



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



**Interim
Report
2016**

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lau Woon Si (*Chairman*)
Mr. Fong Hon Hung (*Chief Executive*)
Mr. Lau Chi Hing
Mr. Leung Man Lun Stephen
Mr. Lau Chi Shing
Mr. Chan Chi Ming Tony

Independent Non-executive Directors

Mr. Law Yiu Sing
Mr. Ho Ho Ming
Mr. Ong Chi King

COMPANY SECRETARY

Mr. Ling Yat Hin

AUTHORISED REPRESENTATIVES

Mr. Lau Chi Hing
Mr. Ling Yat Hin

AUDIT COMMITTEE

Mr. Law Yiu Sing (*Chairman*)
Mr. Ong Chi King
Mr. Ho Ho Ming

REMUNERATION COMMITTEE

Mr. Ong Chi King (*Chairman*)
Mr. Lau Chi Hing
Mr. Law Yiu Sing

NOMINATION COMMITTEE

Mr. Lau Woon Si (*Chairman*)
Mr. Ong Chi King
Mr. Law Yiu Sing

LEGAL COMPLIANCE COMMITTEE

Mr. Lau Woon Si (*Chairman*)
Mr. Ling Yat Hin
Mr. Law Yiu Sing

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

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LEGAL ADVISER AS TO HONG KONG LAW

Loong & Yeung

Solicitors
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COMPLIANCE ADVISER Kingsway Capital Limited

7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

INDEPENDENT AUDITORS HLB Hodgson Impey Cheng Limited

Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE IN
THE CAYMAN ISLANDS**
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Cayman Islands

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**
Tricor Investor Services Limited
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Hong Kong

PRINCIPAL BANKERS
**Industrial and Commercial Bank of China
(Asia) Limited**
Hang Seng Bank Limited

STOCK CODE
1718

COMPANY'S WEBSITE
www.wankei.com.hk



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Revenue of Wan Kei Group Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2016 amounted to approximately HK\$118,493,000 (for the six months ended 30 September 2015: approximately HK\$219,006,000).
- Profit attributable to the equity shareholders of the Company for the six months ended 30 September 2016 amounted to approximately HK\$3,535,000 (for the six months ended 30 September 2015: approximately HK\$25,494,000).
- Basic and diluted earnings per share for the six months ended 30 September 2016 amounted to approximately HK cents 0.44 (for the six months ended 30 September 2015: approximately HK cents 3.50).
- The Board does not recommend the declaration of any interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

BUSINESS REVIEW

During the six months ended 30 September 2016 (the “Reporting Period”), the Group was principally engaged in the provision of (i) foundation works; and (ii) ground investigation field works in Hong Kong.

Foundation Works

During the Reporting Period, the Group was principally engaged in the provision of foundation works in Hong Kong. The foundation works 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 works projects in both public and private sectors. Income from foundation works contributed approximately 76.0% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2015: approximately 89.7%).

Ground Investigation Field Works

The Group also acts as a contractor to provide ground investigation field works in Hong Kong and it undertook ground investigation field works in both public and private sectors. Income from ground investigation field works contributed approximately 24.0% of the total revenue of the Group during the Reporting Period (six months ended 30 September 2015: approximately 10.3%).

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK\$118,493,000 (six months ended 30 September 2015: approximately HK\$219,006,000), representing a decrease of approximately 45.9% over the six months ended 30 September 2015. The decrease was mainly due to (i) a decrease in the contract sum of newly tendered projects of foundation works of the Group during the Reporting Period; and (ii) the absence of sizable projects tendered by the Group during the Reporting Period.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 16.6% (six months ended 30 September 2015: approximately 25.7%). The decline in gross profit margin was mainly due to a decrease in the price of newly tendered projects of foundation works of the Group during the Reporting Period, coupled with an increase in wages of workers.

General and administrative expenses

The Group's general and administrative expenses for the six months ended 30 September 2016 were approximately HK\$16,612,000 (six months ended 30 September 2015: approximately HK\$24,415,000), representing a decrease of approximately 32.0% over the corresponding period in 2015. This was mainly attributable to the absence of listing expenses and a decrease in legal and professional fees during the six months ended 30 September 2016.

Net Profit

For the six months ended 30 September 2016, the Group recorded a net profit of approximately HK\$3,535,000, representing a decrease of approximately 86.1% as compared to the net profit of approximately HK\$25,485,000 for the corresponding period last year. The decrease was mainly attributable to the decrease in revenue and gross profit margin as previously discussed.

Prospects

The directors (the "Directors") of the Company estimate that the growth of the overall foundation industry in Hong Kong will further slow down in 2017. The Directors are of the view that the political disharmony in Hong Kong is one of the main factors affecting the construction industry. For instance, although the Government keeps seeking funding approval from the Legislative Council for different types of construction projects, the funding approval progress is always obstructed and very slow due to the filibuster. This significant delay in the approval process of public works projects will affect Hong Kong's future economic growth and continued development. Furthermore, due to the decrease in the number of available Government project tenders and only limited projects are currently available in the market, 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. Nonetheless, the Directors is confident that with the Group's excellent reputation in construction industry and experienced management team, the Group is in well position to compete with its competitors. The Group will continue to pursue appropriate business strategies to ensure that it is able to overcome its difficulty in the construction industry.

In addition, in response to the dynamic business environment, the Group is actively seeking the opportunities to develop business regarding investment, financing services and money lending services. The Directors believe that the development of the above businesses would maximise the returns and values of the Group and the shareholders of the Company as a whole.

Debts and Charge on Assets

The total interest bearing borrowings of the Group, which consists of loan advanced from a related company, increased from nil as at 31 March 2016 to HK\$90,000,000 as at 30 September 2016. All borrowings were denominated in Hong Kong dollar. Interest on borrowings are charged at fixed rates. The Group currently does not have any interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. As at 30 September 2016, the amount of bank facilities of HK\$6,000,000 (31 March 2016: HK\$6,000,000) remained unutilised.

As at 30 September 2016, no assets were pledged to secure any debt.

Liquidity, Financial Resources and Capital Structure

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from the operating activities and borrowings from a related company.

As at 30 September 2016, the Group had cash and bank balances of approximately HK\$285,744,000 (31 March 2016: approximately HK\$150,292,000), all of which were denominated in Hong Kong dollar. The net increase was mainly due to HK\$90,000,000 advanced to the Group by a related company during the Reporting Period.

The gearing ratio of the Group as at 30 September 2016 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 33.9% (31 March 2016: nil).

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

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

As at 30 September 2016, the Company's issued share capital was HK\$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

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

During the Reporting Period, there was no acquisition or disposal of subsidiaries and associated companies by the Company.

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\$5,807,000 as at 30 September 2016 (31 March 2016: approximately HK\$1,778,000). As at 30 September 2016, the Group had no other capital commitments (31 March 2016: approximately HK\$81,000).

Contingent liabilities

The Group had no contingent liabilities as at 30 September 2016 and 31 March 2016.

Event after the Reporting Period

On 29 November 2016 (after trading hours), the Company and Kingston Securities Limited entered into a placing agreement, pursuant to which the Company had conditionally agreed to allot and issue a maximum of 160,000,000 ordinary shares of HK\$0.01 each to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons at the placing price of HK\$0.86 per share of the Company. The maximum net proceeds will be approximately HK\$134.0 million, which will be used for developing business regarding investment and financing services and for setting up a subsidiary with money lending licence.

Employees and Remuneration Policy

As at 30 September 2016, the Group had 147 full-time employees (31 March 2016: 157 full-time employees).

The remuneration policy and packages of the Group's employees are periodically reviewed. Apart from mandatory provident fund and in-house training programmes, 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\$31,006,000 compared to approximately HK\$32,134,000 for the six months ended 30 September 2015.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the global offering of the Company in connection with the listing was approximately HK\$70,700,000. The Group has used the net proceeds up to 30 September 2016 as follows:

Use of net proceeds	Planned use of proceeds as stated in the prospectus HK\$ million	Actual use of proceeds HK\$ million	Unused amount HK\$ million
Acquisition of additional machinery	48.4	26.1	22.3
Recruitment of additional staff	7.6	3.5	4.1
Repayment of finance leases	8.1	8.1	–
General working capital	6.6	6.6	–
Total	70.7	44.3	26.4

The unutilised amounts of the net proceeds will be applied in the manner consistent with that mentioned in the prospectus of the Company dated 28 July 2015. The Directors are not aware of any material change to the planned use of net proceeds as at the date of this report.

The unused net proceeds have been placed as bank balances with licensed bank in Hong Kong as at the date of this Report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		For the six months ended 30 September	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	4	118,493	219,006
Direct costs		<u>(98,823)</u>	<u>(162,750)</u>
Gross profit		19,670	56,256
Other revenue		1,343	391
Other net income		10	706
General and administrative expenses		<u>(16,612)</u>	<u>(24,415)</u>
Profit from operations		4,411	32,938
Finance costs	5	<u>–</u>	<u>(193)</u>
Profit before taxation	6	4,411	32,745
Income tax	7	<u>(876)</u>	<u>(7,260)</u>
Profit and total comprehensive income for the period		<u><u>3,535</u></u>	<u><u>25,485</u></u>
Attributable to:			
Equity shareholders of the Company		3,535	25,494
Non-controlling interests		<u>–</u>	<u>(9)</u>
Profit and total comprehensive income for the period		<u><u>3,535</u></u>	<u><u>25,485</u></u>
Earnings per share			
– Basic (HK cents per share)	9	<u><u>0.44</u></u>	<u><u>3.50</u></u>
– Diluted (HK cents per share)	9	<u><u>0.44</u></u>	<u><u>3.50</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Fixed assets		46,831	41,858
Prepayment		–	34
Club memberships		400	400
Deferred tax assets		65	62
		<u>47,296</u>	<u>42,354</u>
Current assets			
Gross amounts due from customers for contract work		17,460	50,771
Trade and other receivables	10	89,236	96,114
Tax recoverable		1,993	2,217
Cash and cash equivalents		285,744	150,292
		<u>394,433</u>	<u>299,394</u>
Current liabilities			
Gross amounts due to customers for contract work		39,761	36,216
Trade and other payables	11	37,881	35,156
Amount due to a related company	12	90,000	–
Tax payable		2,185	2,223
		<u>169,827</u>	<u>73,595</u>
Net current assets		<u>224,606</u>	<u>225,799</u>
Total assets less current liabilities		<u>271,902</u>	<u>268,153</u>
Non-current liabilities			
Provision for long service payment		557	557
Deferred tax liabilities		5,534	5,320
		<u>6,091</u>	<u>5,877</u>
Net assets		<u>265,811</u>	<u>262,276</u>
Capital and reserves			
Share capital	13	8,000	8,000
Reserves		257,811	254,276
Total equity		<u>265,811</u>	<u>262,276</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 13)	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 1 April 2016 (Audited)	8,000	78,948	3,956	9,669	161,703	262,276	–	262,276
Profit and total comprehensive income for the period	–	–	–	–	3,535	3,535	–	3,535
Balance at 30 September 2016 (Unaudited)	<u>8,000</u>	<u>78,948</u>	<u>3,956</u>	<u>9,669</u>	<u>165,238</u>	<u>265,811</u>	<u>–</u>	<u>265,811</u>
Balance at 1 April 2015 (Audited)	10,350	–	–	–	136,130	146,480	615	147,095
Elimination of share capital on group reorganisation	(10,350)	–	–	–	–	(10,350)	–	(10,350)
Issuance of new shares	–	–	–	–	–	–	–	–
Shares issued on group reorganisation	7,000	–	3,956	–	–	10,956	(606)	10,350
Shares issued under share offer	1,000	84,000	–	–	–	85,000	–	85,000
Share issue expenses	–	(5,052)	–	–	–	(5,052)	–	(5,052)
Deemed capital contribution	–	–	–	9,669	–	9,669	–	9,669
Profit and total comprehensive income for the period	–	–	–	–	25,494	25,494	(9)	25,485
Balance at 30 September 2015 (Unaudited)	<u>8,000</u>	<u>78,948</u>	<u>3,956</u>	<u>9,669</u>	<u>161,624</u>	<u>262,197</u>	<u>–</u>	<u>262,197</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Operating activities		
Cash generated from operations	50,048	27,282
Tax paid	(479)	–
Net cash generated from operating activities	49,569	27,282
Investing activities		
Payment for the purchase of fixed assets	(4,197)	(11,495)
Proceeds from disposal of fixed assets	11	715
Interest received	69	6
Net cash used in investing activities	(4,117)	(10,774)
Financing activities		
Capital element of finance lease rentals paid	–	(4,769)
Interest element of finance lease rentals paid	–	(193)
Proceeds from issue of shares	–	85,000
Payments for share issue capitalised	–	(5,052)
Proceeds from deemed capital contribution	–	9,669
Dividends declared and paid to the then equity holders	–	(60,000)
Loan advanced from a related company	90,000	–
Net cash generated from financing activities	90,000	24,655
Net increase in cash and cash equivalents	135,452	41,163
Cash and cash equivalents at the beginning of the period	150,292	74,956
Cash and cash equivalents at the end of the period	285,744	116,119

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 October 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Rooms 6 & 8, 9/F, Block A, Fuk Keung Industrial Building, No. 66 – 68 Tong Mi Road, Mongkok, Kowloon, Hong Kong.

The Group is principally engaged in the provision of (i) foundation works; and (ii) ground investigation field works in Hong Kong.

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

The unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$), unless otherwise stated. The unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 30 November 2016.

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

2. BASIS OF PRESENTATION

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

3. PRINCIPAL ACCOUNTING POLICIES

Excepted as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements.

Exceptional items are described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs and a new standard that are mandatorily effective for the financial year ending 31 March 2017. The application of the amendments to HKFRSs and the new standard in the current interim period had no material impact on the results and financial position of the Group.

4. TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

Turnover represents revenue from construction contracts and from ground investigation services. The amount of each significant category of revenue recognised in turnover during the respective periods is as follows:

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from construction contracts	90,071	196,445
Revenue from ground investigation services	28,422	22,561
	<u>118,493</u>	<u>219,006</u>

(b) Segment reporting

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

- Foundation construction: this segment provides foundation construction work to customers in Hong Kong.
- Ground investigation services: this segment provides ground investigation services to customers in Hong Kong.

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.

(i) Segment results, assets and liabilities

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2016 and 2015 are as follows:

	Foundation construction		Ground investigation services		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	90,071	196,445	28,422	22,561	118,493	219,006
Reportable segment revenue	90,071	196,445	28,422	22,561	118,493	219,006
Reportable segment profit	1,170	31,586	3,241	1,159	4,411	32,745
Interest expense	-	188	-	5	-	193
Depreciation and amortisation for the period	10,275	10,015	497	321	10,772	10,336

	Foundation construction		Ground investigation services		Total	
	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Reportable segment assets	242,038	243,933	27,781	24,392	269,819	268,325
Fixed assets	43,878	39,208	2,953	2,650	46,831	41,858
Trade and other receivables	73,612	87,865	15,176	8,135	88,788	96,000
Additions to non-current segment assets during the period	14,797	16,296	800	1,312	15,597	17,608
Reportable segment liabilities	65,994	69,852	12,967	11,176	78,961	81,028
Trade and other payables	27,882	28,162	9,999	6,994	37,881	35,156

(ii) *Reconciliations of reportable segment profit or loss*

	Six months ended 30 September 2016 HK\$'000 (Unaudited)		2015 HK\$'000 (Unaudited)
Revenue			
Reportable segment revenue and consolidated turnover	118,493		219,006
Profit			
Reportable segment profit	4,411		32,745
Elimination of inter-segment profits	—		—
Consolidated profit before taxation	4,411		32,745

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Assets		
Reportable segment assets	269,819	268,325
Elimination of inter-segment receivables	<u>(35,032)</u>	<u>(9,100)</u>
	234,787	259,225
Tax recoverable	1,993	2,217
Deferred tax assets	65	62
Unallocated head office and corporate assets	<u>204,884</u>	<u>80,244</u>
Consolidated total assets	<u><u>441,729</u></u>	<u><u>341,748</u></u>
Liabilities		
Reportable segment liabilities	78,961	81,029
Elimination of inter-segment liabilities	<u>(35,032)</u>	<u>(9,100)</u>
	43,929	71,929
Tax payable	2,185	2,223
Deferred tax liabilities	5,534	5,320
Unallocated head office and corporate liabilities	<u>124,270</u>	<u>–</u>
Consolidated total liabilities	<u><u>175,918</u></u>	<u><u>79,472</u></u>

5. FINANCE COSTS

	Six months ended 30 September 2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Finance charges on obligation under finance leases	<u>–</u>	<u>193</u>

6. PROFIT BEFORE TAXATION

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

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	1,010	1,035
Salaries, wages and other benefits	29,482	29,578
	30,492	30,613
Add: Amount included in gross amounts due from/(to) customers for contract work	514	1,521
	31,006	32,134
	<u>31,006</u>	<u>32,134</u>
(b) Other items		
Depreciation	10,624	9,624
Add: Amount included in gross amounts due from/(to) customers for contract work	148	712
	10,772	10,336
Operating lease charges		
– hire of machinery	5,126	10,058
– hire of properties	1,181	918
Auditors' remuneration	375	400
Gain on disposal of fixed assets	(11)	(699)
	<u>(11)</u>	<u>(699)</u>

7. INCOME TAX

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for Hong Kong Profits Tax for the period	665	6,709
Deferred tax	211	551
	<u>876</u>	<u>7,260</u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit arising in or derived from Hong Kong for the period.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

9. EARNINGS PER SHARE

Basic earnings per share

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

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to equity shareholders of the Company (HK\$'000)	3,535	25,494
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	800,000	727,867
Basic earnings per share (HK cents)	<u>0.44</u>	<u>3.50</u>

Diluted earnings per share

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

10. TRADE AND OTHER RECEIVABLES

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Trade debtors	31,333	28,275
Deposits, prepayments and other receivables	8,638	9,562
Retention receivables (<i>note (i)</i>)	49,265	58,277
	<u>89,236</u>	<u>96,114</u>

Note:

- (i) Except for the amounts of approximately HK\$14,660,000 and HK\$12,481,000 as at 30 September 2016 and 31 March 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

At 30 September 2016 and 31 March 2016, the ageing analysis of the 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:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within 1 month	12,594	23,059
1 to 2 months	5,995	1,929
2 to 3 months	8,146	1,473
Over 3 months	4,598	1,814
	<u>31,333</u>	<u>28,275</u>

(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 loss is written off against trade debtors directly.

As at 30 September 2016 and 31 March 2016, none of 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:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Neither past due nor impaired	12,495	7,504
Less than 1 month past due	5,672	6,800
1 to 3 months past due	8,454	10,667
Over 3 months past due	4,712	3,304
	<u>31,333</u>	<u>28,275</u>

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

Receivables that 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 required in respect of these balances as there is no significant change in credit quality and these balances are still considered as fully recoverable. The Group does not hold any collateral as security over these balances.

The other classes with trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security over these balances.

11. TRADE AND OTHER PAYABLES

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Trade payables	20,173	25,943
Retention payables (<i>note (i)</i>)	2,804	3,917
Other payables and accruals	14,904	5,296
	<u>37,881</u>	<u>35,156</u>

Note:

- (i) Except for the amounts of approximately HK\$486,000 and HK\$488,000 as at 30 September 2016 and 31 March 2016 respectively, all of the remaining balances are expected to be settled within one year.
- (ii) An ageing analysis of trade payables based on the invoice date is as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within 1 month	6,735	13,353
1 to 2 months	5,240	7,932
2 to 3 months	3,096	587
Over 3 months	5,102	4,071
	<u>20,173</u>	<u>25,943</u>

12. AMOUNT DUE TO A RELATED COMPANY

The amount represented to a loan advanced from Bright Dynasty Trading Limited (“Bright Dynasty”). Bright Dynasty was beneficially owned as to 100% by Mr. Fong Hon Hung (“Mr. Fong”). Mr. Fong is the executive Director and chief executive of the Group.

The loan advanced from Bright Dynasty is unsecured, bears interest at 5% per annum and repayable on demand.

13. SHARE CAPITAL

	Number of ordinary shares	Nominal amount HK\$'000
Ordinary shares of HK\$0.01 each authorised:		
As at 30 September 2016 and 31 March 2016	<u>2,000,000,000</u>	<u>20,000</u>
Ordinary shares, issued and fully paid:		
As at 30 September 2016 and 31 March 2016	<u>800,000,000</u>	<u>8,000</u>

14. COMMITMENTS

- (a) Capital commitments outstanding at 30 September 2016 and 31 March 2016 not provided for in the consolidated financial statement were as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Contracted for	<u>–</u>	<u>81</u>

- (b) At 30 September 2016 and 31 March 2016, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within 1 year	1,757	1,778
After 1 year but within 5 years	<u>4,050</u>	<u>–</u>
	<u>5,807</u>	<u>1,778</u>

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

15. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2016, the related parties that had transactions with the Group were as follows:

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

The following is a summary of material related party transactions which were carried out in accordance with the terms agreed between the Group and the related parties and in the ordinary and usual course of business:

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Lease of properties from		
– Chung Hang Enterprises Holdings Limited	312	312
– Chung Wah Investment Company Limited	570	570
	882	882

Key management personnel remuneration

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	3,456	3,300
Post-employment benefits	27	27
	3,483	3,327

CORPORATE GOVERNANCE AND OTHER INFORMATION

OTHER INFORMATION

Future Plans for Material Investments or Capital Assets

Save as disclosed in this report, the Company does not have any plans for material investments or capital assets.

Purchase, Sale or Redemption if the Company's Listed Securities

Neither the Company nor any of the subsidiaries had purchased, sold or redeemed any of the Company's listed securities up to the date of this report.

Competing Interests

Having made specific enquiry of all Directors, the controlling shareholders and substantial shareholders of the Company, all of them have confirmed that neither themselves nor their respective close associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) is interested in any business apart from the business operated by the Group which competes or is likely compete, directly or indirectly, with the Group's business.

DISCLOSURE OF INTEREST

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 30 September 2016, the interests and short positions of the Directors and chief executives of the Company in the Shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provision of the SFO) or which, pursuant to Section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

Name of directors	Capacity/nature	Number of Shares held/ interested in	Approximate percentage of interest
Mr. Lau Woon Si ("Mr. WS Lau")	Interests held jointly with other persons; interest in controlled corporation (<i>Notes 1 and 4</i>)	340,920,000	42.62%
Mr. Fong Hon Hung ("Mr. Fong")	Interests held jointly with other persons; interest in controlled corporation (<i>Notes 2 and 4</i>)	340,920,000	42.62%
Mr. Leung Man Lun Stephen ("Mr. Leung")	Interests held jointly with other persons; interest in controlled corporation (<i>Notes 3 and 4</i>)	340,920,000	42.62%

Notes:

- (1) Mr. WS Lau owns approximately 94.65% shareholding in Suntecli Company Limited ("Suntecli"), which in turn beneficially owns 42.62% shareholding in the Company. Therefore, Mr. WS Lau is deemed or taken to be interested in all the Shares which are beneficially owned by Suntecli for the purpose of SFO. Mr. MS Lau is chairman, an executive Director and the chairman of the nomination committee of the Company.
- (2) Mr. Fong is the chief executive and an executive Director.

- (3) Mr. Leung is an executive Director.
- (4) Suntecli, Samwood Global Limited (“Samwood”), Mr. WS Lau, Mr. Fong and Mr. Leung are parties acting in concert (having the meaning as ascribed thereto in the Hong Kong Code on Takeovers and Mergers (the “Takeover Code”)) pursuant to a confirmatory deed dated 3 December 2014 (the “Concert Party Deed”). As such, immediately following completion of the global offering of the Shares (without taking into account any Share which may be issued upon the exercise of any option that may be granted under the Share Option Scheme), Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung will together control approximately 42.62% of the entire issued share capital of the Company.

(ii) Interests in the associate corporations

Name of Director	Position in the associated corporations	Percentage of interest in the associated corporations
Mr. WS Lau	Director of Suntecli (<i>Note</i>)	Approximately 94.65% in Suntecli
Mr. Lau Chi Hing (“Mr. CH Lau”)	Director of Suntecli (<i>Note</i>)	Approximately 1.07% in Suntecli
Mr. Lau Chi Shing (“Mr. CS Lau”)	N/A	Approximately 1.07% in Suntecli

Note:

Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung are parties acting in concert (having the meaning as ascribed thereto in the Takeover Code) pursuant to the Concert Party Deed. As such, immediately following completion of the Global Offering (without taking into account any Share which may be issued upon the exercise of any option that may be granted under the Scheme (as defined below)), Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung will together control approximately 42.62% of the entire issued share capital of the Company.

Substantial Shareholders’ and Others’ Interests and Short Positions in Shares and Underlying Shares

As at 30 September 2016, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the Shares

Name	Capacity/nature	Number of shares held/ interested	Approximate percentage of interest
Suntecli	Interests held jointly with other persons; beneficial owner (<i>Note 1</i>)	340,920,000	42.62%
Samwood	Interests held jointly with other persons; beneficial owner (<i>Note 1</i>)	340,920,000	42.62%
Ms. So Choi	Interest of spouse (<i>Note 2</i>)	340,920,000	42.62%
Ms. Kwong Sui Sim	Interest of spouse (<i>Note 3</i>)	340,920,000	42.62%
Ms. Chan Sui Yau Cathy	Interest of spouse (<i>Note 4</i>)	340,920,000	42.62%

Notes

- (1) Suntecli and Samwood with Mr. WS Lau, Mr. Fong and Mr. Leung, are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed and accordingly each of them is deemed to be interested in the Shares held by each other. Pursuant to the Concert Party Deed, Mr. WS Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of the Group reorganisation and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed.
- (2) Ms. So Choi is the spouse of Mr. WS Lau and is deemed or taken to be interested in all the Shares in which Mr. WS Lau has, or is deemed to have, an interest for the purposes of the SFO.
- (3) Ms. Kwong Sui Sim is the spouse of Mr. Fong and is deemed or taken to be interested in all the Shares in which Mr. Fong has, or is deemed to have, an interest for the purposes of the SFO.
- (4) Ms. Chan Sui Yau Cathy is the spouse of Mr. Leung and is deemed or taken to be interested in all the Shares in which Mr. Leung has, or is deemed to have, an interest for the purposes of the SFO.

Share Option Scheme

Pursuant to the written resolutions of the shareholders of the Company on 9 May 2015, the Company adopted a share option scheme (the “Scheme”) to attract and retain the best available personnel, to provide additional incentive to employees (full time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Company’s shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Company’s shareholders. Options granted to substantial shareholders or independent non-executive Directors or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company’s share capital or with a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK\$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant; (ii) the average of the closing prices of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

The Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 9 May 2015) and shall expire at the close of business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

No share option was granted since the adoption of the Scheme and there were no outstanding share option as at 30 September 2016.

Interim Dividend

The board of Directors did not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2015: nil).

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 Listing Rules during the Reporting Period and up to the date of this report.

Code of Conduct Regarding Directors' Securities Transactions

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

Audit Committee and Review of Financial Information

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Law Yiu Sing, Mr. Ong Chi King and Mr. Ho Ho Ming. Mr. Law Yiu Sing has been appointed as the chairman of the Audit Committee.

Disclosure of Directors Information under Rule 13.51B(1) of the Listing Rules

Mr. Ong Chi King resigned as an independent non-executive director of King Force Group Holdings Limited (Stock code: 8315), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange with effect from 19 September 2016.

By order of the Board
WAN KEI GROUP HOLDINGS LIMITED
Lau Woon Si
Chairman

Hong Kong, 30 November 2016