44,194,783	41,136,139
	63,581,805	84,724,294

Notes:

- (i) Except for the amounts of HK\$1,236,982 and HK\$300,364 as at 31 March 2018 and 2017 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\$10,418,964 and HK\$5,755,259 as at 31 March 2018 and 2017 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:

	2018	2017
	HK\$	HK\$
Within 1 month	4,895,493	24,292,896
1 to 2 months	899,689	700,940
2 to 3 months	414,610	2,745,928
Over 3 months	3,625,971	5,033,244
	9,835,763	32,773,008

Trade debtors are normally due within 30 to 67 days from the payment application date or 0 to 60 days from the certificate date.

11. TRADE AND OTHER PAYABLES

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Trade payables	16,201,723	29,866,250
Retention payables (<i>note (ii)</i>)	3,014,113	2,110,362
Other payables and accruals	<u>5,806,202</u>	<u>15,161,797</u>
	<u>25,022,038</u>	<u>47,138,409</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\$1,036,494 and HK\$612,938 as at 31 March 2018 and 2017 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:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Within 1 month	7,444,961	16,069,643
1 to 2 months	6,081,361	10,589,890
2 to 3 months	208,620	1,155,564
Over 3 months	<u>2,466,781</u>	<u>2,051,153</u>
	<u>16,201,723</u>	<u>29,866,250</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

	2018	2017
	HK\$	HK\$
At 1 April	2,909,565	–
Additions	–	3,378,850
Credited to profit or loss	<u>(1,126,283)</u>	<u>(469,285)</u>
At 31 March	1,783,282	2,909,565
Less: current portion of deferred income	<u>(1,126,283)</u>	<u>(1,126,283)</u>
	<u>656,999</u>	<u>1,783,282</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

	2018		2017	
	Present	Total	Present	Total
	value of the	minimum	value of the	minimum
	lease	lease	lease	lease
	payments	payments	payments	payments
	HK\$	HK\$	HK\$	HK\$
Within 1 year	<u>5,416,903</u>	<u>5,697,216</u>	<u>5,196,874</u>	<u>5,684,568</u>
After 1 year but within 2 years	3,271,088	3,320,861	5,420,197	5,684,568
After 2 years but within 5 years	<u>–</u>	<u>–</u>	<u>3,272,867</u>	<u>3,320,060</u>
	<u>3,271,088</u>	<u>3,320,861</u>	<u>8,693,064</u>	<u>9,004,628</u>
	<u>8,687,991</u>	<u>9,018,077</u>	<u>13,889,938</u>	<u>14,689,196</u>
Less: total future interest expenses		<u>(330,086)</u>		<u>(799,258)</u>
Present value of lease obligations		<u>8,687,991</u>		<u>13,889,938</u>

15. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$</i>
Ordinary shares of HK\$0.01 each authorised:		
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	<u>2,000,000,000</u>	<u>20,000,000</u>
Ordinary shares, issued and fully paid:		
At 1 April 2016	800,000,000	8,000,000
Shares issued under placing (<i>note (i)</i>)	<u>160,000,000</u>	<u>1,600,000</u>
At 31 March 2017, 1 April 2017 and 31 March 2018	<u>960,000,000</u>	<u>9,600,000</u>

Note:

- (i) 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

At 31 March 2018 and 2017, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Within 1 year	6,291,000	2,875,300
After 1 year but within 5 years	<u>5,243,500</u>	<u>2,967,000</u>
	<u>11,534,500</u>	<u>5,842,300</u>

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

17. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 March 2018, the related parties that had transactions with the Group were as follows:

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

	2018	2017
	HK\$	HK\$
Leases of properties from		
– Chung Hang Enterprises Holdings Limited	624,000	624,000
– Chung Wah Investment Company Limited	1,140,000	1,140,000
	1,764,000	1,764,000

Note: The directors of the Company are of opinion that the above transactions were entered into the normal course of business. The related party transactions in respect of rental expenses paid to 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.

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 84.4% of the total revenue of the Group during the Reporting Period (YR2017: approximately 76.8%).

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 15.6% of the total revenue of the Group during the Reporting Period (YR2017: approximately 23.2%).

Financial Services

The Group has obtained a money lender's license during the Reporting Period and is in the course of applying for the relevant licenses from the Securities and Futures Commission to conduct certain financial service businesses. The Group did not record any revenue from this segment during the Reporting Period.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period decreased by approximately HK\$9,294,000, or approximately 3.9%, from approximately HK\$235,520,000 for the year ended 31 March 2017 to approximately HK\$226,226,000 for the Reporting Period, which was primarily due to:

Foundation Construction

The revenue from undertaking foundation construction projects increased by approximately HK\$10,169,000, or approximately 5.6%, from approximately HK\$180,769,000 for the year ended 31 March 2017 to approximately HK\$190,938,000 for the Reporting Period. This was primarily due to the increase of the number of projects tendered by the Group during the Reporting Period.

Ground Investigation Services

The revenue from the provision of ground investigation services decreased by approximately HK\$19,463,000, or approximately 35.5%, from approximately HK\$54,751,000 for the year ended 31 March 2017 to approximately HK\$35,288,000 for the Reporting Period. This was primarily due to the absence of sizable projects tendered by the Group during the Reporting Period.

Financial Services

The Group has obtained a money lender's license during the Reporting Period and is in the course of applying for the relevant licenses from the Securities and Futures Commission to conduct certain financial service businesses. This segment had not generated any revenue during the Reporting Period.

Direct Costs

The Group's direct costs amounted to approximately HK\$253,873,000 for the Reporting Period, representing an increase of approximately 29.8% from approximately HK\$195,539,000 for the year ended 31 March 2017.

Foundation Construction

The direct costs for the foundation construction mainly consisted of the construction material costs, the subcontracting fees and the wages of workers. The direct costs increased by approximately 44.5%, from approximately HK\$156,683,000 for the year ended 31 March 2017 to approximately HK\$226,376,000 for the Reporting Period. This was due to the continuous decline in the bidding prices of the projects won by the Group, and a sharp increase in the price of certain construction materials, especially steel and diesel, during the Reporting Period, in which the price of such materials increased by over 10% as compared to that of the year ended 31 March 2017. Despite the sharp increase in the direct costs for the projects, the Group had tendered more projects in an attempt to maintain its revenue in a level which could be comparable with that of YR2017. Nevertheless, as the direct costs for the foundation construction continued to grow during the Reporting Period, the increase in the direct costs outweighed the increase in the revenue generated from the foundation construction segment.

Ground Investigation Services

The direct costs for the ground investigation services mainly included the subcontracting fees and the wages of workers. The decrease in direct costs by approximately 29.2%, from approximately HK\$38,856,000 for the year ended 31 March 2017 to approximately HK\$27,498,000 for the Reporting Period, was primarily due to the decrease in revenue of the ground investigation services by approximately 35.5% which resulted from the absence of sizable projects tendered by the Group during the Reporting Period.

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

The gross profit decreased from approximately HK\$39,980,000 for the year ended 31 March 2017 to the gross loss of approximately HK\$27,648,000 for the Reporting Period. The Group's overall gross loss margin during the Reporting Period was approximately 12.2% (YR2017: gross profit margin of approximately 17.0%).

Gross loss of the Group's foundation construction segment was approximately HK\$35,438,000 for the Reporting Period, representing a decrease of approximately HK\$59,523,000 from approximately HK\$24,085,000 gross profit as compared to the year ended 31 March 2017. Gross loss margin of the foundation construction segment amounted to approximately 18.6% (YR2017: gross profit margin of approximately 13.3%).

Gross profit of the Group's ground investigation services segment was approximately HK\$7,791,000 for the Reporting Period, representing a decrease of approximately 51.0% from approximately HK\$15,895,000 as compared to the year ended 31 March 2017. Gross profit margin of the ground investigation services segment slightly decreased from approximately 29.0% for the year ended 31 March 2017 to approximately 22.1% for the Reporting Period.

The decline in gross profit margin was mainly due to (i) a decrease in gross profit margin of the newly tendered foundation works projects of the Group during the Reporting Period as a result of the lower bidding prices on the new tenders; and (ii) an increase in the price of construction materials which resulted in the increase in direct costs.

Other Revenue

The other revenue of the Group increased by approximately HK\$3,562,000, or approximately 130.3%, from approximately HK\$2,733,000 for the year ended 31 March 2017 to approximately HK\$6,295,000 for the Reporting Period. The increase was mainly due to (i) the increase of rental income from leasing of machinery to independent third parties of the Group (YR2018: approximately HK\$2,682,000; YR2017: approximately HK\$474,000); and (ii) the increase of bank interest income (YR2018: approximately HK\$2,019,000; YR2017: approximately HK\$730,000) as a result of an increase in time deposits during the Reporting Period.

Other Net Income

The other net income of the Group increased by approximately HK\$3,636,000, from approximately HK\$471,000 for the year ended 31 March 2017 to approximately HK\$4,107,000 for the Reporting Period. The increase was mainly due to the increase of gain on disposal of equipment (YR2018: gain of approximately HK\$3,013,000; YR2017: loss of approximately HK\$6,000) and the increase of amortised deferred income arising from the sales and leaseback transactions of certain equipment during the Reporting Period (YR2018: approximately HK\$1,126,000; YR2017: approximately HK\$469,000).

General and administrative expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK\$45,958,000 (YR2017: approximately HK\$40,626,000), representing an increase of approximately 13.1% as compared to that for the year ended 31 March 2017. The increase was mainly attributable to the increase in the general operating expenses (mainly included salaries, rental expenses and other administrative expenses) for the financial service segment during the Reporting Period (YR2018: approximately HK\$8,423,000; YR2017: approximately HK\$2,554,000).

Finance Costs

The finance costs increased by approximately HK\$4,424,000, from approximately HK\$2,708,000 for the year ended 31 March 2017 to approximately HK\$7,132,000 for the Reporting Period. The increase was mainly due to the increase in the interest expense of borrowing from a related company, Bright Dynasty Trading Limited (YR2018: approximately HK\$4,500,000; YR2017: approximately HK\$2,288,000) and interest expense of borrowing from a Director (YR2018: approximately HK\$2,096,000; YR2017: approximately HK\$168,000).

Income Tax

The tax credit for the Reporting Period was approximately HK\$89,000 (YR2017: tax expense of approximately HK\$861,000). The change was mainly due to the decrease in assessable profits of Hong Kong profits tax and the change of deferred tax for the Reporting Period due to the reasons mentioned above.

LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

For the Reporting Period, the Group recorded a net loss of approximately HK\$70,247,000, as compared with the net loss of approximately HK\$1,011,000 for the year ended 31 March 2017. The decrease was mainly attributable to the decrease in 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 (YR2017: Nil).

PROSPECTS

The Directors estimate that the growth of the overall foundation industry in Hong Kong will continue to slow down in the coming years. The Directors are of the view that the approval process of government projects from the Legislative Council is expected to be slow in the coming year, which will lead to a decrease in the number of available Government project tenders in the coming year. In addition, the intense competition has continued to impact the foundation industry in Hong Kong, which will in turn affect the growth and profitability 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 a well position to compete with its competitors.

In order to grasp the opportunity of the economic growth of Guangdong, Hong Kong and Macau Bay Area and speed up the development of the business, the Group has obtained the money lender's license under the Money Lenders Ordinance in October 2017 and is in the course of applying for the securities business licenses. It aims to provide a comprehensive range of financial services in Hong Kong and Asia. The Group will strive to maintain a balance between risk and return and make investment decisions based on the market situation.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing borrowings of the Group mainly consisted of finance leases, borrowing from a Director and borrowing from a related company. The above borrowings were incurred during the Reporting Period (YR2018: approximately HK\$160,740,000; YR2017: approximately HK\$124,346,000). 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 2018, 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 equipment with an aggregate net book value of approximately HK\$11,467,000 (YR2017: approximately HK\$14,667,000).

NET CURRENT ASSETS

As at 31 March 2018, the Group's net current assets amounted to approximately HK\$301,161,000, which was approximately HK\$56,459,000 lower than the net current assets of approximately HK\$357,620,000 as at 31 March 2017. The decrease was mainly due to the increase in operating costs for the Reporting Period. As at 31 March 2018, the Group's current liabilities amounted to approximately HK\$210,592,000, representing an increase of approximately HK\$20,176,000 from approximately HK\$190,416,000 as at 31 March 2017. The increase was mainly due to (i) the borrowing from a Director obtained during the Reporting Period, with the principal amount of HK\$35,000,000, (ii) the interests incurred by the borrowings from a related company and a Director during the Reporting Period, with the amount of approximately HK\$6,596,000, (iii) the decrease in payable for purchase of machinery of approximately HK\$9,530,000 as compared to that as at 31 March 2017, and (iv) the decrease in trade payables of approximately HK\$13,664,000 as compared to that as at 31 March 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had cash and bank balances of approximately HK\$415,137,000, representing an increase of approximately HK\$2,790,000 (as at 31 March 2017: approximately HK\$412,347,000), all of which were denominated in Hong Kong Dollar.

CASH FLOW

The net cash used by the Group in its operating activities amounted to approximately HK\$36,076,000 during the Reporting Period, which was mainly used for the foundation construction and ground investigation services. Net cash generated from investing activities was approximately HK\$9,547,000, and the net cash generated from financing activities was approximately HK\$29,319,000, in which HK\$35,000,000 arose from borrowings from a Director during the Reporting Period, net off the repayment of finance lease (YR2017: approximately HK\$5,681,000).

The gearing ratio of the Group as at 31 March 2018 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 49.5% (as at 31 March 2017: approximately 31.5%).

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL STRUCTURE

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

As at 31 March 2018, the Company's issued share capital was HK\$9,600,000 (as at 31 March 2017: HK\$9,600,000) and the number of its issued ordinary shares was 960,000,000 (as at 31 March 2017: 960,000,000) of HK\$0.01 each.

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

During the Reporting Period, there were no significant investments, material acquisitions or disposal of subsidiaries and associated companies made 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\$11,535,000 as at 31 March 2018 (as at 31 March 2017: approximately HK\$5,842,000). As at 31 March 2018, the Group had no other capital commitments (as at 31 March 2017: Nil).

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2018 and 2017.

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had 123 full-time employees (as at 31 March 2017: 145 full-time employees).

The remuneration policy and packages of the Group's employees are periodically reviewed. Apart from the 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\$70,677,000 as compared to approximately HK\$68,531,000 for the year ended 31 March 2017.

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 the number of projects with the top 5 customers of the Group may adversely affect the Group's operations and financial results.
- (ii) The Group's past revenue and profit margin may not be an indicative of the Group's future revenue and profit margin. In particular, the Group's revenue is on project basis, which is non-recurrent in nature, and the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group's order book for its new projects.
- (iii) The Group is dependent on its Board members and senior management staff, the departure of its staff may adversely affect the Group's business operations.
- (iv) Failure to accurately estimate and control the costs of the Group's projects may adversely affect the Group's financial performance.
- (v) Any delay or default of progress payments or retention monies by the customers may affect the Group's cash flow and may have adverse impact on the Group's financial results.
- (vi) Failure to renew the Group's current registrations and licenses may adversely affect the Group's business operations. For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the prospectus of the Company dated 28 July 2015.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

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

Customers

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

Suppliers and Subcontractors

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

Employees

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

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

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

ENVIRONMENTAL POLICIES

The Group places an emphasis on environmental protection when undertaking its projects. The Group was awarded ISO 14001:2015 (environmental management system). The current ISO 14001:2015 certificate is valid from 7 April 2018 to 29 April 2021. When preparing the tender documents, the Group will take into consideration the environmental protection requirements of potential customers as well as the relevant laws and regulations in relation to environmental protection. The Group's safety officers are responsible for ensuring that the Group satisfies the applicable laws and regulations requirements and identifying and reporting on environmental issues to our project management team.

COMPLIANCE WITH LAWS AND REGULATIONS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets up to the date of this announcement.

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 developing a business regarding investment and financing services and for setting up a subsidiary with money lending license. As at 31 March 2018, we used the net proceeds from the Placing of approximately HK\$14,757,000 (YR2017: HK\$2,454,000) on the Group for the payment of related staff costs, engaging a consultant for the application for securities licenses, administration costs and office set up cost.

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

The forthcoming annual general meeting of the Company (the “Meeting”) will be held on 31 July 2018 (Tuesday). For the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the Meeting, the transfer books and Register of Members of the Company will be closed from 26 July 2018 (Thursday) to 31 July 2018 (Tuesday), both days inclusive. During such period, no share transfer will be effected. In order to be qualified 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 25 July 2018 (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 Reporting Period.

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

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

The results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hkex1718.hk. The annual report of the Company for the year ended 31 March 2018 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, 15 June 2018

As at the date of this announcement, the executive Directors are Mr. Lau Woon Si, Mr. Fong Hon Hung, Mr. Chan Chi Ming Tony, Mr. Zhang Zhenyi, Mr. Chan Kwan and Mr. Yan Shuai; and the independent non-executive Directors are Mr. Lo Wa Kei Roy, Ms. Li Zhongye Cindy, Ms. Wang Qing and Mr. Leung Ka Fai Nelson.