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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 2022

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 2022 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$421.1 million for the year ended 31 March 2022, representing a slight increase of approximately 2.3% as compared with that for the year ended 31 March 2021.
2. Gross profit was approximately HK\$29.6 million for the year ended 31 March 2022, as compared to the gross loss of approximately HK\$29.6 million for the year ended 31 March 2021.
3. Gross profit margin for the year ended 31 March 2022 was approximately 7.0%, as compared to the gross loss margin of approximately 7.2% for the year ended 31 March 2021.
4. Profit attributable to owners of the Company was approximately HK\$4.4 million for the year ended 31 March 2022 as compared to the loss attributable to owners of the Company of approximately HK\$46.4 million for the year ended 31 March 2021. The improvement in net profit attributable to owners of the Company was principally attributable to the increase in gross profit during the year ended 31 March 2022.
5. Profit per share amounted to approximately HK\$0.5 cents for the year ended 31 March 2022, as compared to the loss per share amounted to approximately HK\$5.0 cents for the year ended 31 March 2021.
6. The Board does not recommend the payment of final dividend for the year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Revenue	3	421,120	411,845
Cost of sales		(391,509)	(441,413)
Gross profit/(loss)		29,611	(29,568)
Other income and gains	4	2,550	5,559
Administrative expenses		(25,813)	(21,798)
Finance costs	5	(359)	(451)
Profit/(loss) before taxation		5,989	(46,258)
Income tax expense	6	(1,621)	(97)
Profit/(loss) for the year	7	4,368	(46,355)
Earnings/(loss) per share:			
Basic and diluted	9	0.5 cents	(5.0) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		41,387	29,444
Investment property		–	7,700
Right-of-use assets		11,683	9,601
Deposits paid for acquisition of plant and equipment		–	1,714
		<u>53,070</u>	<u>48,459</u>
Current assets			
Contract assets	<i>10</i>	111,819	104,162
Trade and other receivables	<i>11</i>	24,348	25,781
Tax recoverable		379	632
Bank balances		25,363	38,756
		<u>161,909</u>	<u>169,331</u>
Current liabilities			
Trade and other payables	<i>12</i>	84,824	93,460
Lease liabilities		4,197	3,399
Bank borrowings		–	1,736
		<u>89,021</u>	<u>98,595</u>
Net current assets		<u>72,888</u>	<u>70,736</u>
Total assets less current liabilities		<u>125,958</u>	<u>119,195</u>
Non-current liabilities			
Deferred tax liabilities		4,661	2,978
Lease liabilities		3,994	3,282
		<u>8,655</u>	<u>6,260</u>
Net assets		<u>117,303</u>	<u>112,935</u>
Capital and reserves			
Share capital	<i>13</i>	9,338	9,338
Reserves		107,965	103,597
		<u>117,303</u>	<u>112,935</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, 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 the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 April 2021:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, Hong Kong Accounting Standard (“ HKAS ”) 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current year 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 consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

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

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the “four-step materiality process” described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments to HKAS 8 introduce the definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK\$11,683,000 and HK\$8,191,000 respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

Amendments to HKAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
— Provision of foundation and site formation works	410,876	399,615
Revenue from other sources		
— Rental income from machineries leasing	<u>10,244</u>	<u>12,230</u>
	<u>421,120</u>	<u>411,845</u>

Disaggregation of revenue from contracts with customers by timing of recognition:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Timing of revenue recognition		
Over time	<u>410,876</u>	<u>399,615</u>
Total revenue from contracts with customers	<u>410,876</u>	<u>399,615</u>

Transaction price allocated to the remaining performance obligations for contracts with customers

As at 31 March 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$390,500,000 (2021: HK\$428,238,000). 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 1 to 9 months (2021: 1 to 21 months).

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 and machineries leasing 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	118,089	64,639
Customer B	111,678	133,844
Customer C	43,753	73,695
Customer D	N/A*	72,549

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

4. OTHER INCOME AND GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	–	14
Fair value gain on investment property	–	400
Gain on disposal of plant and equipment	1,976	–
Rental income	100	224
Government grants (<i>Note</i>)	2	4,902
Sundry income	472	19
	<u>2,550</u>	<u>5,559</u>

Note:

During the year ended 31 March 2022, approximately HK\$2,000 (2021: nil) was cash subsidies from the Small and Medium-sized Enterprises Financing Guarantee Scheme (“**SFGS**”) under Anti-epidemic Fund granted by the Government of Hong Kong Special Administrative Region (the “**Government**”) as a support in obtaining financing in the commercial lending market. The Group had complied with all attached conditions during the year ended 31 March 2022 and recognised the amounts in profit or loss in “other income and gains”.

During the year ended 31 March 2021, approximately HK\$4,122,000 and HK\$140,000 (2022: nil and nil) were cash subsidies from the Employment Support Scheme (“**ESS**”) and One-off Subsidy for Transport Trades under Anti-epidemic Fund granted by the Government respectively as part of the relief measures on COVID-19 pandemic, while approximately HK\$640,000 (2022: nil) were cash subsidies from Construction Innovation and Technology Fund granted by the government as the support of new technology adoption in construction. The Group had complied with all attached conditions during the year ended 31 March 2021 and recognised the amounts in profit or loss in “other income and gains”.

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on:		
— bank borrowings	32	45
— lease liabilities	327	406
	<u>359</u>	<u>451</u>

6. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current year taxation		
Hong Kong Profits Tax	6	76
Over provision in prior years	(68)	–
Deferred taxation	1,683	21
	<u>1,621</u>	<u>97</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 2022 (2021: nil).

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 years ended 31 March 2022 and 2021, 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. PROFIT/(LOSS) FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss) for the year has been arrived at after charging/ (crediting):		
Directors' and chief executive's emoluments	1,848	1,816
Staff costs (excluding directors' and chief executive's emoluments)		
— Salaries, wages, allowances and other benefits	111,567	99,489
— Contributions to retirement benefits scheme	3,352	3,145
Total staff costs	<u>114,919</u>	<u>102,634</u>
(Reversal of impairment)/impairment loss recognised on trade receivables	(44)	267
Impairment loss/(reversal of impairment) recognised on contract assets	514	(158)
Auditor's remuneration	870	850
Depreciation of plant and equipment	12,826	11,591
Depreciation of right-of-use assets	2,965	2,600
(Gain)/loss on disposal of plant and equipment	(1,976)	441
Loss on written off of plant and equipment	8	—
Loss on disposal of investment property	450	—

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

9. EARNINGS/(LOSS) PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings/(loss):		
— Profit/(loss) for the year attributable to the owners of the Company	<u>4,368</u>	<u>(46,355)</u>
Number of shares		
— Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>933,750,000</u>	<u>933,750,000</u>

Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2022 and 2021.

10. CONTRACT ASSETS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Analysed as current:		
Unbilled revenue of construction contracts (<i>note a</i>)	79,345	70,590
Loss allowance	<u>(341)</u>	<u>(282)</u>
	<u>79,004</u>	<u>70,308</u>
Retention receivables of construction contracts (<i>note b</i>)	33,854	34,438
Loss allowance	<u>(1,039)</u>	<u>(584)</u>
	<u>32,815</u>	<u>33,854</u>
Total contract assets	<u><u>111,819</u></u>	<u><u>104,162</u></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 approximately HK\$5,854,000 (2021: HK\$4,572,000) is expected to be recovered after one year.

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

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Receivables at amortised cost comprise:		
Trade receivables (<i>Note</i>)	22,525	24,490
Loss allowance	<u>(566)</u>	<u>(610)</u>
	21,959	23,880
Other receivables	1,241	1,118
Prepayments and deposits	<u>1,148</u>	<u>783</u>
	<u><u>24,348</u></u>	<u><u>25,781</u></u>

Note:

As at 31 March 2022, gross amount of approximately HK\$18,729,000 (2021: HK\$19,318,000) 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, net of accumulated loss allowance, presented based on the certified date which approximates the respective revenue recognition dates and invoice dates at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	20,131	20,093
31 to 60 days	239	1,805
61 to 180 days	1,484	1,851
181 to 365 days	105	–
Over 365 days	<u>–</u>	<u>131</u>
	<u><u>21,959</u></u>	<u><u>23,880</u></u>

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	60,835	67,971
Retention payables	6,010	9,315
Accrued expenses and other payables	17,979	16,174
	<u>84,824</u>	<u>93,460</u>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by suppliers and subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30 to 90 days in 2022 (2021: 30 to 90 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	<u>60,835</u>	<u>67,971</u>

13. SHARE CAPITAL

	Number of shares		Share capital	
	2022	2021	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each				
Authorised				
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>20,000</u>	<u>20,000</u>
Issued and fully paid				
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>933,750,000</u>	<u>933,750,000</u>	<u>9,338</u>	<u>9,338</u>

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 focuses in acting as a subcontractor but also aims to act as a foundation main contractor in the 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 the foundation works category since May 2008 and December 2019 respectively.

During the year ended 31 March 2022, the Hong Kong economy has gradually improved. The HKSAR Government continues to invest in infrastructure and housing to boost the economy which increases the potential development opportunities in the construction industry.

The Directors opined that there are uncertainty in the Hong Kong economy and the severe competition in the foundation and site formation market will continue to affect the development of the Group. The Group will continue to try its best to implement tight cost control measures on the existing projects, improve the efficiency of workflow throughout the construction process, and strengthen the effectiveness of project management. The Group will also continue to actively devote its efforts to facilitate the prevention and control of further spreading of the COVID-19 pandemic in its premises and construction sites and to ensure the health and safety of its employees.

FINANCIAL REVIEW

During the year ended 31 March 2022, the Group had been awarded 20 new contracts, with an aggregate original contract sum of approximately HK\$296.1 million and had completed 31 projects with an aggregate original contract sum of approximately HK\$434.2 million. As at 31 March 2022, the Group had 21 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 2022, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$390.5 million (2021: approximately HK\$428.2 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 2022 amounted to approximately HK\$410.9 million, representing an increase of approximately HK\$11.3 million, or 2.8% as compared to that of approximately HK\$399.6 million for the year ended 31 March 2021. There is no significant variance in revenue from the foundation and site formation works during the year.

The revenue from machinery leasing for the year ended 31 March 2022 amounted to approximately HK\$10.2 million, representing a decrease of approximately HK\$2.0 million, or 16.4% as compared to that of approximately HK\$12.2 million for the year ended 31 March 2021. This amount represents the revenue derived from the leasing of the Group's machinery to contractors and/or subcontractors under operating leases. The decrease is primarily due to the fact that more resources have been allocated to the foundation and site formation works.

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

The gross profit of the Group for the year ended 31 March 2022 amounted to approximately HK\$29.6 million, as compared to a gross loss of approximately HK\$29.6 million for the year ended 31 March 2021. The gross profit margin of the Group during the year ended 31 March 2022 was approximately 7.0%, compared to the gross loss margin of approximately 7.2% for the year ended 31 March 2021.

The significant improvement in the gross profit margin is mainly attributable to (i) the Group has been engaged in the construction of community isolation and treatment facilities for the Hong Kong SAR Government that generated approximately HK\$47.8 million in revenue for the year ended 31 March 2022 (Nil for the year ended 31 March 2021); (ii) enhancement in the bargaining power of the Group in its negotiation with customers on the construction workdone with the gradual improvement in the Hong Kong economy and (iii) reduction in the construction cost of the Group following the implementation of cost control measures.

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 2022 amounted to approximately HK\$2.6 million, representing a decrease of approximately HK\$3.0 million or 53.6% as compared to that of approximately HK\$5.6 million for the year ended 31 March 2021. The amount of other income during the year ended 31 March 2022 mainly represents the income generated from the disposal of plants and equipment of approximately HK\$2.0 million.

The significant decrease is primarily due to the fact that during the year ended 31 March 2021, the Company has received (i) a subsidy of approximately HK\$4.1 million from the Employment Support Scheme (“ESS”) and (ii) a one-off Subsidy for Transport Trade of approximately HK\$0.1 million under the Anti-epidemic Fund set up by the Hong Kong SAR Government as part of the relief measures on the COVID-19 pandemic. However these subsidies are not available for the year ended 31 March 2022. Moreover, a sum of approximately HK\$0.6 million subsidy from the Construction Innovation and Technology Fund set up by the Hong Kong SAR Government to support the adoption of new technology in the construction industry was recognised during the year ended 31 March 2021 (31 March 2022: nil).

During the year ended 31 March 2022, cash subsidies of HK\$2,000 (2021: Nil) have been received from the Small and Medium-sized Enterprises Financing Guarantee Scheme (“SFGS”) under the Anti-epidemic Fund which was set up by the Hong Kong SAR Government to support the Company in obtaining financing in the commercial lending market.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 March 2022 amounted to approximately HK\$25.8 million, representing an increase of approximately HK\$4.0 million or 18.3% as compared to that of approximately HK\$21.8 million for the year ended 31 March 2021. The administrative expenses mainly comprised of professional expenses, salaries costs and depreciation expenses. The increase was primarily due to the increase of salaries costs during the year ended 31 March 2022.

Finance Costs

The finance costs of the Group for the year ended 31 March 2022 amounted to approximately HK\$0.4 million, representing a decrease of approximately HK\$0.1 million or 20.0% as compared to that of approximately HK\$0.5 million for the year ended 31 March 2021. There is no significant variance on finance costs during the year.

Income Tax Expenses

The income tax expenses of the Group for the year ended 31 March 2022 amounted to approximately HK\$1.6 million, representing an increase of approximately HK\$1.5 million or 1,500.0% as compared to that of approximately HK\$0.1 million for the year ended 31 March 2021. The income tax expense represents the net effect on the movement of deferred tax expenses and Hong Kong income tax expense. The increase was mainly due to the significant increase in deferred tax expenses recognised during the year ended 31 March 2022.

Profit/(Loss) attributable to owners of the Company

The Group reported a net profit attributable to owners of approximately HK\$4.4 million for the year ended 31 March 2022 as compared to a loss attributable to owners of approximately HK\$46.4 million for the year ended 31 March 2021. The improvement in net profit attributable to owners of the Company is mainly attributable to the increase in gross profit 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, and cash inflows from operating activities.

As at 31 March 2022, the Group had total assets of approximately HK\$215.0 million (2021: approximately HK\$217.8 million), of which current assets amounted to approximately HK\$161.9 million (2021: approximately HK\$169.3 million).

As at 31 March 2022, the Group had total liabilities of approximately HK\$97.7 million (2021: approximately HK\$104.9 million), of which current liabilities amounted to approximately HK\$89.0 million as at 31 March 2022 (2021: approximately HK\$98.6 million). As at 31 March 2022, the Group had total equity attributable to owners of the Company amounted to approximately HK\$117.3 million (2021: approximately HK\$112.9 million).

As at 31 March 2022, the Group had total bank balances and cash of approximately HK\$25.4 million (2021: approximately HK\$38.8 million). The decrease in bank balances and cash was mainly due to the application of approximately HK\$13.4 million by the Group in its operation and in investing and financing activities.

As at 31 March 2022, the Group had total debts of approximately HK\$8.2 million which include lease liabilities and bank borrowings (2021: approximately: HK\$8.4 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 and bank borrowings) divided by the total equity is approximately 7.0% (2021: approximately 7.5%).

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 2022, the Group's right-of-use assets with an aggregate net book value of approximately HK\$7.3 million (2021: approximately HK\$9.0 million) were pledged under finance leases.

An investment property of approximately HK\$7.7 million was pledged to secure banking facilities granted to the Group as at 31 March 2021 (31 March 2022: nil). This investment property has been disposed of on 4 October 2021, and details of the disposal have been disclosed in the announcement of the Company dated 7 June 2021.

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 dollars, 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 2022.

CAPITAL EXPENDITURE

During the year ended 31 March 2022, the Group invested approximately HK\$26.9 million (31 March 2021: approximately HK\$20.2 million) on the acquisition of machineries and equipment, motor vehicles and computer equipment. Capital expenditure was principally funded by finance leases, internal resources and proceeds from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 October 2017 (the "Listing").

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 are no material subsequent events undertaken by the Company or by the Group after 31 March 2022 and up to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2022, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 March 2022, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31 March 2022, the Group does not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group employed a total of 363 employees (including Executive Directors, Non-executive Director and Independent Non-executive Directors), as compared to a total of 319 employees as at 31 March 2021. The significant increase in the number of employees was mainly due to the fact that we have conducted projects which are labour intensive as at 31 March 2022. Total staff costs which include Directors' emoluments for the year ended 31 March 2022 was approximately HK\$116.8 million (31 March 2021: approximately HK\$104.5 million). The increase in staff costs was mainly due to the fact that more employees were employed in construction works as a result of the reduction of the amount of subcontract works granted by the Group during the year ended 31 March 2022.

The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts an annual review on salary increases, 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 2022, 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 PROCEEDS FROM THE LISTING

The net proceeds of the share offer received by the Company in relation to 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 “**Net Proceeds**”). The Board considers that these Net Proceeds have been applied in accordance with the proposed applications set out in the paragraph headed “Future plans and use of proceeds” in the Prospectus dated 30 September 2017 published by the Company (the “**Prospectus**”) and the announcement of the Company dated on 9 August 2021. The following table sets out the applications and the revised allocation for the use of Net Proceeds and usage as at 31 March 2022:

	Original planned use of Net Proceeds <i>HK\$' million</i>	Revised allocation for use of Net Proceeds <i>HK\$' million</i>	Actual usage from the Listing as at 31 March 2021 <i>HK\$' million</i>	Actual usage during the year ended 31 March 2022 <i>HK\$' million</i>	Actual usage up to 31 March 2022 <i>HK\$' million</i>	Unutilised amount of Net Proceeds as at 31 March 2022 <i>HK\$' million</i>
Acquire new machinery and equipment	40.6	46.2	40.6	5.6	46.2	–
Reserve more capital to satisfy the potential requirement for surety bond	31.3	25.7	25.7	–	25.7	–
Strengthen the manpower	23.1	23.1	23.1	–	23.1	–
General working capital	8.9	8.9	8.9	–	8.9	–
Total	<u>103.9</u>	<u>103.9</u>	<u>98.3</u>	<u>5.6</u>	<u>103.9</u>	<u>–</u>

The Net Proceeds raised by the Group have been fully utilised as at 31 March 2022 in the manner consistent with that mentioned in the Prospectus and the announcement of the Company dated on 9 August 2021.

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 2022.

FUTURE PROSPECTS

The global economic downturn due to the outbreak of the COVID-19 pandemic had affected business confidence. Fortunately, the adverse impact on the foundation and site formation market in Hong Kong is relatively low. The Group will continue to focus on improving cost control measures on projects, strengthening project management teams and increasing our production efficiency. Moreover, according to the 2022–23 Land Sales Programme, the Hong Kong SAR Government planned to sell 13 residential sites and 4 commercial sites which can be developed into approximately 8,250 residential units and 300,000 square meters of gross floor area respectively, suggesting that the demand for site formation and foundation works in the public and the private sectors remain important and in demand. 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 2021 to 31 March 2022 (the “**Reporting Period**”) with the exception of code provision C.2.1 as explained below.

According to code provision C.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 2022 AGM of the Company will be held on Friday, 19 August 2022. The notice of the 2022 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 2022 AGM of the Company has been scheduled to be held on Friday, 19 August 2022. For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Friday, 12 August 2022 to Friday, 19 August 2022 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2022 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, 11 August 2022.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES

As at 31 March 2022, 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 2022 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 2022.

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 the related notes thereto for the year ended 31 March 2022 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 2022 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 2022 annual report of the Company for the year ended 31 March 2022 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, 24 June 2022

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.