WING CHI HOLDINGS LIMITED
榮智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6080)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board of directors (the "**Board**") of Wing Chi Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2023 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK$251.1 million for the six months ended 30 September 2023, representing a decrease of approximately 8.0% as compared to that for the same period in 2022.

2. Gross profit was approximately HK$17.9 million for the six months ended 30 September 2023, representing a decrease of approximately 10.1% as compared to that for the same period in 2022.

3. Gross profit margin for the six months ended 30 September 2023 was approximately 7.1%, as compared to that of approximately 7.3% for the same period in 2022.

4. Profit attributable to owners of the Company was approximately HK$2.1 million for the six months ended 30 September 2023 as compared to that of approximately HK$8.9 million for the same period in 2022. The decrease in net profit attributable to owners of the Company was mainly attributable to the combined effect of the absence of a subsidy of approximately HK$6.0 million from the Employment Support Scheme during the six months ended 30 September 2023 and the completion of fewer large size foundation and site formation works during the six months ended 30 September 2023 as compared to the corresponding period in 2022.

5. Earnings per share amounted to approximately HK$0.2 cents for the six months ended 30 September 2023 as compared to that of approximately HK$1.0 cents for the same period in 2022.

6. The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

		Six months ended 30 September	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**251,115**	273,012
Cost of sales		**(233,214)**	(253,065)
Gross profit		**17,901**	19,947
Other income and gains	*5*	**1**	6,268
Administrative expenses		**(15,631)**	(16,456)
Finance costs	*6*	**(431)**	(798)
Profit before taxation		**1,840**	8,961
Income tax credit (expense)	*7*	**262**	(54)
Profit for the period	*8*	**2,102**	8,907
Earnings per share:			
Basic and diluted	*10*	**0.2 cents**	1.0 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2023

	Notes	**At 30 September 2023 *HK$'000* (Unaudited)**	At 31 March 2023 *HK$'000* (Audited)
Non-current assets			
Plant and equipment	*11*	**23,772**	24,214
Right-of-use assets	*12*	**22,922**	26,310
		46,694	50,524
Current assets			
Contract assets		**122,448**	107,632
Trade and other receivables	*13*	**20,085**	30,366
Tax recoverable		**9**	137
Bank balances		**54,879**	45,584
		197,421	183,719
Current liabilities			
Trade and other payables	*14*	**93,811**	82,651
Lease liabilities	*12*	**9,790**	9,499
		103,601	92,150
Net current assets		**93,820**	91,569
Total assets less current liabilities		**140,514**	142,093
Non-current liabilities			
Deferred tax liabilities		**3,834**	4,096
Lease liabilities	*12*	**7,452**	10,871
		11,286	14,967
Net assets		**129,228**	127,126
Capital and reserves			
Share capital	*16*	**9,338**	9,338
Reserves		**119,890**	117,788
		129,228	127,126

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Share capital	Share premium	Merger Reserve	Retained profits (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
At 1 April 2023 (Audited)	**9,338**	**115,593**	**10**	**2,185**	**127,126**
Profit for the period (Unaudited)	**–**	**–**	**–**	**2,102**	**2,102**
At 30 September 2023 (Unaudited)	**9,338**	**115,593**	**10**	**4,287**	**129,228**
At 1 April 2022 (Audited)	9,338	115,593	10	(7,638)	117,303
Profit for the period (Unaudited)	–	–	–	8,907	8,907
At 30 September 2022 (Unaudited)	9,338	115,593	10	1,269	126,210

Note:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash from operation	**15,406**	26,026
Income taxes refunded	**128**	229
Net cash from operating activities	**15,534**	26,255
Cash flows from investing activities		
Purchase of plant and equipment	**(841)**	(7,747)
Payments for right-of-use assets	**(184)**	(370)
Interest received	**1**	–
Deposits paid for acquisition of plant and equipment	**–**	(839)
Proceeds from disposal of plant and equipment	**–**	20
Net cash used in investing activities	**(1,024)**	(8,936)
Cash flows from financing activities		
Repayment of lease liabilities	**(4,784)**	(6,597)
Interest paid for lease liabilities	**(431)**	(788)
Repayment of bank borrowing	**–**	(3,000)
Interest paid for bank borrowing	**–**	(10)
Proceeds from new finance leases entered	**–**	12,550
Government grants received	**–**	107
New bank borrowing raised	**–**	3,000
Net cash (used in) from financing activities	**(5,215)**	5,262
Net increase in cash and cash equivalents	**9,295**	22,581
Cash and cash equivalents at 1 April	**45,584**	25,363
Cash and cash equivalents at 30 September, represented by bank balances	**54,879**	47,944

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 13 March 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 ("**Mr. Li**") (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 condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company and its subsidiaries (hereinafter collectively refer to as the "**Group**").

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2023 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2023 except as described below.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as they relate to disclosures of accounting policies in complete financial statements rather than interim financial statements. The amendments are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements for the year ending 31 March 2024.

Impact on application of Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the interim condensed consolidated financial statements of the Group.

Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 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, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

There was no impact on the condensed consolidated statement of financial position because the balances qualify for offset under paragraph 74 of HKAS 12. There was no impact on the opening retained earnings as at 1 April 2022. The key impact for the Group relates to the disclosure of deferred tax assets and liabilities recognised, and the relevant disclosure will be provided in the Group's annual financial statements.

Impact on application of Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules

In July 2023, the HKICPA has issued amendments to HKAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules. The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("**OECD**") international tax reform. The amendments introduce (i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and (ii) targeted disclosure requirements for affected entities.

The Group applied the mandatory temporary exception from recognition and disclosure of information about deferred taxes related to Pillar Two income taxes, and the requirement to disclose the application of the exception immediately and retrospectively upon issue of the amendments. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023 but are not required for the current interim period.

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Provision of foundation and site formation works	**244,994**	266,954
Revenue from other sources		
– Rental income from machineries leasing	**6,121**	6,058
	251,115	273,012

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition from contracts with customers		
Over time	**244,994**	266,954

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 period 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.

5. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**1**	–
Gain on disposal of plant and equipment	**–**	20
Gain on sales of scrap	**–**	141
Government grants *(Note)*	**–**	6,107
	1	6,268

Note:

During the six months ended 30 September 2022, approximately HK$6,000,000 and HK$107,000 (six months ended 30 September 2023: nil and nil) were cash subsidies from the Employment Support Scheme ("**ESS**") under Anti-epidemic Fund as part of the relief measures on the COVID-19 pandemic and Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles upon disposal of certain motor vehicles granted by the Government of Hong Kong Special Administrative Region respectively.

6. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interests on:		
– bank borrowing	**–**	10
– lease liabilities	**431**	788
	431	798

7. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current year taxation		
Hong Kong Profits Tax	**–**	8
Deferred taxation	**(262)**	46
	(262)	54

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the six months ended 30 September 2023 and 2022, 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%.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Impairment loss recognised on trade receivables	**49**	73
Impairment loss recognised on contract assets	**564**	1,567
Loss on written off of plant and equipment	**–**	10
Depreciation of plant and equipment	**5,563**	6,551
Depreciation of right-of-use assets	**3,548**	3,304

9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2023, nor has any dividend been proposed since the end of the last reporting period (six months ended 30 September 2022: nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit:		
– Profit for the period attributable to the owners of the Company	**2,102**	8,907
Number of shares *('000)*		
– Weighted average number of ordinary shares for the purpose of basic earnings per share	**933,750**	933,750

Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2023 and 2022.

11. PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired plant and equipment with a cost of approximately HK$5,281,000 (six months ended 30 September 2022: approximately HK$7,747,000).

During the six months ended 30 September 2022, the Group has disposed of certain plant and equipment with an aggregate carrying values of nil (six months ended 30 September 2023: nil) for cash proceeds of approximately HK$20,000 (six months ended 30 September 2023: nil), resulting a gain on disposal of approximately HK$20,000 (six months ended 30 September 2023: nil).

During the six months ended 30 September 2023, the Group transferred the leased machineries of approximately HK$1,840,000 (six months ended 30 September 2022: HK$12,621,000) from plant and equipment to right-of-use assets at the commencement of lease term.

During the six months ended 30 September 2023, the Group transferred the leased machineries of approximately HK$1,680,000 (six months ended 30 September 2022: nil) from right-of-use assets to plant and equipment upon the end of lease terms.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

As at 30 September 2023, the total carrying amounts of right-of-use assets were approximately HK$22,922,000 (31 March 2023: HK$26,310,000), of which HK$4,839,000, HK$632,000 and HK$17,451,000 (31 March 2023: HK$5,914,000, HK$760,000 and HK$19,636,000) were the premises, motor vehicles and machineries, respectively.

During the six months ended 30 September 2023, the Group entered into lease arrangements for machineries. On lease commencement, the Group recognised right-of-use assets of approximately HK$1,840,000 (six months ended 30 September 2022: approximately HK$1,632,000 and HK$17,991,000 for office premises and machineries respectively).

During the six months ended 30 September 2023, the Group transferred the leased machineries of approximately HK$1,840,000 (six months ended 30 September 2022: HK$12,621,000) from plant and equipment to right-of-use assets at the commencement of lease term.

During the six months ended 30 September 2023, the Group transferred the leased machineries of approximately HK$1,680,000 (six months ended 30 September 2022: nil) from right-of-use assets to plant and equipment upon the end of lease terms.

(ii) Lease liabilities

As at 30 September 2023, the carrying amount of lease liabilities was approximately HK$17,242,000 (31 March 2023: HK$20,370,000).

During the six months ended 30 September 2023, the Group entered into new lease arrangements for machineries and recognised lease liabilities of approximately HK$1,656,000 (six months ended 30 September 2022: office premises and machineries of approximately HK$1,632,000 and HK$17,550,000 respectively).

(iii) **Amounts recognised in profit and loss**

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation on right-of-use assets		
– Premises	**1,074**	709
– Machineries	**2,345**	2,467
– Motor vehicles	**129**	128
Interest expense on lease liabilities	**431**	788

(iv) **Others**

For the six months ended 30 September 2023, the total cash outflow for leases amounted to approximately HK$5,215,000 (six months ended 30 September 2022: HK$7,385,000).

13. TRADE AND OTHER RECEIVABLES

	At 30 September 2023	At 31 March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Receivables at amortised cost comprise:		
Trade receivables	**15,928**	26,658
Loss allowance	**(703)**	(654)
	15,225	26,004
Other receivables	**3,582**	2,709
Prepayments and deposits	**1,278**	1,653
	20,085	30,366

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:

	At 30 September 2023	At 31 March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**13,385**	24,676
31 to 60 days	**147**	–
61 to 180 days	**204**	20
181 to 365 days	**242**	1,308
Over 365 days	**1,247**	–
	15,225	26,004

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

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

The movement in the loss allowance of trade receivables is set out below:

	At 30 September 2023	At 31 March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**654**	566
Increase during the period/year	**49**	88
At the end of the period/year	**703**	654

For deposits and other receivables, the Group measures the loss allowance at an amount equal to 12-month ECL since the credit risk is considered to be low and there is no significant increase in credit risk during the year. The loss allowance is insignificant to the Group as at 30 September 2023 and 31 March 2023.

14. TRADE AND OTHER PAYABLES

	At 30 September 2023 *HK$'000* (Unaudited)	At 31 March 2023 *HK$'000* (Audited)
Trade payables	**65,420**	53,370
Retention payables	**10,945**	10,288
Accrued expenses and other payables	**17,446**	18,993
	93,811	82,651

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 (31 March 2023: 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:

	At 30 September 2023 *HK$'000* (Unaudited)	At 31 March 2023 *HK$'000* (Audited)
0 to 90 days	**65,420**	53,370

15. BANKING FACILITIES

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	At 30 September 2023 *HK$'000* (Unaudited)	At 31 March 2023 HK$'000 (Audited)
Floating rate		
– Expiring within one year *(Note a)*	**7,019**	–
– Expiring beyond one year *(Note b)*	**10,000**	10,000
	17,019	10,000

Notes:

(a) As at 30 September 2023, the Group has unutilised banking facilities of HK$7,019,000 (31 March 2023: nil) which was granted in August 2023. Such banking facilities are guaranteed by the Company.

(b) As at 30 September 2023, the Group has unutilised banking facilities of HK$10,000,000 (31 March 2023: HK$10,000,000) which was granted in March 2021. Such banking facilities are guaranteed by Mr. Li and Ms. Chau Man Chun (the spouse of Mr. Li ("**Mrs. Li**")).

16. SHARE CAPITAL

	Number of Shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 30 September 2023 and 31 March 2023	2,000,000,000	20,000
Issued and fully paid		
At 30 September 2023 and 31 March 2023	933,750,000	9,338

Note:

There were no changes in the issued capital of the Company since 1 April 2023 to the period up to 30 September 2023.

17. CAPITAL COMMITMENT

	At 30 September 2023	At 31 March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided for in the consolidated financial statements	**15,200**	–

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of Wing Chi Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2023 (the "**Reporting Period**") together with the unaudited comparatives figures for the corresponding period ended 30 September 2022.

BUSINESS 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 since May 2008. Lik Shing Engineering Company Limited has also registered under the Buildings Department as a registered specialist contractor in the foundation works category and site formation works category since December 2019 and July 2021 respectively.

During the Reporting Period, the economy of Hong Kong experienced a moderate improvement, although the degree of progress fell short of initial expectations. Moving forward, the Government of the Hong Kong Special Administrative Region remains committed to stimulating economic growth through investments in infrastructure and housing development, thereby creating potential opportunities for further advancement within the construction industry. Our Group will persist in enhancing its competitive edge by consistently delivering high-quality services to our customers, while vigilantly monitoring service costs and market dynamics.

The Directors have expressed their concerns regarding the prevailing uncertainties in the Hong Kong economy, as well as the persistent impact of intense competition within the foundation and site formation market on the Group's growth prospects. To mitigate these challenges, the Group remains committed to implementing stringent cost control measures across ongoing projects, enhancing workflow efficiency throughout the construction process, and bolstering the effectiveness of project management practices. Furthermore, the Group will continue to prioritise the well-being and safety of its employees by actively devoting resources to ensure a healthy work environment.

FINANCIAL REVIEW

During the Reporting Period, the Group had been awarded 12 new contracts, with an aggregate original contract sum of approximately HK$141.4 million and had completed 16 projects with an aggregate original contract sum of approximately HK$428.8 million. As at 30 September 2023, the Group had 25 projects on hand which include projects in progress as well as projects that have been awarded to us but not yet commenced. As at 30 September 2023, the aggregate amount of transaction price allocated to the unsatisfied/partially unsatisfied performance obligations is approximately HK$401.5 million (30 September 2022: approximately HK$479.9 million). This amount represents the revenue from construction contracts that is expected to be recognised in the future.

Revenue

The revenue from foundation and site formation works of the Group for the Reporting Period amounted to approximately HK$245.0 million, representing a decrease of approximately HK$21.9 million, or 8.2% as compared to that of approximately HK$266.9 million for the six months ended 30 September 2022. The decrease in revenue during the Reporting Period was primarily attributed to the completion of fewer large size foundation and site formation works. As a result, lower revenue were recognised compared to previous periods.

The Group's revenue from machinery leasing for the Reporting Period amounted to approximately HK$6.1 million for the six months ended 30 September 2023 and 2022. This amount represents the revenue derived from the leasing of the Group's machinery to contractors and/or subcontractors under operating lease. There was no significant variance on machinery leasing during the Reporting Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Reporting Period amounted to approximately HK$17.9 million, representing a decrease of approximately HK$2.0 million, or 10.1% as compared to that of approximately HK$19.9 million for the six months ended 30 September 2022. The gross profit margin of the Group during the Reporting Period was approximately 7.1%, as compared to that of approximately 7.3% for the six months ended 30 September 2022. There was no significant variance in the gross profit margin. The Group will continue to implement tight cost control and improve the efficiency of work-flow throughout the construction process.

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 and Gains

The other income of the Group for the Reporting Period amounted to approximately HK$1.0 thousand, representing a significant decrease of approximately HK$6.3 million or 100.0% as compared to that of approximately HK$6.3 million for the six months ended 30 September 2022.

The significant decrease is primarily due to the fact that during the previous Reporting Period, the Company has received from the Government of Hong Kong Special Administrative Region (i) a subsidy of approximately HK$6.0 million from the Employment Support Scheme ("**ESS**") and (ii) a subsidy of approximately HK$0.1 million under the "Ex-Gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles" upon disposal of vehicle. However, these subsidies are not available during the six months ended 30 September 2023.

Administrative Expenses

The administrative expenses of the Group for the Reporting Period amounted to approximately HK$15.6 million, representing a decrease of approximately HK$0.9 million, or 5.5% as compared to that of approximately HK$16.5 million for the six months ended 30 September 2022. There was no significant variance on administrative expenses during the Reporting Period. The administrative expenses mainly comprised of professional expenses, entertainment expenses, salaries costs, provision of loss allowance, repair and maintenance costs and depreciation expenses.

Finance Costs

The finance costs of the Group for the Reporting Period amounted to approximately HK$0.4 million, representing a decrease of approximately HK$0.4 million, or 50.0% as compared to that of approximately HK$0.8 million for the six months ended 30 September 2022. The decrease was primarily due to the decrease in lease liabilities during the Reporting Period as compared to that for the corresponding period in 2022.

Income Tax Credit/(Expense)

The income tax credit of the Group for the Reporting Period amounted to approximately HK$0.3 million, representing an increase of approximately HK$0.35 million, or 700.0% as compared to income tax expenses of approximately HK$0.05 million for the six months ended 30 September 2022. The income tax credit/expenses represent the net effect on the movement of deferred tax expenses and Hong Kong income tax expenses. The movement was mainly due to the recognisition of deferred tax expenses during the Reporting Period.

Profit attributable to Owners of the Company

The net profit attributable to owners of the Company amounted to approximately HK$2.1 million for the Reporting Period, as compared to that of approximately HK$8.9 million for the six months ended 30 September 2022. The decrease in net profit attributable to owners of the Company was mainly attributable to the combined effect of the absence of a subsidy of approximately HK$6.0 million from the ESS during the Reporting Period and the completion of fewer large size foundation and site formation works resulting a decrease in revenue generated to the Group during the Reporting Period as compared to the corresponding period in 2022.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of any interim dividend for the six months ended 30 September 2023.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

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

As at 30 September 2023, the Group had total assets of approximately HK$244.1 million (31 March 2023: approximately HK$234.2 million), of which current assets amounted to approximately HK$197.4 million (31 March 2023: approximately HK$183.7 million).

As at 30 September 2023, the Group had total liabilities of approximately HK$114.9 million (31 March 2023: approximately HK$107.1 million), of which current liabilities amounted to approximately HK$103.6 million as at 30 September 2023 (31 March 2023: approximately HK$92.2 million).

As at 30 September 2023, the Group had total equity attributable to owners of the Company amounted to approximately HK$129.2 million (31 March 2023: approximately HK$127.1 million).

As at 30 September 2023, the Group had total bank balances and cash of approximately HK$54.9 million (31 March 2023: approximately HK$45.6 million). The increase was mainly due to the cash inflow of an aggregate net cash of approximately HK$9.3 million in operation, investing and financing activities.

As at 30 September 2023, the Group had total debt of approximately HK$17.2 million which included lease liabilities (31 March 2023: approximately: HK$20.4 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) divided by the total equity is approximately 13.3% (31 March 2023: approximately 16.0%).

PLEDGE OF ASSETS

As at 30 September 2023, the Group's right-of-use assets with an aggregate net book value of approximately HK$18.1 million (31 March 2023: approximately HK$20.4 million) were pledged under finance leases.

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 are settled in Hong Kong dollar, the Board is of the view that the Group's foreign exchange rate risks are insignificant.

Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the Reporting Period.

CAPITAL EXPENDITURE

During the Reporting Period, the Group invested approximately HK$5.3 million (31 March 2023: approximately HK$18.2 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

As at 30 September 2023, the Group had capital commitments of approximately HK$15.2 million on acquisition of plant and equipment contracted for but not yet accounted for in the financial statements.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SIGNIFICANT INVESTMENT HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group does not have other plans for material investments and capital assets during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, the Group employed a total of 322 employees (including Executive Directors and Independent Non-executive Directors), as compared to a total of 341 employees as at 30 September 2022 (including Executive Directors and Independent Non-executive Directors). There was no significant variance on the number of employees during the Reporting Period.

Total staff costs which include Directors' emoluments for the Reporting Period was approximately HK$87.3 million (six months ended 30 September 2022: approximately HK$82.7 million). There was no significant variance on the staff cost expenses during the Reporting Period.

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 an annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee.

The emoluments of the Directors of the Company are decided by the Board with reference to the recommendation of the Remuneration Committee of the Company, having considered 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 in the interim report.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (the "**CG Code**") as its own corporate governance code. The Company has complied with the CG Code during the Reporting Period and up to the date of this announcement with the exception of code provision 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 of the Company. In view of the in-depth knowledge and substantial experience of Mr. Li Cheuk Kam in the operations of the Group and his solid experience in foundation and site formation works, the Board believes that it is in the best interests of the Company for Mr. Li Cheuk Kam to assume both the roles of the Chairman and the Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

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

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

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 21 September 2017. The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus dated 30 September 2017 published by the Company. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 21 September 2017, and there is no outstanding share option as at 30 September 2023.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

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

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTOR UNDER RULES 13.51B(1) OF THE LISTING RULES

Saved as disclosed in this announcement, there is no change in the information of each Directors that is required to be disclosed under Rules 13.51B(1) of the Listing Rules, since the publication of annual report for the year ended 31 March 2023.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Save as disclosed as above, there is no material subsequent events undertaken by the Company or by the Group after the Reporting Period.

AUDIT COMMITTEE

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

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

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

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

Hong Kong, 17 November 2023

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