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WINSON HOLDINGS HONG KONG LIMITED

永順控股香港有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8421)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Winson Holdings Hong Kong Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

	Year ended 31 March		Percentage Change	
	Notes	2018 (HK\$ million)		2017 (HK\$ million)
Key Financial Figures				
Revenue		508.1	467.5	8.7%
Gross Profit		76.9	67.3	14.2%
Profit for the year*		21.8	8.7	151.2%
Total Assets		186.1	195.4	-4.8%
Total Equity		113.4	91.6	23.8%

Key Financial Ratios

Gross profit margin	1	15.1%	14.4%
Net profit margin	2	4.3%	1.9%
Return on equity	3	19.2%	9.5%
Return on total assets	4	11.7%	4.4%
Dividend payout ratio	5	46.0%	—
Interest coverage ratio	6	27.0 times	6.6 times
Current ratio	7	2.4 times	1.7 times
Quick ratio	8	2.4 times	1.7 times
Gearing ratio	9	0.2 times	0.4 times

* One-off listing expenses in the amount of approximately HK\$10.4 million was incurred for the year ended 31 March 2017.

Notes:

- Gross profit margin is calculated based on the gross profit for the year divided by revenue for the year. Gross profit equals to revenue minus cost of services.
- Net profit margin is calculated based on the profit for the year divided by revenue for the year.
- Return on equity is calculated based on the profit for the year divided by total equity as at the end of the year.
- Return on total assets is calculated based on the profit for the year divided by total assets as at the end of the year.
- Dividend payout ratio is calculated based on the total amount of dividend to be declared, subject to approval of the shareholders at the forthcoming annual general meeting, divided by profit for the year.
- Interest coverage ratio is calculated based on profit before interest and tax for the year divided by interest expenses for the year.
- Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.

8. Quick ratio is calculated based on the difference between the total current assets and inventories divided by the total current liabilities as at the end of the year.
9. Gearing ratio is calculated based on the total bank borrowings over total equity of the Group.

ANNUAL RESULTS

The board (the “**Board**”) of Directors is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017 (“**FY2017**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	5	508,106	467,513
Cost of services		<u>(431,216)</u>	<u>(400,175)</u>
Gross profit		76,890	67,338
Other income and gains	5	687	783
General operating expenses		(49,655)	(42,070)
Listing expenses		—	(10,387)
Finance costs		<u>(1,035)</u>	<u>(2,389)</u>
Profit before income tax	6	26,887	13,275
Income tax expense	7	<u>(5,083)</u>	<u>(4,596)</u>
Profit for the year and total comprehensive income for the year attributable to owners of the Company		<u>21,804</u>	<u>8,679</u>
Earnings per share	9		
— Basic		<u>HK3.63 cents</u>	<u>HK1.90 cents</u>
— Diluted		<u>HK3.63 cents</u>	<u>HK1.90 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		37,188	35,709
Prepayments	11	<u>292</u>	<u>—</u>
		<u>37,480</u>	<u>35,709</u>
Current assets			
Inventories		11	30
Trade receivables	10	100,180	82,087
Prepayments, deposits and other receivables	11	8,928	5,681
Tax recoverable		12	493
Cash and cash equivalents		<u>39,488</u>	<u>71,416</u>
		<u>148,619</u>	<u>159,707</u>
Current liabilities			
Trade payables	12	12,790	12,154
Accruals, deposits and other payables	12	30,495	42,568
Bank borrowings		17,533	39,643
Tax payable		<u>1,549</u>	<u>—</u>
		<u>62,367</u>	<u>94,365</u>
Net current assets		<u>86,252</u>	<u>65,342</u>
Total assets less current liabilities		<u>123,732</u>	<u>101,051</u>
Non-current liabilities			
Provision for long service payments		9,076	8,553
Deferred tax liabilities		<u>1,216</u>	<u>878</u>
		<u>10,292</u>	<u>9,431</u>
Net assets		<u>113,440</u>	<u>91,620</u>
EQUITY			
Share capital		6,000	6,000
Reserves		<u>107,440</u>	<u>85,620</u>
Total equity		<u>113,440</u>	<u>91,620</u>

NOTES

1. CORPORATE INFORMATION

Winson Holdings Hong Kong Limited (“the Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 31 May 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 March 2017.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is Suite 2702, 27th Floor, Tower 2, Nina Tower, No. 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company, collectively referred to as the “Group”) are provision of environmental hygiene and related services and airline catering support services in Hong Kong.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 Adoption of new and revised HKFRSs

In the year ended 31 March 2018, the Group has applied for the first time the following new standards and amendments issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2017.

HKFRSs (Amendments)	Annual Improvements 2014–2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Other than as noted below, the adoption of these amendments has no material impact on the Group’s financial statements.

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to additional disclosure to the financial statements. No comparative information for the preceding period is required when the amendment was first adopted.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards ¹
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment transactions ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKAS 40	Transfers of Investment Property ¹
HKFRS 16	Leases ²
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) except otherwise indicated.

4. SEGMENT INFORMATION

The information reported to the executive directors of the Company, who are the chief operating decision makers for the purpose of resources allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. The Group is currently organised into two operating divisions as follows:

- (1) Environmental hygiene and related services
- (2) Airline catering support services

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than tax recoverable and cash and cash equivalents.
- all liabilities are allocated to operating segments other than bank borrowings and tax payable.
- all profit or loss are allocated to operating segments other than directors’ emoluments, finance costs, listing expenses, income tax expense and certain other income and expenses incurred by the head office.

For the year ended 31 March 2018

	Environmental hygiene and related services HK\$'000	Airline catering support services HK\$'000	Total HK\$'000
Revenue			
Sales to external customers	<u>467,745</u>	<u>40,361</u>	<u>508,106</u>
Segment results	<u>36,094</u>	<u>3,420</u>	39,514
Directors' emoluments			(10,459)
Finance costs			(1,035)
Unallocated corporate income and expenses, net			<u>(1,133)</u>
Profit before income tax			26,887
Income tax expense			<u>(5,083)</u>
Profit for the year			<u>21,804</u>
Segment assets	142,980	3,619	146,599
Tax recoverable			12
Cash and cash equivalents			<u>39,488</u>
Total assets			<u>186,099</u>
Segment liabilities	50,969	2,608	53,577
Bank borrowings			17,533
Tax payable			<u>1,549</u>
Total liabilities			<u>72,659</u>
Other segment information			
Depreciation	(3,748)	—	(3,748)
Additions to non-current assets	<u>5,237</u>	<u>—</u>	<u>5,237</u>

For the year ended 31 March 2017

	Environmental hygiene and related services <i>HK\$'000</i>	Airline catering support services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
Sales to external customers	<u>432,619</u>	<u>34,894</u>	<u>467,513</u>
Segment results	<u>30,970</u>	<u>3,977</u>	34,947
Directors' emoluments			(8,896)
Listing expenses			(10,387)
Finance costs			<u>(2,389)</u>
Profit before income tax			13,275
Income tax expense			<u>(4,596)</u>
Profit for the year			<u>8,679</u>
Segment assets	120,038	3,469	123,507
Tax recoverable			493
Cash and cash equivalents			<u>71,416</u>
Total assets			<u>195,416</u>
Segment liabilities	61,848	2,305	64,153
Bank borrowings			<u>39,643</u>
Total liabilities			<u>103,796</u>
Other segment information			
Depreciation	(3,448)	—	(3,448)
Additions to non-current assets	<u>1,873</u>	<u>—</u>	<u>1,873</u>

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, Hong Kong is regarded as the Group's place of domicile. All the Group's revenue and non-current assets are attributable to Hong Kong for the years ended 31 March 2018 and 2017, being the single geographical region.

The geographical location of customers is based on the location at which the services were provided. All the Group's revenue from external customers is sourced from Hong Kong.

Revenue from customers which individually contributed 10% or more of the Group's revenue, are set out as follows:

	2018	2017
	HK\$'000	HK\$'000
Customer A (note 1)	173,798	176,065
Customer B (note 2)	58,227	54,469

Notes:

- (1) It is a customer for environmental hygiene and related services for the years ended 31 March 2018 and 2017.
- (2) For the year ended 31 March 2018, revenue of HK\$27,205,000 was generated from environmental hygiene and related services while revenue of HK\$31,022,000 was generated from airline catering support services for this customer.

For the year ended 31 March 2017, revenue of HK\$27,701,000 was generated from environmental hygiene and related services while revenue of HK\$26,768,000 was generated from airline catering support services for this customer.

5. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the income from environmental hygiene and related services and airline catering support services rendered.

- (a) The Group's revenue recognised during the year are as follows:

	2018	2017
	HK\$'000	HK\$'000
Revenue:		
Environmental hygiene and related services	467,745	432,619
Airline catering support services	40,361	34,894
	508,106	467,513

- (b) The Group's other income and gains recognised during the year are as follows:

	2018	2017
	HK\$'000	HK\$'000
Other income and gains:		
Bank interest income	3	—
Gain on disposal of property, plant and equipment	100	—
Sales of scrap materials	527	558
Sundry income	57	225
	687	783

6. PROFIT BEFORE INCOME TAX

Profit before income tax for the year has been arrived at after charging/(crediting):

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Auditor's remuneration		
— audit services	560	560
— non-audit services	<u>180</u>	<u>—</u>
	<u>740</u>	<u>560</u>
Cost of inventories recognised as expenses	14,203	14,647
Depreciation	3,748	3,448
(Gain)/loss on disposal of property, plant and equipment	(100)	17
Minimum lease payments under operating leases for land and buildings:		
— staff quarters	245	222
— office	<u>576</u>	<u>—</u>
	<u>821</u>	<u>222</u>
Employee costs (including directors' remuneration):		
— Wages, salaries and allowances	306,473	299,676
— Retirement scheme contributions	13,297	13,232
— Share-based compensation	<u>16</u>	<u>18</u>
	<u>319,786</u>	<u>312,926</u>

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for both years.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax	4,800	4,367
Current tax — (over)/under-provision in prior years	(55)	292
Deferred taxation	<u>338</u>	<u>(63)</u>
	<u>5,083</u>	<u>4,596</u>

8. DIVIDENDS

	2018	2017
	HK\$'000	HK\$'000
Final dividend proposed after the end of the reporting period — HK1.67 cents (2017: nil) per ordinary share	<u>10,020</u>	<u>—</u>

The final dividend proposed after the reporting date for the year ended 31 March 2018 is subject to shareholders' approval in the forthcoming annual general meeting and has not been recognised as a liability as at 31 March 2018.

No dividend has been paid or declared by the Company during the year ended 31 March 2018 nor has any dividend been declared since the end of the reporting period (2017: nil).

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings attributable to owners of the Company and the weighted average number of ordinary shares in issue during the respective periods.

The calculation of basic and diluted earnings per share is based on the following information:

	2018	2017
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company	<u>21,804</u>	<u>8,679</u>
	2018	2017
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>600,000</u>	<u>456,164</u>

The calculation of basic earnings per share for the year ended 31 March 2018 is based on the profit for the year attributable to owners of the Company of HK\$21,804,000 (2017: HK\$8,679,000) and on the weighted average number of ordinary shares of 600,000,000 (2017: 456,164,000) issued, during the year ended 31 March 2018.

The calculation of diluted earnings per share for the years ended 31 March 2018 and 2017 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for both years.

10. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	<u>100,180</u>	<u>82,087</u>

Trade receivables are denominated in Hong Kong Dollars for both years.

The credit terms of the trade receivables are ranged from 0 to 75 days (2017: 0 to 75 days) from the date of billing.

The ageing analysis of trade receivables based on the invoice date, as of the end of the reporting period, is as follow:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one month	44,721	40,285
One to three months	47,575	37,098
More than three months	<u>7,884</u>	<u>4,704</u>
	<u>100,180</u>	<u>82,087</u>

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current:		
Prepayments for purchase of property, plant and equipment	<u>292</u>	<u>—</u>
Current:		
Prepayments for consumables	90	35
Other prepayments	5,455	4,022
Deposits	673	1,503
Other receivables	<u>2,710</u>	<u>121</u>
	<u>8,928</u>	<u>5,681</u>

12. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	<u>12,790</u>	<u>12,154</u>
Accrued staff costs	23,581	25,703
Other accrued expenses (<i>note (b)</i>)	5,325	15,185
Other payables	851	1,158
Deposits	<u>738</u>	<u>522</u>
	<u>30,495</u>	<u>42,568</u>

Notes:

- (a) Trade payables are denominated in Hong Kong Dollars for both years.

The ageing analysis of trade payables based on the invoice date as of the end of the reporting period is as follow:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one month	9,063	12,003
One to three months	3,113	129
More than three months	<u>614</u>	<u>22</u>
	<u>12,790</u>	<u>12,154</u>

- (b) As at 31 March 2018, other accrued expenses mainly represented the accrued untaken paid leave (2017: accrued listing expenses and accrued untaken paid leave).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2018, the Group recorded total revenue of approximately HK\$508.1 million (FY2017: HK\$467.5 million), with gross profit rising by 14.2% year-on-year to approximately HK\$76.9 million (FY2017: HK\$67.3 million). Gross profit margin climbed to 15.1% — up from 14.4% in the preceding year. Profit for the year amounted to approximately HK\$21.8 million, compared with approximately HK\$8.7 million last year. Net profit margin reached 4.3% (FY2017: 1.9% and approximately 4.1% excluding listing expenses).

During the year, the total value of awarded contracts amounted to HK\$593.7 million (FY2017: HK\$424.3 million) of which HK\$559.8 million represented renewed contracts (FY2017: HK\$381.4 million). The Group remained in a healthy financial position, with cash and cash equivalents of HK\$39.5 million.

Business Segment Analysis

Environmental Hygiene and Related Services

Environmental hygiene and related services constituted the primary revenue contributor of the Group, generating revenue of HK\$467.7 million (FY2017: HK\$432.6 million) for the year, and accounting for 92.1% of the Group's total revenue. Segmental gross profit of HK\$72.6 million was recorded as compared with HK\$62.4 million for the corresponding period last year, with gross profit margin at 15.5% (FY2017: 14.4%). The estimated total value of contracts in hand as at 31 March 2018 was HK\$940 million, HK\$581 million of which was ongoing contracts. The Group won 19 new contracts during the year, valued at approximately HK\$33.9 million in total.

As one of the significant environmental hygiene services providers in Hong Kong, the Group has leveraged its stature, expertise and dynamic workforce of 1,862 full-time and part-time workers to earn contracts with respectable property owners and management companies, a mass transit transportation operator and the Hong Kong Government. In the past year, the Group has continued to add to its portfolio of upscale residential projects, providing hygiene services to premium properties such as The Bloomsway in Tuen Mun and Mantin Heights in Ho Man Tin, which have contract sums of approximately HK\$0.5 million and HK\$0.4 million per month respectively. In addition, the Group has retained its contract with the aforementioned mass transit transportation operator, covering its East, West and Ma On Shan lines, as well as Light Rail stations. The contract — valued at over HK\$2 million per month — entails cleaning of tracks, tunnels and plant rooms, including certain high-level cleaning services, i.e. areas that are above three metres.

Airline Catering Support Services

The airline catering support services business has been a welcomed addition to the Group since 2013, providing a steady source of supplemental income. During the year ended 31 March 2018, the business generated revenue of HK\$40.4 million (FY2017: HK\$34.9 million). However, due to a rise in cost of services, gross profit fell to HK\$4.3 million (FY2017: HK\$5.0 million), with gross profit margin slipping to 10.7% (FY2017: 14.2%).

The healthy generation of revenue largely reflects income from existing contracts held by the Group, the majority of which will not expire until the 2018 and 2019 financial years. As at 31 March 2018, the estimated total value of contracts in hand amounted to approximately HK\$66.6 million, of which HK\$16.6 million represented ongoing contracts.

Prospects

The upcoming financial year is expected to be challenging owing to intense competition, aggravated by the ongoing labour shortage. Worth noting as well is that the majority of contracts for environmental hygiene and related services have either been renewed or awarded to industry players including the Group. Nonetheless, the airline catering support services segment is expected to sustain growth, driven by a resurgent tourism industry in Hong Kong.

Irrespective of market conditions, the management recognises the need to constantly bolster operations in order to maintain the Group's competitiveness and appeal to existing and potential customers. Correspondingly, the Group will continue to adopt and upgrade relevant technologies that aid its ability to monitor all facets of operation, leading to the optimisation of processes. It will also look to lessen its dependence on human labour where feasible in view of escalating costs resulting from the labour shortage, while at the same time enhance training of those workers who are indispensable for certain services, including safety-related training so as to protect the Group's sterling reputation for safety. Such training and safety-mindedness are among the features that have distinguished the Group from its peers, and the management is fully committed to harnessing their associated benefits going forward.

With the new financial year at hand, the management will also look to strengthen ties with its many customers to realise new business opportunities. At the same time, it will leverage the Group's track record of successfully providing end-to-end services to attract new clients to the fold. While engaging in such endeavours, the management will be mindful as well of further moving the Group upmarket to enhance profitability. Through these and other efforts, the management trusts that the Group will be able to achieve sustainable growth and create value for its shareholders.

Financial Review

Revenue

For the year ended 31 March 2018, total revenue was approximately HK\$508.1 million (2017: approximately HK\$467.5 million), representing an increase of approximately 8.7%. The increase of revenue was attributable to the secure of few substantial, both new and renewed, contracts during the year. The new work in tenanted area secured also contributed a major growth in revenue generated during the year.

The following is an analysis of Group's revenue by segment

	2018		2017	
	HK\$'000	%	HK\$'000	%
Environmental hygiene and related services	467,745	92.1	432,619	92.5
Airline catering support services	<u>40,361</u>	<u>7.9</u>	<u>34,894</u>	<u>7.5</u>
Total	<u>508,106</u>	<u>100.0</u>	<u>467,513</u>	<u>100.0</u>

For the year ended 31 March 2018, revenue from environmental hygiene and related services amounted to approximately HK\$467.7 million (FY2017: approximately HK\$432.6 million), accounting for 92.1% of total revenue (FY2017: 92.5%). Revenue from airline catering support services was approximately HK\$40.4 million, representing 7.9% of total revenue for the year ended 31 March 2018 (FY2017: approximately HK\$34.9 million and 7.5% of total revenue). Revenue from both environmental hygiene and related services and airline catering support services increased approximately 8.1% and approximately 15.7% respectively as compared to those for the year ended 31 March 2017.

Cost of Services

For the years ended 31 March 2018 and 2017, the cost of services of the Group amounted to approximately HK\$431.2 million and HK\$400.2 million respectively, representing approximately 84.9% and 85.6% of the Group's revenue for the corresponding years. Our cost of services mainly comprised direct wages, consumables and sub-contracting fees. The slightly decrease of cost of services in proportion to the Group's revenue was mainly due to tight cost control and engagement of machineries to help out in carrying out the services.

Gross Profit and Gross Profit Margin

The gross profit increased from approximately HK\$67.3 million for the year ended 31 March 2017 to approximately HK\$76.9 million for the year ended 31 March 2018. The gross profit margin increased from approximately 14.4% for the year ended 31 March 2017 to approximately 15.1% for the year ended 31 March 2018. The following table sets forth breakdown of gross profit and gross profit margin by segment.

	Year ended 31 March 2018		Year ended 31 March 2017	
	Gross Profit	Gross Profit	Gross Profit	
	Gross Profit	Margin	Gross Profit	Margin
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Environmental hygiene and related services	72,576	15.5	62,383	14.4
Airline catering support services	4,314	10.7	4,955	14.2
Total	76,890	15.1	67,338	14.4

The gross profit of environmental hygiene and related services increased by approximately 16.3% from approximately HK\$62.4 million for the year ended 31 March 2017 to HK\$72.6 million for the year ended 31 March 2018. The increase of gross profit of environmental hygiene and related services for the year ended 31 March 2018 was mainly due to the secure of few, both new and renewed, substantial contracts and increase of work in tenanted area also played a role in the substantial growth of gross profit. The gross profit of all newly acquired contracts were able to maintain a steady and good profit margin.

The gross profit of airline catering support services decreased by approximately 12.9% from approximately HK\$5.0 million for the year ended 31 March 2017 to approximately HK\$4.3 million for the year ended 31 March 2018. The decrease of gross profit margin of airline catering support services for the year ended 31 March 2018 was mainly due to the increase of labour cost. The severe condition of labour supply in Tung Chung area has pushed the labour cost way high. The actual labour cost will be reflected in the coming contract renewal.

General Operating Expenses

The general operating expenses increased by approximately HK\$7.6 million, representing an increase of approximately 18.0% to approximately HK\$49.7 million for the year ended 31 March 2018 as compared with approximately HK\$42.1 million for the year ended 31 March 2017.

Finance Costs

The Group's finance costs decreased by 56.7% from approximately HK\$2.4 million for the year ended 31 March 2017 to approximately HK\$1.0 million for the year ended 31 March 2018. Such decrease was mainly due to the Group used its own fund rather than bank loan for working capital requirement.

Profit and Total Comprehensive Income for the Year Attributable to Owners of the Company

The Group's profit and total comprehensive income attributable to owners of the Company for each of the year ended 31 March 2018 and 2017 were approximately HK\$21.8 million and HK\$8.7 million respectively, representing of approximately 4.3% and 1.9% of the respective year's total revenue. By excluding listing expenses in total of approximately HK\$10.4 million for the year ended 31 March 2017, the Group's profit attributable to owners of the Company would be approximately HK\$19.1 million or representing of approximately 4.1% of the revenue for the year ended 31 March 2017.

Capital Expenditure

During the year 2018, our capital expenditure which mainly included additions in motor vehicles and equipment amounted to approximately HK\$5.2 million (FY2017: HK\$1.9 million). These capital expenditures were funded by proceeds from share offer on 16 March 2017.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2018, the Group's total current assets and current liabilities were approximately HK\$148.6 million (31 March 2017: HK\$159.7 million) and HK\$62.4 million (31 March 2017: HK\$94.4 million) respectively, while the current ratio was approximately 2.4 times (31 March 2017: approximately 1.7 times).

The Group had total assets of approximately HK\$186.1 million which is financed by total liabilities and total equity of approximately HK\$72.7 million and HK\$113.4 million respectively. As at 31 March 2018, the Group had cash and cash equivalents of approximately HK\$39.5 million (31 March 2017: approximately HK\$71.4 million).

The Group gearing ratio was 0.2 times as at 31 March 2018 (31 March 2017: 0.4 times), which was calculated based on the total bank borrowings over total equity of the Group.

There was no change to the Company's capital structure during the year ended 31 March 2018. As at 31 March 2018, the issued share capital of the Company was HK\$6,000,000 divided into 600,000,000 shares of HK\$0.01 each (the "Shares").

Employees, Training and Remuneration Policies

As at 31 March 2018, the Group had 2,101 (31 March 2017: 2,500) employees. The Group enters into separate employment contracts with each of the Group's employees in accordance with the applicable employment laws in Hong Kong. The remuneration package includes basic salary, bonuses and other cash allowances or subsidies. The Group conducts annual review on salary, bonuses and promotions

based on the performance of each employee. The total staff costs and related expenses (including Directors' remuneration) for the year ended 31 March 2018 were approximately HK\$319.8 million, representing an increase of approximately 2.2% or approximately HK\$6.9 million as compared with approximately HK\$312.9 million for the year ended 31 March 2017.

Apart from basic remuneration, share options have been granted under the pre-IPO share option scheme to recognise the contribution to the Group by an executive Director and certain employees of the members of the Group. Further share options may be granted under share option scheme to attract and retain the best available personnel, provide additional incentive to employees (full-time and part-time), as well as promote the success of the business of the Group.

In order to provide quality services to customers, the Group provides on-going training regularly to relevant staff across different departments with topics including but not limited to information technology, environmental protection, ISO training, safety training as well as trainings for supervisory roles, etc. Such trainings are either provided internally or by external parties.

Foreign Exchange Exposure

Since the Group generated most of the revenue and incurred most of the costs in Hong Kong dollars for the year ended 31 March 2018, there was no significant exposure to foreign exchange rate and the Group did not maintain any hedging policy against foreign exchange risk. The management will consider hedging significant currency exposure should the need arise.

Contingent Liabilities

The contingent liabilities of the Group is the exposure of the fine from the actual use of the leasehold land and buildings does not comply with the permitted use and breach of section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Building Department regarding the change of land use. As at 31 March 2017 and 31 March 2018, pursuant to section 40(2) of the Buildings Ordinance, the maximum exposure of the fine is approximately to HK\$0.1 million.

Charge Over Group's Assets

As at 31 March 2018, no trade receivables were assigned and charged for secured the banking facilities (31 March 2017: approximately HK\$23.1 million).

The Group's leasehold land and buildings of carrying value of approximately HK\$29.2 million as at 31 March 2018 (31 March 2017: approximately HK\$30.2 million), were pledged to secure the bank loan of the Group.

Capital Commitments

As at 31 March 2018, the Group had capital commitments of approximately HK\$0.4 million in respect of contracted but not provided for purchase of property, plant and equipment (31 March 2017: approximately HK\$0.2 million) in respect of authorised but not contracted for purchase of property, plant and equipment.

Operating Lease Commitments

As at 31 March 2018, the Group had total commitments under operating leases in respect of non-cancellable operating leases for land and buildings to make payment in the future years were approximately HK\$2.0 million which represent rental payable by the Group for office and staff quarters (31 March 2017: approximately HK\$0.1 million for staff quarters only).

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2018.

Significant Investments Held

The Group did not have any significant investment held as at 31 March 2018.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the prospectus of the Company dated 28 February 2017 (the “**Prospectus**”), the Group did not have other plans for material investments or capital assets as of 31 March 2018.

Use of Proceeds

Based on the offer price of HK\$0.42 per share, the net proceeds from the share offer, after deducting listing related expenses, amounted to approximately HK\$40.1 million. The Group will utilise such net proceeds from the share offer for the purposes set out in the section headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus. As at 31 March 2018, the Group’s planned application and actual utilisation of the net proceeds is set out below:

Use of proceeds	Percentage of total net proceeds	Planned applications <i>HK\$ in million</i>	Actual usage up to 31 March 2018 <i>HK\$ in million</i>	Unutilised net proceeds as at 31 March 2018 <i>HK\$ in million</i>
For strengthening the Group’s available financial resources to finance cash flow mismatch under the tender contracts	45.0%	18.1	18.1	—
For increasing the market penetration by strengthen the promotion of the Group’s brand	7.0%	2.8	0.7	2.1
For strengthening the established position in the environmental services industry in Hong Kong	19.0%	7.6	4.1	3.5
For enhancing the information technology system to strengthen operational efficiency and service qualities	19.0%	7.6	1.6	6.0
For the use as general working capital of the Group	10.0%	4.0	4.0	—
Total		<u>40.1</u>	<u>28.5</u>	<u>11.6</u>

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives of the Group as set out in the Prospectus with the Group’s actual business progress for the year ended 31 March 2018 is set out below:

Business objectives

Actual business progress

Strengthen the Group’s available financial resources to finance cash flow mismatch under the tender contracts

- Finance the payment of the salaries of the Group’s full time and part time staff to reduce the financial impact on the time lag between making payment of salaries to the Group’s employees and receiving payments from its customers and the possible increase in the statutory minimum wage
- 100% of fund available has been used, as intended

Business objectives

Actual business progress

Increase the market penetration by strengthen the promotion of the Group's brand

- Distribution of company brochure and marketing materials to target customers
- Design and implement online platform to provide on-line communication channel for major customers
- Continue to maintain online platform to provide on-line communication channel for major customers
- Participate in marketing events as well as activities held by environmental protection and health organizations
- Social media management

The new company brochure is now being used and distributed to potential tendering parties and target customers

Company website is under revamp, online communication channel for clients and customers is also under the website revamp project

Ongoing participation of events held by trade associations

Advertisement placed at Association yearbook, annual directory

Business objectives

Strengthen the established position in the environmental services industry in Hong Kong

- Employ 2 assistant general managers and 1 senior safety manager
- Employ 2 middle-ranking management staff
- Acquire additional equipment such as water wagons, cullet crusher, garbage compressor vehicle and escalator cleaners
- Upgrade marble polish machine and acquire additional equipment such as hook-lift truck, aerial platform vehicle and ride-on scrubber driers

Enhance the information technology (IT) system to strengthen operational efficiency and service qualities

- Enhance daily operation by procuring cloud storage and cloud server services
- Maintenance of IT systems and softwares
- Addition of IT equipment at headquarters and worksites

Actual business progress

Designated manpower for respective areas has been employed to enhance overall operation process, including 1 senior operation manager, 1 safety supervisor and 1 safety officer

2 supervisors has been employed for the setting up of one additional operation line

Truck with tailor gate has been purchased for transporting garbage to enhance efficiency and safety of operations

Designated equipment (i.e. marble polisher, hook-lift truck and two garbage trucks) has been upgraded to improve efficiency of site operations. Ride-on scrubbers has been purchased. Scrubbers, driers, wet vacuum cleaners and hydraulic platform have been purchased to enhance safety, image and efficiency of operation

Designated system server, software, equipment and cloud storage are being purchased and upgraded in progress for respective operation functions

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance.

Save for the deviation of Code A.2.1 of the CG Code as described below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the year ended 31 March 2018 and the Directors will use their best endeavours to procure the Company to comply with the CG Code and make disclosure of deviation from such code in accordance with the GEM Listing Rules.

Chairperson and Chief Executive Officer

Up to the date of this results announcement, the Company has not appointed a chief executive officer and the role and functions of chief executive officer have been performed by all executive Directors, including Madam Ng Sing Mui, the chairperson of the Company and an executive Director, collectively. The Board considered that this has the advantages of allowing contributions from all executive Directors with different expertise and will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

FINAL DIVIDEND

The Board resolved to recommend a final dividend of HK1.67 cents (2017: Nil) per Share for the year ended 31 March 2018, amounting to a total of HK\$10,020,000. The proposed final dividend is subject to the approval of the shareholders at the annual general meeting of the Company to be held on Wednesday, 8 August 2018 ("**2018 AGM**") and is expected to be payable on or about Monday, 3 September 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Thursday, 2 August 2018 to Wednesday, 8 August 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2018 AGM, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 1 August 2018.

For determining the entitlement of the shareholders to the aforesaid proposed final dividend, the register of members of the Company will be closed from Wednesday, 15 August 2018 to Monday, 20 August 2018, both days inclusive, during which period no transfers of Shares will be registered. In order to qualify for the proposed final dividend, which is subject to approval of the shareholders at the 2018 AGM, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14 August 2018.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "**Audit Committee**") on 21 February 2017 with written terms of reference in compliance with the CG Code. The Audit Committee comprises four independent non-executive Directors, namely Mr. Chung Koon Yan, Mr. Yuen Ching Bor Stephen, Mr. Ma Kwok Keung and Mr. Chan Chun Sing with Mr. Chung Koon Yan being the chairperson of the Audit Committee.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems, and review of the Group's financial information.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2018 and is of the opinion that such consolidated financial statements complied with the applicable accounting standards, the GEM Listing Rules, other applicable legal requirements and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED ON THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited on the preliminary results announcement.

By Order of the Board
Winson Holdings Hong Kong Limited
Ng Sing Mui
Chairperson and Executive Director

Hong Kong, 25 May 2018

As at the date of this announcement, the executive Directors are Madam Ng Sing Mui, Ms. Sze Tan Nei, Mr. Ang Ming Wah and Mr. Sze Wai Lun; and the independent non-executive Directors are Mr. Yuen Ching Bor Stephen, Mr. Chung Koon Yan, Mr. Ma Kwok Keung, Mr. Wong Yat Sum and Mr. Chan Chun Sing.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the Company’s website at www.winsongroup.hk.