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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board of directors (the “**Board**”) of Wing Chi Holdings Limited (the “**Company**”) is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2020 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$326.5 million for the year ended 31 March 2020, representing a decrease of approximately 16.8% as compared with the same for the year ended 31 March 2019.
2. Gross profit was approximately HK\$7.3 million for the year ended 31 March 2020, as compared to gross loss of approximately HK\$12.4 million with the same for the year ended 31 March 2019.
3. Gross profit margin for the year ended 31 March 2020 was approximately 2.2%, as compared to gross loss margin of approximately 3.2% with the same for the year ended 31 March 2019.
4. Loss attributable to owners of the Company was approximately HK\$13.7 million for the year ended 31 March 2020 as compared to loss attributable to owners of the Company of approximately HK\$34.5 million with the same for the year ended 31 March 2019. The decrease in loss attributable to owners of the Company was principally attributable to the improvement of gross profit margin during the year ended 31 March 2020.
5. Loss per share amounted to approximately HK\$1.5 cents for the year ended 31 March 2020, as compared to loss per share amounted to approximately HK\$3.7 cents for the year ended 31 March 2019.
6. The Board does not recommend the payment of final dividend for the year.

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

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	326,498	392,539
Cost of sales		(319,227)	(404,921)
Gross profit (loss)		7,271	(12,382)
Other income and gains	4	697	1,251
Administrative expenses		(21,141)	(21,190)
Finance costs	5	(199)	(264)
Loss before taxation		(13,372)	(32,585)
Income tax expense	6	(350)	(1,922)
Loss and total comprehensive expense for the year	7	(13,722)	(34,507)
Loss per share:			
Basic and diluted	9	(1.5) cents	(3.7) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		32,635	34,065
Investment property		7,300	7,600
Right-of-use assets		4,370	–
		44,305	41,665
Current assets			
Contract assets	<i>10</i>	97,386	112,160
Trade and other receivables	<i>11</i>	8,810	14,735
Tax recoverable		513	–
Restricted bank deposits		6,889	4,240
Bank balances		41,741	51,332
		155,339	182,467
Current liabilities			
Trade and other payables	<i>12</i>	33,202	42,108
Lease liabilities		1,626	–
Bank borrowings		1,883	2,025
Obligations under finance leases			
— due within one year		–	2,482
Tax payable		–	415
		36,711	47,030
Net current assets		118,628	135,437
Total assets less current liabilities		162,933	177,102
Non-current liabilities			
Obligations under finance leases			
— due after one year		–	1,290
Deferred tax liabilities		2,957	2,800
Lease liabilities		686	–
		3,643	4,090
Net assets		159,290	173,012
Capital and reserves			
Share capital	<i>13</i>	9,338	9,338
Reserves		149,952	163,674
		159,290	173,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

Wing Chi Holdings Limited (“**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 2017. Its 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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Room 3010, 30/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong respectively.

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 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 referred to as the “**Group**”).

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

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 consolidated financial statements as summarised below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements.

2.1 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. 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. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather 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)-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 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 operating lease commitments disclosed as at 31 March 2019 amounting to HK\$20,000 are short-term lease, without recognition of right-of-use assets and lease liabilities as at 1 April 2019.

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 leases machineries and motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 were determined at the carrying amount of the leased asset and leased liability under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases are now included within lease liabilities, and the carrying amount of the corresponding lease asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

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
	Note	HK\$'000	HK\$'000	HK\$'000
Plant and equipment	(a)	34,065	(5,303)	28,762
Right-of-use assets	(a)	–	5,303	5,303
Obligations under finance leases	(a)	3,772	(3,772)	–
Lease liabilities	(a)	–	3,772	3,772
		<u> </u>	<u> </u>	<u> </u>

Note:

- (a) 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.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected. The adoption of HKFRS 16 does not have material impact in presentation of cashflows within the consolidated statement of cash flows.

2.2 Practical expedient applied

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

- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹
Amendment to HKFRS 16	COVID-19-Related Concessions ⁵

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the consolidated statement of financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
— Provision of foundation and site formation works	313,892	381,551
Revenue from other sources		
— Machineries leasing	12,606	10,988
	326,498	392,539

Disaggregation of revenue by timing of recognition:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition		
Over time	313,892	381,551
Total revenue from contracts with customers	313,892	381,551

Transaction price allocated to the remaining performance obligations

As at 31 March 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$305,573,000 (2019: HK\$149,242,000). The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 12 to 18 months (2019: 12 months) during the year ended 31 March 2020.

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 and machineries leasing. 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.

Information about major customers

Revenues from external customers contributing over 10% of the total revenue of the Group of the corresponding year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	140,634	N/A*
Customer B	52,866	129,073
Customer C	87,212	58,467
Customer D	N/A*	88,724
Customer E	N/A*	39,291

* The corresponding revenue did not contribute over 10% of total revenue of the Group.

4. OTHER INCOME AND GAINS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	49	153
Gain on disposal of plant and equipment	–	200
Fair value gain on investment property	–	670
Rental income	228	228
Government grants (<i>Note</i>)	410	–
Sundry income	10	–
	<u>697</u>	<u>1,251</u>

Note:

Government grants were received for the year ended 31 March 2020 (2019: nil) under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” upon disposal of certain motor vehicles and the Construction Industry Anti-epidemic Fund provided by the Government.

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on:		
— bank borrowings	51	59
— obligations under finance leases	–	205
— lease liabilities	148	–
	<u>199</u>	<u>264</u>

6. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current year taxation		
Hong Kong Profits Tax	193	720
Deferred taxation	<u>157</u>	<u>1,202</u>
	<u><u>350</u></u>	<u><u>1,922</u></u>

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands or the BVI for the year ended 31 March 2020 (2019: nil).

The income tax charge for the year ended 31 March 2019 to Hong Kong Profits Tax has been relieved by approximately HK\$21,000 as a result of tax losses brought forward from previous years (2020: nil).

Under the two-tiered profits tax rates regime, the first HK\$2 millions of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 millions will be taxed at 16.5%. For the year ended 31 March 2020 and 2019, 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%.

7. LOSS FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	2,189	2,662
Staff costs (excluding directors' and chief executive's emoluments)		
— Salaries, wages, allowances and other benefits	67,644	72,376
— Contributions to retirement benefits scheme	<u>2,273</u>	<u>2,826</u>
Total staff costs	<u>69,917</u>	<u>75,202</u>
Impairment loss on trade receivables	4	339
Impairment loss on contract assets	1,024	–
Auditor's remuneration	850	850
Depreciation of plant and equipment	11,150	12,065
Depreciation of right-of-use assets	2,273	–
Loss on disposal of plant and equipment	10	–
Fair value loss on investment property	300	–
Minimum lease payments paid under operating lease in respect of rental office premises (<i>Note</i>)	<u>N/A</u>	<u>342</u>

Note:

Operating lease payments in respect of leased premise for the year ended 31 March 2019 represent payments made and accounted for under HKAS 17.

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

9. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss:		
— Loss for the year attributable to the owners of the Company	<u>(13,722)</u>	<u>(34,507)</u>
Number of shares		
— Weighted average number of ordinary shares for the purpose of basic loss per share	<u>933,750,000</u>	<u>933,750,000</u>

Diluted loss per share

Diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2020 and 2019.

10. CONTRACT ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysed as current:		
Unbilled revenue of construction contracts (<i>note a</i>)	70,797	89,696
Retention receivables of construction contracts (<i>note b</i>)	27,613	22,464
Loss allowance	<u>(1,024)</u>	<u>—</u>
Total contract assets	<u>97,386</u>	<u>112,160</u>

Notes:

- (a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers. The balance of unbilled revenue of construction contracts is expected to be recovered within one year.
- (b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. Included in retention receivables of construction contracts of HK\$1,673,000 (2019: HK\$1,879,000) is expected to be recovered after more than one year.

The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

For contract assets, the Group has applied the simplified approach permitted by HKFRS 9 to measure the allowance for credit losses at lifetime ECL. The contract assets are assessed for ECL by using the provision matrix similar with the approach of trade receivables.

11. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Receivables at amortised cost comprise:		
Trade receivables (<i>Note</i>)	8,553	13,105
Loss allowance	(343)	(339)
	8,210	12,766
Other receivables	254	879
Prepayments and deposits	346	1,090
	8,810	14,735

Note: As at 31 March 2020, amount of approximately HK\$3,994,000 (2019: HK\$9,680,000) included in the trade receivables arose from the provision of foundation and site formation works in accordance with HKFRS 15.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	4,018	11,613
31 to 60 days	3,478	872
61 to 180 days	413	281
181 to 365 days	301	–
	8,210	12,766

12. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	13,586	24,296
Retention payables	12,728	8,574
Accrued expenses and other payables	6,888	9,238
	33,202	42,108

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 45 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	13,586	24,296

13. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each				
Authorised				
At 31 March 2019, 1 April 2019 and 31 March 2020	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid				
At 31 March 2019, 1 April 2019 and 31 March 2020	933,750,000	933,750,000	9,338	9,338

Note:

All shares issued rank pari passu with all the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Company is an investment holding company. The principal activities of its subsidiaries include foundation and site formation works for both the public and the private sectors in Hong Kong. The foundation and site formation works provided by the Group can be broadly classified as (i) excavation and lateral support (“**ELS**”) works and (ii) 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.

Apart from acting as a subcontractor in foundation and site formation works, the Group has actively sought to enlarge its scope of work in the construction industry. The Group not only focus in acting as a subcontractor but also aim to act as a foundation main contractor in future. The Group’s principal operating subsidiary, Lik Shing Engineering Company Limited, has registered under the Construction Industry Council as a registered subcontractor and has registered under the Buildings Department as a registered specialist contractor in foundation works category since May 2008 and December 2019 respectively.

During the year ended 31 March 2020, the Group faced a challenging market and economic environment. The outbreak of the novel coronavirus (COVID-19) (the “**COVID-19**”) has caused disruptions in the supply of materials from the People’s Republic of China which resulted in (i) delay in site progress and (ii) increase in cost due to the need to maintain the requisite site workforce and other machinery and equipment pending delivery of the requisite materials, resulting in unavoidable resources idling and increased overhead.

The Directors consider that the uncertainty in the economy of Hong Kong is apparent, and the growth in the overall income of the industry has slowed down. Looking forward, although certain challenging factors such as (i) an increase in market participants; (ii) the suppressed contract prices in the industry and (iii) the overall weakness of the economy, the Group is still confident to the construction industry in Hong Kong because of the continuous demand in housing arising from the public and the on-going Government housing policy in favour of the property development. The Group will continue to try its best to implement tight cost control measures on the existing projects, improve the efficiency of work-flow throughout the construction process, and strengthen the effectiveness of project management.

FINANCIAL REVIEW

During the year ended 31 March 2020, the Group had been awarded 32 new contracts, with an aggregate original contract sum of approximately HK\$401.7 million and had completed 15 projects with an aggregate original contract sum of approximately HK\$196.6 million. As at 31 March 2020, the Group had 28 projects on hand which include projects in progress as well as projects that have been awarded to us but not yet commenced. As at 31 March 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$305.6 million (2019: approximately HK\$149.2 million). This amount represents the revenue from construction contracts that is expected to be recognised in the future.

Revenue

The revenue from the foundation and site formation works of the Group for the year ended 31 March 2020 amounted to approximately HK\$313.9 million, representing a decrease of approximately HK\$67.7 million, or 17.7% as compared to that of approximately HK\$381.6 million for the year ended 31 March 2019. Such decrease was primarily due to the substantial completion of projects which include the NKIL 6566 Kai Tak Development, the Queen's Hill Extension project, the North West Kowloon Reclamation Site 6 and the Hong Kong-Zhuhai-Macao Bridge project, which contributed less revenue. The decrease in revenue from foundation and site formation works was also due to the serve competition in the foundation and site formation market as mentioned under the section of "Business Review and Outlook".

The revenue from machinery leasing for the year ended 31 March 2020 amounted to approximately HK\$12.6 million, representing an increase of approximately HK\$1.6 million, or 14.5% as compared to that of approximately HK\$11.0 million for the year ended 31 March 2019. This amount represents the revenue derived from the leasing of the Group's machinery to contractors and/or subcontractors under operating leases. There was no significant variance on machinery leasing during the year.

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

The gross profit of the Group for the year ended 31 March 2020 amounted to approximately HK\$7.3 million, as compared to a gross loss of approximately HK\$12.4 million for the year ended 31 March 2019. The gross profit margin of the Group during the year ended 31 March 2020 was approximately 2.2%, as compared to the gross loss margin of approximately 3.2% for the year ended 31 March 2019.

The improvement in the gross profit margin was mainly due to the fact that most of the loss projects have substantially been completed in the corresponding period of last year and the number of loss projects for the year ended 31 March 2020 has substantially been reduced.

The Group prices its services based on various factors, among others, the scope of works and the complexity of the projects. In this regard, the Group's profitability depends on the nature of projects engaged by the Group. On the other hand, the Group prices its leasing machinery based on the procurement cost and the expected profit margin.

Other Income

The other income of the Group for the year ended 31 March 2020 amounted to approximately HK\$0.7 million, representing a decrease of approximately HK\$0.6 million or 46.2% as compared to that of approximately HK\$1.3 million for the year ended 31 March 2019.

The other income mainly comprised of fair value gain on investment property and rental income from investment property. The decrease in other income was primarily due to the absence of fair value gain on investment property during the year ended 31 March 2020.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 March 2020 amounted to approximately HK\$21.1 million, representing a decrease of approximately HK\$0.1 million or 0.5% as compared to that of approximately HK\$21.2 million for the year ended 31 March 2019. The administrative expenses mainly comprised of professional expenses, salaries costs, depreciation expenses and impairment loss on retention receivables.

Finance Costs

The finance costs of the Group for the year ended 31 March 2020 amounted to approximately HK\$0.2 million, representing a decrease of approximately HK\$0.1 million or 33.3% as compared to that of approximately HK\$0.3 million for the year ended 31 March 2019. The decrease was primarily due to the decrease in borrowings during the year ended 31 March 2020 as compared to the corresponding period in 2019.

Income Tax

The income tax of the Group for the year ended 31 March 2020 amounted to approximately HK\$0.4 million, representing a decrease of approximately HK\$1.5 million or 78.9% as compared to that of approximately HK\$1.9 million for the year ended 31 March 2019. The decrease was mainly due to the significant decrease in assessable profits of Hong Kong Profits Tax during the year ended 31 March 2020. The income tax expenses are mainly related to the movement of the deferred tax during the year.

Loss attributable to owners of the Company

The Group reported a net loss attributable to owners of approximately HK\$13.7 million for the year ended 31 March 2020 as compared to that of approximately HK\$34.5 million for the year ended 31 March 2019. The decrease in net loss attributable to owners of the Company was mainly attributable to the improvement of gross profit margin during the year.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

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

As at 31 March 2020, the Group had total assets of approximately HK\$199.6 million (2019: approximately HK\$224.1 million), of which current assets amounted to approximately HK\$155.3 million (2019: approximately HK\$182.5 million). As at 31 March 2020, the Group had total liabilities of approximately HK\$40.4 million (2019: approximately HK\$51.1 million), of which current liabilities amounted to approximately HK\$36.7 million as at 31 March 2020 (2019: approximately HK\$47.0 million). As at 31 March 2020, the Group had total equity attributable to owners of the Company amounted to approximately HK\$159.3 million (2019: approximately HK\$173.0 million).

As at 31 March 2020, the Group had total bank balances and cash of approximately HK\$41.7 million (2019: approximately HK\$51.3 million). The decrease in bank balances and cash was mainly due to the application of approximately HK\$9.6 million by the Group in its operation and in investing and financing activities.

As at 31 March 2020, the Group had total debts of approximately HK\$4.2 million which include lease liabilities, bank borrowings and obligations under finance leases (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 2.6% (2019: approximately 3.4%).

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

PLEDGE OF ASSETS

As at 31 March 2020, the Group's right-of-use assets with an aggregate net book value of approximately HK\$3.4 million (2019: plant and equipment approximately HK\$5.3 million) were pledged under finance leases, while an investment property of approximately HK\$7.3 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 year ended 31 March 2020.

CAPITAL EXPENDITURE

During the year ended 31 March 2020, the Group invested approximately HK\$15.3 million on acquisition of machineries and equipment, motor vehicles and computer equipment. Capital expenditure was principally funded by finance leases and internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent events undertaken by the Company or by the Group after 31 March 2020 and up to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2020, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 March 2020, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group employed a total of 166 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 as at 31 March 2019. As at 31 March 2020, higher portion of works in progress are sub-contracted works which are less labour intensive. Total staff costs which include Directors’ emoluments for the year ended 31 March 2020 was approximately HK\$72.1 million (year ended 31 March 2019: approximately HK\$77.9 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 increase, discretionary bonuses and promotions based on the performance of each employee.

The emoluments of the Directors of the Company are decided by the Board after recommendation from the Remuneration Committee of the Company, having considered the factors such as the Group’s financial performance and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in Appendix V to the Prospectus.

During the year ended 31 March 2020, 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

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 consider that these proceeds are intended to be applied in accordance with the proposed application 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 31 March 2020:

	Planned use of net proceeds from the Listing HK\$’ million	Actual usage from the Listing as at 31 March 2020 HK\$’ million	Unutilised amount of net proceeds as at 31 March 2020 HK\$’ million
Acquire new machinery and equipment	40.6	40.6	–
Reserve more capital to satisfy the potential requirement for surety bond	31.3	25.7	5.6
Strengthen the manpower	23.1	23.1	–
General working capital	8.9	8.9	–
	<u>103.9</u>	<u>98.3</u>	<u>5.6</u>

The planned use of proceeds as stated in the Prospectus was based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group’s business and industry.

The unutilised amounts of the net proceeds from the Listing will be applied in the manner consistent with that mentioned in the Prospectus. The unutilised amount had been deposited with licensed banks in Hong Kong.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend to Shareholders of the Company for the year ended 31 March 2020.

FUTURE PROSPECTS

The global economic downturn due to the outbreak of the COVID-19, the increase in trade tensions with the United States, and the social unrest in Hong Kong had affected business confidence. The foundation and site formation market in Hong Kong continues to be highly competitive due to the presence of a large number of competitors and the availability of relatively fewer contracts in the civil public sector. In response to this situation, the Group had to lower the tender prices to maintain its market position and to diversify the client base to secure sufficient project winning. The Group will continue to focus on improving cost control measures on projects, strengthening project managements teams and increasing our production efficiency. Nevertheless, the Hong Kong Government remain focus on Hong Kong's land supply for private and residential housing and commercial buildings. Therefore, the Group is confident that the construction industry in Hong Kong will remain positive in the future.

CORPORATE GOVERNANCE PRACTICES

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 period from 1 April 2019 to 31 March 2020 (the “**Reporting Period**”) 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. 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 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

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 of the Company.

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.

ANNUAL GENERAL MEETING (“AGM”)

The 2020 AGM of the Company will be held on Thursday, 20 August 2020. The notice of the 2020 AGM of the Company will be published and despatched to the Shareholders of the Company in the manner as required by the Listing Rules and the articles of association of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The 2020 AGM of the Company has been scheduled to be held on Thursday, 20 August 2020. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Friday, 14 August 2020 to Thursday, 20 August 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2020 AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 August 2020.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

As at 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (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 Company's annual results for the year ended 31 March 2020 have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made. The Audit Committee has met the external auditor of the Company, SHINEWING (HK) CPA Limited ("**SHINEWING**"), and reviewed the Group's results for the year ended 31 March 2020.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, SHINEWING, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by SHINEWING on the preliminary announcement.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the upcoming AGM, will be despatched to the shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2020 ANNUAL REPORT

The annual results announcement is published on the Company's website at <http://www.wingchiholdings.com> and the website of the Stock Exchange at www.hkexnews.hk.

The 2020 annual report of the Company for the year ended 31 March 2020 will be despatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 29 June 2020

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.