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WING CHI HOLDINGS LIMITED

榮智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6080)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board of directors (the “**Board**”) of Wing Chi Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2019 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$169.2 million for the six months ended 30 September 2019, representing a decrease of approximately 10.6% as compared to that for the same period in 2018.
2. Gross profit was approximately HK\$3.0 million for the six months ended 30 September 2019, turning loss into profit compared to gross loss of approximately HK\$15.9 million for the same period in 2018.
3. Gross profit margin for the six months ended 30 September 2019 was approximately 1.8%, compared to gross loss margin of approximately 8.4% for the same period in 2018.
4. Loss attributable to owners of the Company was approximately HK\$7.5 million for the six months ended 30 September 2019 as compared to loss attributable to owners of the Company of approximately HK\$26.8 million for the same period in 2018. The decrease in net loss attributable to owners of the Company was principally attributable to the improvement of gross profit during the six months ended 30 September 2019.
5. Loss per share amounted to approximately HK\$0.8 cents for the six months ended 30 September 2019 as compared to loss per share amounted to approximately HK\$2.9 cents for the same period in 2018.
6. The Board does not recommend the payment of interim dividend for the six months ended 30 September 2019.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended	
		30 September	
	<i>Notes</i>	2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	169,168	189,308
Cost of sales		<u>(166,125)</u>	<u>(205,160)</u>
Gross profit (loss)		3,043	(15,852)
Other income	6	497	1,264
Administrative expenses		(10,567)	(10,905)
Finance costs	7	<u>(109)</u>	<u>(142)</u>
Loss before taxation		(7,136)	(25,635)
Income tax expense	8	<u>(407)</u>	<u>(1,188)</u>
Loss and total comprehensive expense for the period	9	<u><u>(7,543)</u></u>	<u><u>(26,823)</u></u>
Loss per share:			
Basic and diluted	11	<u><u>(0.8) cents</u></u>	<u><u>(2.9) cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

		At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Plant and equipment	<i>12</i>	36,578	34,065
Investment property		7,700	7,600
Right-of-use assets	<i>12</i>	5,529	–
		<u>49,807</u>	<u>41,665</u>
Current assets			
Contract assets		103,066	112,160
Trade and other receivables	<i>13</i>	8,961	14,735
Restricted bank deposits		4,322	4,240
Bank balances and cash		42,281	51,332
		<u>158,630</u>	<u>182,467</u>
Current liabilities			
Trade and other payables	<i>14</i>	33,654	42,108
Lease liabilities		2,520	–
Bank borrowings		1,955	2,025
Obligations under finance leases			
— due within one year		–	2,482
Tax payable		663	415
		<u>38,792</u>	<u>47,030</u>
Net current assets		<u>119,838</u>	<u>135,437</u>
Total assets less current liabilities		<u>169,645</u>	<u>177,102</u>

		At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Capital and reserves			
Share capital	15	9,338	9,338
Reserves		156,131	163,674
		<u>165,469</u>	<u>173,012</u>
Non-current liabilities			
Obligations under finance leases			
— due after one year		–	1,290
Deferred tax liabilities		2,959	2,800
Lease liabilities		1,217	–
		<u>4,176</u>	<u>4,090</u>
		<u>169,645</u>	<u>177,102</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(Note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019 (Audited)	9,338	115,593	10	48,071	173,012
Loss and total comprehensive expense for the period (Unaudited)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,543)</u>	<u>(7,543)</u>
At 30 September 2019 (Unaudited)	<u>9,338</u>	<u>115,593</u>	<u>10</u>	<u>40,528</u>	<u>165,469</u>
At 1 April 2018 (Audited)	9,338	115,593	10	82,578	207,519
Loss and total comprehensive expense for the period (Unaudited)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(26,823)</u>	<u>(26,823)</u>
At 30 September 2018 (Unaudited)	<u>9,338</u>	<u>115,593</u>	<u>10</u>	<u>55,755</u>	<u>180,696</u>

Note:

Merger reserve represented the difference between the nominal value of the shares issued by the Company and the amount of issued share capital of the subsidiaries acquired pursuant to the group reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from (used in) operation	5,826	(33,651)
Income taxes paid	<u>–</u>	<u>(1,767)</u>
Net cash generated from (used in) operating activities	<u>5,826</u>	<u>(35,418)</u>
Cash flows from investing activities		
Purchase of plant and equipment	(13,486)	(16,957)
Proceeds from disposal of plant and equipment	130	–
Interest received	<u>25</u>	<u>79</u>
Net cash used in investing activities	<u>(13,331)</u>	<u>(16,878)</u>
Cash flows from financing activities		
Repayment of bank borrowings	(70)	(246)
Repayment of obligations under finance leases	–	(1,114)
Repayment of lease liabilities	(1,367)	–
Interest paid	<u>(109)</u>	<u>(142)</u>
Net cash used in financing activities	<u>(1,546)</u>	<u>(1,502)</u>
Net decrease in cash and cash equivalents	(9,051)	(53,798)
Cash and cash equivalents at 1 April	<u>51,332</u>	<u>89,496</u>
Cash and cash equivalents at 30 September, represented by bank balances and cash	<u>42,281</u>	<u>35,698</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 13 March 2018. The Shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its ultimate holding company and immediate holding company is Colourfield Global Limited, a limited company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Li Cheuk Kam (the “**Controlling Shareholder**”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the interim report.

The Company is an investment holding company, while the principal subsidiaries are principally engaged in the provision of foundation and site formation works and machineries leasing.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries (hereinafter collectively refer to as the “**Group**”).

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group have been prepared on the historical cost basis except for investment property that is measured at fair value.

The accounting policies used in the condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2019 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which effective for the Group’s financial year beginning after 1 April 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group’s accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to account for the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.20%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments — the Group applied this approach to all leases.

The Group as lessor

The Group leases some of the machineries. The accounting policies applicable to the Group as lessor are not different from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

	Carrying amount previously reported at 31 March 2019	Impact on adoption of HKFRS 16	Carrying amount as restated at 1 April 2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Plant and equipment	34,065	(5,303)	28,762
Right-of-use assets	–	5,303	5,303
Obligations under finance leases	3,772	(3,772)	–
Lease liabilities	–	3,772	3,772

Note:

The obligations under finance leases of approximately HK\$3,772,000 as at 31 March 2019 are now included within lease liabilities under HKFRS 16. The carrying amount of the related assets under finance leases amounting to approximately HK\$5,303,000 is reclassified to right-of-use assets.

3.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- Not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease;
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Property, plant and equipment” policy as stated in the Group’s annual consolidated financial statements for the year ended 31 March 2019.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the revenue arising from provision of foundation and site formation works and machineries leasing for the period. An analysis of the revenue for the period is as follows:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 March 2019:		
Disaggregated of revenue by services lines:		
— Provision of foundation and site formation works	161,092	184,116
Revenue from other sources		
— Machineries leasing	8,076	5,192
	169,168	189,308

Disaggregation of revenue by timing of recognition:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Timing of revenue recognition		
Over time	161,092	184,116
Total revenue from contracts with customers	161,092	184,116

HKFRS 8 “**Operating Segments**” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“**CODM**”) (the directors of the Company) in order to allocate resources to segments and to assess their performance.

The Group’s operating activity is attributable to a single operating segment focusing on the provision of foundation and site formation works. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from provision of foundation and site formation works for the purpose of making decisions about resources allocation and performance assessment. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Geographical information

The Group’s revenue from external customers presented based on the location of the operations is derived solely in Hong Kong (country of domicile). Non-current assets of the Group presented based on the location of the assets are all located in Hong Kong. As a result, geographical information has not been presented.

6. OTHER INCOME

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Bank interest income	25	79
Fair value gain on investment property	100	1,070
Rental income	114	114
Sundry income	258	1
	<u>497</u>	<u>1,264</u>

7. FINANCE COSTS

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interests on:		
— bank borrowings	26	31
— obligations under finance leases	—	111
— lease liabilities	83	—
	<u>109</u>	<u>142</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current year taxation		
Hong Kong Profits Tax	248	392
Deferred taxation	159	796
	<u>407</u>	<u>1,188</u>

Note:

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the six months ended 30 September 2019 and 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

9. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Impairment loss on trade receivables	201	–
Impairment loss on contract assets	241	–
Loss on disposal of plant and equipment	103	–
Depreciation of plant and equipment	6,432	5,750
Depreciation of right-of-use assets	111	–
Minimum lease payments paid under operating lease in respect of rental office premises	103	172

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2019, nor has any dividend been proposed since the end of the last reporting period (30 September 2018: nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
— Loss for the period attributable to the owners of the Company	<u>(7,543)</u>	<u>(26,823)</u>
Number of shares ('000)		
— Weighted average number of ordinary shares for the purpose of basic loss per share	<u>933,750</u>	<u>933,750</u>

Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2019 and 2018.

12. PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Plant and equipment

During the six months ended 30 September 2019, the Group spent approximately HK\$13,486,000 (six months ended 30 September 2018: approximately HK\$20,979,000) on acquisition of plant and equipment.

During the six months ended 30 September 2019, the Group has disposed of certain plant and equipment with an aggregate carrying values of approximately HK\$233,000 (six months ended 30 September 2018: nil) for cash proceeds of approximately HK\$130,000 (six months ended 30 September 2018: nil), resulting a loss on disposal of approximately HK\$103,000 (six months ended 30 September 2018: nil).

Right-of-use assets

Upon adoption of HKFRS 16, on 1 April 2019, the Group recognised right-of-use assets of approximately HK\$5,303,000, in respect of the motor vehicles of approximately HK\$1,778,000 and the machineries of approximately HK\$3,525,000. As at 30 September 2019, the carrying amounts of right-of-use assets were approximately HK\$5,529,000, in respect of the leased premises of approximately HK\$1,221,000, the motor vehicles of approximately HK\$1,493,000 and the machineries of approximately HK\$2,815,000.

13. TRADE AND OTHER RECEIVABLES

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Trade receivables	8,645	13,105
Loss allowance	(540)	(339)
	<u>8,105</u>	<u>12,766</u>
Other receivable	633	879
Prepayments and deposits	223	1,090
	<u>8,961</u>	<u>14,735</u>

The Group does not hold any collateral over these balances.

The Group allows an average credit period of 15 to 75 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the certified date which approximates the respective revenue recognition dates and invoice dates at the end of the reporting period:

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
0 to 30 days	7,209	11,613
31 to 60 days	158	872
61 to 180 days	221	281
181 to 365 days	517	–
	<u>8,105</u>	<u>12,766</u>

Starting from 1 April 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate, at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the group's different customer bases.

	lifetime ECL (not credit — impaired) <i>HK\$'000</i>	lifetime ECL (credit — impaired) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2019	2	337	339
Increase during the period	—	201	201
	<u>2</u>	<u>538</u>	<u>540</u>
At 30 September 2019	<u>2</u>	<u>538</u>	<u>540</u>

As at 31 March 2019 and 30 September 2019, the expected credit losses on trade receivables are estimated collectively by using a provision matrix.

For deposits and other receivables, the Company measures the loss allowance at an amount equal to 12-month ECL since the credit risk is considered to be low and there is no significant increase in credit risk during the year. The loss allowance is insignificant to the Company as at 31 March 2019 and 30 September 2019.

14. TRADE AND OTHER PAYABLES

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Trade payables	15,378	24,296
Retention payables	11,195	8,574
Accrued expenses and other payables	7,081	9,238
	<u>33,654</u>	<u>42,108</u>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30 to 183 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is the aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
0 to 30 days	11,576	24,296
31 to 60 days	2,577	–
181–365 days	1,225	–
	<u>15,378</u>	<u>24,296</u>

15. SHARE CAPITAL

	Number of Shares	Share capital <i>HK\$'000</i>
Authorised		
Ordinary shares of HK\$0.01 each at 31 March 2019 and 30 September 2019	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid		
Ordinary shares of HK\$0.01 each as at 31 March 2019 and 30 September 2019	<u>933,750,000</u>	<u>9,338</u>

Note:

There were no changes in the issued capital of the Company since 31 March 2019 to the period up to 30 September 2019.

16. CONTINGENT LIABILITIES

At 30 September 2019, the Group has been involved in a number of litigations and potential claims against the Group in relation to work-related injuries and criminal litigation.

In the opinion of the directors of the Company, the litigations and potential claims are not expected to have a material impact on the condensed consolidated financial statements of the Group. Accordingly, no provision has been made to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Wing Chi Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2019 (the “**Reporting Period**”) together with the unaudited comparatives figures for the corresponding period ended 30 September 2018.

BUSINESS AND OUTLOOK

The Group is a Hong Kong-based subcontractor engaged in foundation and site formation works. The foundation and site formation works provided by the Group represent the projects undertaken by it, the nature of which is broadly classified as excavation and lateral support (“**ELS**”) works, pile caps construction and site formation works for both public and private sector projects. To a lesser extent, the Group also leased some of its machineries. Lik Shing Engineering Company Limited, the Group’s principal operating subsidiary, has been registered under the Construction Industry Council as a registered subcontractor since May 2008.

During the Reporting Period, the Group faced a challenging market and an overall weak economy. The Directors are aware of the severe competition in the foundation and site formation market which was caused by an increase in market participants and a decrease in the number of open tenders and the suppressed contract prices in both the public and the private sectors. Consequently, fewer number of contracts with smaller contract sum were being awarded to the Group during the Reporting Period as compared to the corresponding period of last year.

As stated in The Chief Executive’s 2019 Policy Address which was released recently, the Government of the Hong Kong Special Administrative Region will increase the supply of land for housing development in a persistent manner to meet the keen housing demands of the Hong Kong citizens. Such policy will certainly raise the demand for infrastructural construction works in the coming years. In addition, the construction of the Three-runway System at the Hong Kong International Airport is also enhancing the project volume available to the market. Hence the Group remains confident in the construction industry in Hong Kong. To maintain a stable and sustainable development of the Company’s business in the construction industry, the Group will closely monitor the market and respond to changes in market conditions. The Group will continue to improve its competitiveness in the market by continuing to provide quality works to the customers.

FINANCIAL REVIEW

During the Reporting Period, the Group had been awarded 9 new contracts, with an aggregate original contract sum of approximately HK\$95.6 million and had completed 10 projects with an aggregate original contract sum of approximately HK\$187.5 million.

As at 30 September 2019, the Group had 10 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with a total original contract sum of approximately HK\$192.7 million.

Revenue

The revenue from foundation and site formation works of the Group for the Reporting Period amounted to approximately HK\$161.1 million, representing a decrease of approximately HK\$23.0 million, or 12.5% compared to that of approximately HK\$184.10 million for the six months ended 30 September 2018. The decrease was primarily due to the fact that most of the Group's foundation and site formation works have substantially been completed but fewer number of contracts with small contract sum were being awarded to the Group during the Reporting Period as compared to the corresponding period of last year.

The Group's revenue from machinery leasing for the Reporting Period amounted to approximately HK\$8.1 million, representing an increase of approximately HK\$2.9 million, or 55.8%, as compared to that of approximately HK\$5.2 million for the six months ended 30 September 2018. This amount represents the revenue contributed by the Group's leasing of its machineries to contractors and/or subcontractors under operating leases. The increase was primarily due to the increase in the number of machinery leasing projects in the Three-runway System.

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

The gross profit of the Group for the Reporting Period amounted to approximately HK\$3.0 million, as compared to a gross loss of approximately HK\$15.9 million for the six months ended 30 September 2018. The gross profit margin of the Group during the Reporting Period was approximately 1.8%, compared to the gross loss margin of approximately 8.4% for the six months ended 30 September 2018.

The improvement in the gross profit margin was mainly due to (i) most loss projects have substantially been completed in the corresponding period of last year and the number of loss projects for the Reporting Period has substantially been reduced; and (ii) the delay in works area handover by clients we have experienced in the Reporting Period have reduced, consequently increased the construction efficiency and resulted in improvement in the gross profit margin of the Group.

Due to the fierce competition in the market, some newly awarded contracts of the Group will have lower profit margin, but the Group will continue to improve its competitive strengths and closely monitor the cost of services.

Other Income

The other income of the Group for the Reporting Period amounted to approximately HK\$0.5 million, representing a decrease of approximately HK\$0.8 million or 61.5% as compared to that of approximately HK\$1.3 million for the six months ended 30 September 2018. The decrease was primarily due to fair value gain on investment property of approximately HK\$0.1 million for the Reporting Period as compared to that of approximately HK\$1.1 million for the six months ended 30 September 2018.

Administrative Expenses

The administrative expenses of the Group for the Reporting Period amounted to approximately HK\$10.6 million, representing a slight decrease of approximately HK\$0.3 million or 2.8% as compared to that of approximately HK\$10.9 million for the six months ended 30 September 2018. The administrative expenses are mainly comprise of professional expenses, salaries costs and depreciation expenses.

Finance Costs

The finance costs of the Group amounted to approximately HK\$0.1 million for both the Reporting Period and for the six months ended 30 September 2018. There are no significant changes on the borrowings and lease liabilities on financing the purchase of machineries and motor vehicles during the Reporting Period and for the corresponding period in 2018.

Income Tax

The income tax of the Group for the Reporting Period amounted to approximately HK\$0.4 million, representing a decrease of approximately HK\$0.8 million or 66.7% as compared to that of approximately HK\$1.2 million for the six months ended 30 September 2018. The decrease was mainly due to movement of the deferred tax during the Reporting Period.

Loss attributable to Owners of the Company

The Group reported a net loss attributable to owners of the Company of approximately HK\$7.5 million for the Reporting Period as compared to that of approximately HK\$26.8 million for the six months ended 30 September 2018. The decrease in net loss attributable to owners of the Company was mainly attributable to the improvement of gross profit during the Reporting Period.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of any interim dividend for the six months ended 30 September 2019.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

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

As at 30 September 2019, the Group had total assets of approximately HK\$208.4 million (31 March 2019: approximately HK\$224.1 million), of which current assets amounted to approximately HK\$158.6 million (31 March 2019: approximately HK\$182.5 million). As at 30 September 2019, the Group had total liabilities of approximately HK\$43.0 million (31 March 2019: approximately HK\$51.1 million), of which current liabilities amounted to approximately HK\$38.8 million as at 30 September 2019 (31 March 2019: approximately HK\$47.0 million). As at 30 September 2019, the Group had total equity attributable to owners of the Company amounted to approximately HK\$165.5 million (31 March 2019: approximately HK\$173.0 million).

As at 30 September 2019, the Group had total bank balances and cash of approximately HK\$42.3 million (31 March 2019: approximately HK\$51.3 million). The decrease was mainly due to the aggregate net cash used in operation, investing and financing activities of approximately HK\$9.0 million.

As at 30 September 2019, the Group had total debt including lease liabilities, bank borrowings and obligations under finance leases of approximately HK\$5.7 million (31 March 2019: approximately: HK\$5.8 million) denominated in Hong Kong dollars. The gearing ratio of the Group, calculated by the total debts (defined as the sum of the lease liabilities, bank borrowings and obligations under finance leases) divided by the total equity is approximately 3.4% (31 March 2019: approximately 3.4%).

PLEDGE OF ASSETS

As at 30 September 2019, the Group's right-of-use assets with an aggregate net book value of approximately HK\$4.3 million (31 March 2019: approximately HK\$5.3 million) were pledged under finance leases, while investment property of approximately HK\$7.7 million (31 March 2019: approximately HK\$7.6 million) was pledged to secure banking facilities granted to the Group.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Board is of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the Reporting Period.

CAPITAL EXPENDITURE

During the Reporting Period, the Group invested approximately HK\$13.5 million on acquisition of plant and equipment. Capital expenditure was principally funded by finance leases, internal resources and proceeds from the Listing.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in this announcement, the Group had no material capital commitments or contingent liabilities.

As at 30 September 2019, the Group did not have capital commitments on acquisition of plant and equipment contracted for but not provided in the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the Reporting Period, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company date 30 September 2017 published by the Company (the “**Prospectus**”), the Group does not have other plans for material investments and capital assets during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group employed a total of 123 employees (including Executive Directors, Non-executive Director and Independent Non-executive Directors), as compared to a total of 253 employees as at 31 March 2019. The significant decrease in the number of employees was mainly due to the substantial completion of projects which involved huge direct labour during the period from 31 March 2019 to 30 September 2019. As at 30 September 2019, higher portion of works in progress are sub-contracted works and less labour intensive. Total staff costs including Directors’ emoluments for the Reporting Period was approximately HK\$44.9 million (six months ended 30 September 2018: approximately HK\$38.8 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group’s salary and bonus system. The Group conducts annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

During the Reporting Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds of the share offer received by the Company in relation to the listing of the shares of the Company (the “**Shares**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 20 October 2017 (the “**Listing**”) and full exercise of the over-allotment option on 7 November 2017 were approximately HK\$103.9 million in aggregate, after deducting listing related expenses. The Board considers that these net proceeds are intended to be applied in accordance with the proposed applications set out in the paragraph headed “Future plans and use of proceeds” in the Prospectus. The table below sets out the proposed applications of the net proceeds and usage as at 30 September 2019:

	Planned use of Net Proceeds from the Listing <i>HK\$' million</i>	Actual usage from the Listing up to 30 September 2019 <i>HK\$' million</i>	Unutilised Amount of Net Proceeds as at 30 September 2019 <i>HK\$' million</i>
Acquire new machinery and equipment	40.6	40.6	–
Reserve more capital to satisfy the potential requirement for surety bond	31.3	18.8	12.5
Strengthen the manpower	23.1	22.2	0.9
General working capital	8.9	8.9	–
	<u>103.9</u>	<u>90.5</u>	<u>13.4</u>

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) as its own corporate governance code. The Company has complied with the CG Code during the Reporting Period and up to the date of this announcement with the exception of code provision A.2.1 as explained below.

According to code provision A.2.1 of the CG Code, the roles of the chairman of the Company (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) should be separate and performed by different individuals. Mr. Li Cheuk Kam is both the Chairman and the Chief Executive Officer of the Company. In view of the in-depth knowledge and substantial experience of Mr. Li Cheuk Kam in the operations of the Group and his solid experience in foundation and site formation works, the Board believes that it is in the best interests of the Company for Mr. Li Cheuk Kam to assume both the roles of the Chairman and the Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors.

Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all the Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during the Reporting Period and up to the date of this announcement.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 21 September 2017. The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (fulltime and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 21 September 2017, and there is no outstanding share option as at 30 September 2019.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

As disclosed in the 2019 Annual Report of the Company, Mr. Chan Chung Kik, Lewis, an Independent Non-executive Director of the Company is also an independent non-executive director of HongGuang Lighting Holdings Limited (“**HongGuang**”) since December 2016. HongGuang was previously listed on the GEM of the Stock Exchange (Stock Code: 8343) and was subsequently transferred to the Main Board of the Stock Exchange (Stock Code: 6908) on 13 November 2019.

Save as disclosed in this announcement, the Directors are not aware of any change in the information of Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this announcement.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The Group had no material events after the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee of the board (the “**Audit Committee**”) on 21 September 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The primary duties of the Audit Committee are to review the financial information of the Group, to oversee the Group’s financial reporting system and its internal control and risk management procedures, to monitor the independence and objectivity of the external auditor and to provide advice and comments to the Board on matters related to corporate governance.

The Audit Committee consists of three members who are all Independent Non-Executive Directors, namely, Mr. Chan Chung Kik Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Chan Chung Kik Lewis is the Chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the Reporting Period. The Audit Committee is satisfied that the unaudited condensed consolidated financial statements for the Reporting Period have been prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

By Order of the Board
Wing Chi Holdings Limited
Li Cheuk Kam
Chairman

Hong Kong, 25 November 2019

As at the date of this announcement, the Executive Directors are Mr. Li Cheuk Kam and Mr. Li Wai Fong; the Non-executive Director is Mr. Poon Wai Kong; and the Independent Non-executive Directors are Mr. Wong Chik Kong, Mr. Chan Chung Kik Lewis and Mr. Lee Kwok Lun.