Wecon Holdings Limited
偉工控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1793)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 10.7% from approximately HK$566.9 million for the six months ended 30 September 2018 to approximately HK$627.7 million for the six months ended 30 September 2019.

- Gross profit increased by approximately 21.0% from approximately HK$36.6 million for the six months ended 30 September 2018 to approximately HK$44.3 million for the six months ended 30 September 2019.

- Gross profit margin increased from approximately 6.5% for the six months ended 30 September 2018 to approximately 7.1% for the six months ended 30 September 2019.

- Profit attributable to the equity holders of the Company for the six months ended 30 September 2019 increased by approximately HK$7.9 million from approximately HK$13.5 million for the six months ended 30 September 2018 to approximately HK$21.4 million for the six months ended 30 September 2019. Setting aside the listing expenses, the adjusted net profit was approximately HK$19.2 million and approximately HK$21.4 million for the six months ended 30 September 2018 and 2019, respectively, representing an increase of approximately HK$2.2 million or approximately 11.5%.

- Basic earnings per share was approximately HK2.7 cents for the six months ended 30 September 2019 and approximately HK2.3 cents for the six months ended 30 September 2018.

- The board resolved not to declare any interim dividend to the shareholders for the six months ended 30 September 2019.

The board (the "**Board**") of directors (the "**Directors**") of Wecon Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim results (the "**Interim Results**") of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2019, together with the comparative figures for the corresponding six months ended 30 September 2018. The Interim Results are unaudited, but have been reviewed by Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" ("**HKSRE 2410**"), issued by the Hong Kong Institute of Certified Public Accountants, whose report on review of the Interim Results is included in the interim report to be sent to the shareholders of the Company. The Interim Results have also been reviewed by the Company's Audit Committee.

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

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**627,711**	566,946
Cost of sales		**(583,387)**	(530,310)
Gross profit		**44,324**	36,636
Other income and gains		**3,517**	1,553
Administrative expenses		**(22,396)**	(21,375)
Finance costs	*5*	**(144)**	(429)
PROFIT BEFORE TAX	*6*	**25,301**	16,385
Income tax	*7*	**(3,916)**	(2,884)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**21,385**	13,501
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*		
– Basic and diluted		**HK2.7 cents**	HK2.3 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2019

	Notes	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,693**	6,831
Right-of-use assets		**6,442**	–
Prepayments, deposits and other receivables		**4,481**	3,492
Total non-current assets		**18,616**	10,323
CURRENT ASSETS			
Contract assets and trade receivables	*10*	**293,725**	246,019
Prepayments, deposits and other receivables		**51,276**	49,912
Pledged deposits		**31,873**	20,513
Time deposits		**143,462**	144,888
Cash and bank balances		**28,508**	29,423
Total current assets		**548,844**	490,755
CURRENT LIABILITIES			
Trade and retention payables	*11*	**166,476**	118,895
Other payables and accruals		**130,250**	124,023
Interest-bearing bank borrowing		**5,000**	10,000
Finance lease payables		**–**	461
Lease liabilities		**3,609**	–
Tax payable		**10,187**	7,793
Total current liabilities		**315,522**	261,172
NET CURRENT ASSETS		**233,322**	229,583
TOTAL ASSETS LESS CURRENT LIABILITIES		**251,938**	239,906

	Note	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**869**	632
Finance lease payables		**–**	598
Lease liabilities		**2,211**	–
Total non-current liabilities		**3,080**	1,230
Net assets		**248,858**	238,676
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*12*	**8,000**	8,000
Reserves		**240,858**	230,676
Total equity		**248,858**	238,676

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2019

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2019 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and 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**"). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2019.

The interim condensed consolidated financial information is presented in Hong Kong Dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The interim condensed consolidated financial information includes the financial statements of the Group for the six months ended 30 September 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

The acquisition of subsidiaries under common control has been accounted for using the principles of merger accounting.

The merger method of accounting involves incorporating the financial statements items of the combined entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party. The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. The interim condensed consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or business first came under common control, where there is a shorter period, regardless of the date of the common control combination.

The acquisition of subsidiaries other than those under common control is accounted for using the acquisition method.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 April 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain of its offices, a staff quarter and a motor vehicle. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., scanners and copiers); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate at 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of HK$1,684,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	(Unaudited) *HK$'000*
Assets	
Increase in right-of-use assets	2,579
Decrease in property, plant and equipment	(1,684)
Increase in total assets	895
Liabilities	
Increase in lease liabilities	1,957
Decrease in finance lease payables	(1,059)
Increase in total liabilities	898
Decrease in retained profits	(3)

3. OPERATING SEGMENT INFORMATION

Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's key management personnel for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2019 and 2018 is set out below.

Six months ended 30 September 2019

	Construction contracts (Unaudited) *HK$'000*	RMAA (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue			
Revenue from external customers	**516,239**	**111,472**	**627,711**
Segment results	**34,323**	**10,001**	**44,324**
Interest income			**2,371**
Sundry income			**1,146**
Loss on disposal of items of property, plant and equipment			**(18)**
Depreciation (unallocated portion)			**(2,061)**
Finance costs			**(144)**
Unallocated head office and corporate expenses			**(20,317)**
Profit before tax			**25,301**
Income tax expense			**(3,916)**
Profit for the period			**21,385**
Segment assets and liabilities			
Segment assets	**276,271**	**69,377**	**345,648**
Unallocated			**221,812**
			567,460
Segment liabilities	**251,018**	**43,397**	**294,415**
Unallocated			**24,187**
			318,602

Six months ended 30 September 2018

	Construction contracts (Unaudited) *HK$'000*	RMAA (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue			
Revenue from external customers	473,197	93,749	566,946
Segment results	25,726	10,910	36,636
Interest income			1,262
Rental income			6
Sundry income			285
Loss on disposal of items of property, plant and equipment			(63)
Depreciation (unallocated portion)			(552)
Exchange loss			(1,508)
Finance costs			(429)
Unallocated head office and corporate expenses			(19,252)
Profit before tax			16,385
Income tax expense			(2,884)
Profit for the period			13,501

As at 31 March 2019

	Construction contracts (Audited) *HK$'000*	RMAA (Audited) *HK$'000*	Total (Audited) *HK$'000*
Segment assets and liabilities			
Segment assets	232,924	64,960	297,884
Unallocated			203,194
			501,078
Segment liabilities	212,580	27,253	239,833
Unallocated			22,569
			262,402

4. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Construction contracts	**516,239**	473,197
RMAA	**111,472**	93,749
	627,711	566,946

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 September 2019

Segments	**Construction contracts**	**RMAA**	**Total**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Type of services			
Construction services	**516,239**	**–**	**516,239**
RMAA	**–**	**111,472**	**111,472**
Total revenue from contracts with customers	**516,239**	**111,472**	**627,711**
Timing of revenue recognition			
Over time	**516,239**	**24,724**	**540,963**
Point in time	**–**	**86,748**	**86,748**
Total revenue from contracts with customers	**516,239**	**111,472**	**627,711**

For the six months ended 30 September 2018

Segments	Construction contracts (Unaudited) *HK$'000*	RMAA (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Type of services			
Construction services	473,197	–	473,197
RMAA	–	93,749	93,749
Total revenue from contracts with customers	473,197	93,749	566,946
Timing of revenue recognition			
Over time	473,197	8,284	481,481
Point in time	–	85,465	85,465
Total revenue from contracts with customers	473,197	93,749	566,946

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Six months ended 30 September	
	2019 (Unaudited) ***HK$'000***	2018 (Unaudited) *HK$'000*
Interest on bank borrowings	**35**	429
Interest on lease liabilities	**109**	–
	144	429

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation on property, plant and equipment	**774**	552
Depreciation on right-of-use assets	**1,539**	–
Employee benefit expense (excluding directors' remuneration):*		
Wages and salaries	**40,833**	31,018
Pension scheme contributions (defined contribution scheme)	**1,667**	1,292
	42,500	32,310
Employee benefit expense included in contract assets	**(1,667)**	–
	40,833	32,310
Minimum lease payments under operating leases	**1,256**	1,867
Loss on disposal of items of property, plant and equipment	**18**	63
Foreign exchange differences, net	**–**	1,508
Listing expenses	**–**	5,737

* The employee benefit expense included in cost of sales was HK$32,634,000 (2018: HK$26,791,000).

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5%, other than one of the Group's subsidiaries, 8.25% for the first HK$2,000,000 of estimated assessable profits and 16.5% for the remaining of the estimated assessable profits for the six months ended 30 September 2019 (2018: at a standard rate of 16.5%).

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**3,679**	3,009
Overprovision in prior years	**–**	(224)
Deferred	**237**	99
Total tax charge for the period	**3,916**	2,884

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity holders of the Company of HK$21,385,000 (2018: HK$13,501,000), and the weighted average number of ordinary shares of 800,000,000 (2018: 600,000,000) in issue during the period, on the assumption that the capitalisation issue and the Reorganisation in connection with the listing of the Company had been completed on 1 April 2018.

No adjustment has been made to the basic earnings per share amount presented for each of the six months ended 30 September 2018 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. DIVIDENDS

During the six months ended 30 September 2018 and before the completion of the Reorganisation, certain subsidiaries of the Group declared interim dividends of HK$50,000,000 to their then shareholders. Such interim dividends were paid during the six months ended 30 September 2018. Investors who became the shareholders of the Company after the listing were not entitled to such interim dividends.

Final dividend in respect of the financial year ended 31 March 2019 of HK1.4 cents per share, in an aggregate amount of HK$11,200,000, was declared and paid during the six months ended 30 September 2019.

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019.

10. CONTRACT ASSETS AND TRADE RECEIVABLES

	30 September 2019 (Unaudited)	31 March 2019 (Audited)
	HK$'000	*HK$'000*
Other contract assets	**33,858**	10,900
Retention receivables	**80,357**	63,583
Trade receivables	**179,510**	171,536
	293,725	246,019

Trade receivables represented receivables for contract work. Management generally submit interim payment applications to customers on a monthly basis containing a statement setting out management's estimation of the valuation of the works completed in the preceding month. Upon receiving the interim payment application, the architect or the consultant of the customer will verify such valuation of work completed and issue an interim payment certificate within 30 days. Within 30 days after the issuance of the interim payment certificate, the customer will make payment to the Group based on the certified amount stipulated in such certificate, deducting any retention money in accordance with the contract.

An ageing analysis of the trade receivables based on the invoice date is as follows:

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Trade receivables:		
Within 90 days	**173,059**	169,278
91 to 180 days	**5,278**	1,493
181 to 360 days	**611**	172
Over 360 days	**562**	593
	179,510	171,536

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Past due but not impaired:		
1 to 3 months past due	**3,909**	1,817
4 to 6 months past due	**1,851**	581
7 to 12 months past due	**395**	150
Over 1 year past due	**562**	593
	6,717	3,141
Neither past due nor impaired	**172,793**	168,395
	179,510	171,536

11. TRADE AND RETENTION PAYABLES

An ageing analysis of the trade and retention payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Trade payables:		
Within 3 months	**104,876**	64,424
4 to 6 months	**–**	1
Over 6 months	**18**	18
	104,894	64,443
Retention payables	**61,582**	54,452
	166,476	118,895

Retention payables were normally settled within terms ranging from one to two years.

Trade and retention payables are non-interest-bearing. The payment terms of trade payables are stipulated in the relevant contracts with credit periods of 30 days in general.

12. SHARE CAPITAL

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Authorised:		
5,000,000,000 shares of HK$0.01 each	**50,000**	50,000
Issued and fully paid:		
800,000,000 shares of HK$0.01 each	**8,000**	8,000

The movements in the Company's share capital during the period from 1 April 2018 to 30 September 2019 were as follows:

	Number of ordinary shares of HK$0.01 each	**Nominal value of ordinary shares** ***HK$'000***
Authorised:		
At 31 March 2018 and 1 April 2018	38,000,000	380
Increase in authorised share capital on 21 January 2019	4,962,000,000	49,620
At 31 March 2019, 1 April 2019 and 30 September 2019	5,000,000,000	50,000
Issued and fully paid:		
At 31 March 2018 and 1 April 2018	100	–*
Issue of new shares pursuant to the Reorganisation	5	–*
Capitalisation issue of shares	599,999,895	6,000
Issue of new shares pursuant to the Share Offer	200,000,000	2,000
At 31 March 2019, 1 April 2019 and 30 September 2019	800,000,000	8,000

* Less than HK$500

GENERAL INFORMATION

Wecon Holdings Limited (the "**Company**") is an exempted company incorporated in the Cayman Islands with limited liability on 23 March 2018. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 1801-1802, 18/F., Tung Hip Commercial Building, 244-252 Des Voeux Road Central, Hong Kong. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 February 2019.

BUSINESS REVIEW

The Group is a long-established main contractor in Hong Kong and principally engaged in the provision of (i) building construction services and (ii) repair, maintenance, alteration and addition ("**RMAA**") works services. The Group provides building construction services to customers in both the private and public sectors. The building construction services provided by the Group primarily consist of building works for new buildings, including residential, commercial and industrial buildings, while the Group's RMAA works services include the general upkeep, maintenance, improvement, refurbishment, alteration and addition of existing facilities and components of buildings and their surroundings.

During the six months ended 30 September 2019, the Group had 11 major projects on hand with an awarded contract sum of HK$10.0 million or above, which include 2 new projects awarded during the six months ended 30 September 2019.

During the six months ended 30 September 2019, the Group had no practical completion on major project with an awarded contract sum of HK$10.0 million or above.

PROSPECTS

The shares of the Company (the "**Share(s)**") were successfully listed on the Main Board of the Stock Exchange (the "**Listing**") on 27 February 2019 (the "**Listing Date**"). The Directors believe that the successful Listing greatly promoted the Group's corporate image in Hong Kong and provided a readily accessible capital platform for our Group to tender for more projects with larger contract sums in the future. Moreover, raising the net proceeds from the share offer (the "**Net Proceeds**") would provide the Group with the capital necessary for carrying out its long term development plan and support the growth of the Group.

Meanwhile, the Directors believe that the Group is facing the keen competition in the building construction and RMAA market in Hong Kong. The conservative approach to the certification and approval for works valuation by the customers and the continuous increase in the direct labour and material costs inevitably increase the overall operational risks of the Group.

Due to the recent uncertainty of the domestic economy, the Group believes that the building construction and RMAA industry in Hong Kong is expected to continue to be very challenging in the second half of 2019 or even in 2020.

Looking forward, although the domestic economic conditions are expected to be challenging, as supported by the policy implemented by the Government of Hong Kong in infrastructure development and increase in housing supply, the Directors still remain prudently optimistic about the prospects of the building construction and RMAA industry in Hong Kong.

The Group will continue to exercise due care in managing the existing core business and closely monitor the progress of the Group's projects.

SEGMENT INFORMATION

The Group's reportable and operating segments are (i) building construction services and (ii) RMAA works services.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK$60.8 million or approximately 10.7% from approximately HK$566.9 million during the six months ended 30 September 2018 to approximately HK$627.7 million during the six months ended 30 September 2019.

Building Construction Services

The revenue generated from the building construction services increased by approximately HK$43.0 million or approximately 9.1% from approximately HK$473.2 million during the six months ended 30 September 2018 to approximately HK$516.2 million during the six months ended 30 September 2019, which was mainly due to the commencement of one sizable project during the six months ended 30 September 2019.

RMAA Works Services

The revenue generated from the RMAA works services increased by approximately HK$17.8 million or approximately 19.0% from approximately HK$93.7 million during the six months ended 30 September 2018 to approximately HK$111.5 million during the six months ended 30 September 2019, which was mainly due to the increase in revenue generated from the achievement of significant progress for the active projects during the six months ended 30 September 2019.

Cost of Sales

The Group's cost of sales primarily consisted of subcontracting costs, material costs, direct staff costs and site overhead. The cost of sales of the Group increased by approximately HK$53.1 million or approximately 10.0% from approximately HK$530.3 million during the six months ended 30 September 2018 to approximately HK$583.4 million during the six months ended 30 September 2019. Such increase was attributable to the increase in subcontracting costs, direct staff costs and site overhead which was partially offset by the decrease in material costs during the six months ended 30 September 2019.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from approximately HK$36.6 million during the six months ended 30 September 2018 to approximately HK$44.3 million during the six months ended 30 September 2019. The Group's gross profit margin was approximately 6.5% and 7.1% during the six months ended 30 September 2018 and 2019, respectively. The gross profit margin of the Group increased by approximately 0.6% by comparing that during the six months ended 30 September 2018 against during the six months ended 30 September 2019.

Building Construction Services

The gross profit of building construction services was approximately HK$34.3 million during the six months ended 30 September 2019, representing an increase of approximately HK$8.6 million from approximately HK$25.7 million during the six months ended 30 September 2018. The gross profit margin increased from approximately 5.4% during the six months ended 30 September 2018 to approximately 6.6% during the six months ended 30 September 2019 which was primarily attributable to a significant portion of revenue contributed by the industrial building development project which had a relatively higher gross profit margin.

RMAA Works Services

The gross profit of RMAA works services was approximately HK$10.0 million during the six months ended 30 September 2019, representing a decrease of approximately HK$0.9 million from approximately HK$10.9 million during the six months ended 30 September 2018. The gross profit margin decreased from approximately 11.6% during the six months ended 30 September 2018 to approximately 9.0% during the six months ended 30 September 2019 which was mainly attributable to a significant portion of revenue contributed by one sizable project which had a relatively lower gross profit margin, as a result of the higher subcontracting cost for gases and electrical installations.

Other Income and Gains

The other income and gains of the Group increased by approximately HK$1.9 million, from approximately HK$1.6 million during the six months ended 30 September 2018 to approximately HK$3.5 million during the six months ended 30 September 2019. The increase was primarily due to the increase of (i) interest income from bank deposits and (ii) disbursement for employee's compensation from insurance companies.

Administrative Expenses

The administrative expenses increased by approximately HK$1.0 million, or representing approximately 4.7%, from approximately HK$21.4 million during the six months ended 30 September 2018 to approximately HK$22.4 million during the six months ended 30 September 2019. The increase was mainly due to the increase of (i) professional fees and other operating expenses subsequent to the Listing; (ii) staff cost; and (iii) depreciation cost which was partially offset by the one-off non-recurring listing expenses.

Finance Costs

The finance costs decreased by approximately HK$285,000, or representing approximately 66.4% from approximately HK$429,000 during the six months ended 30 September 2018 to approximately HK$144,000 during the six months ended 30 September 2019. The decrease was mainly due to the decrease in interest expense on bank borrowings.

Income Tax Expenses

The income tax expenses increased by approximately HK$1.0 million, or representing approximately 34.5%, from approximately HK$2.9 million during the six months ended 30 September 2018 to approximately HK$3.9 million during the six months ended 30 September 2019. The increase was primarily attributable to an increase in profit generated from building construction services which partially offset by the decrease in profit generated from RMAA works services and the non-deductible tax item of listing expenses.

Net Profit and Adjusted Net Profit

As a result of the foregoing, the profit of our Group increased by approximately HK$7.9 million, or approximately 58.5%, from approximately HK$13.5 million during the six months ended 30 September 2018 to approximately HK$21.4 million during the six months ended 30 September 2019. Setting aside the listing expenses amounted to approximately HK$5.7 million and nil during the six months ended 30 September 2018 and 2019, respectively, the Group's adjusted net profit was approximately HK$19.2 million and approximately HK$21.4 million during the six months ended 30 September 2018 and 2019, respectively, representing an increase of approximately HK$2.2 million or approximately 11.5% over the same period in 2018. The adjusted net profit margin (excluding the listing expenses) during the six months ended 30 September 2018 and 2019 were approximately 3.4% and 3.4%, respectively.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has principally funded the liquidity and capital requirements through capital contributions from the shareholders, bank borrowings and net cash generated from operating activities.

As at 30 September 2019, the Group had pledged bank deposits, time deposits and cash and bank balances of approximately HK$203.8 million (As at 31 March 2019: approximately HK$194.8 million). The gearing ratio of the Group as at 30 September 2019 (defined as the total of bank borrowings, finance lease payables and lease liabilities divided by total equity) was approximately 4.3% (As at 31 March 2019: approximately 4.6%). As at 30 September 2019, the current ratio of the Group was approximately 1.7 times (As at 31 March 2019: approximately 1.9 times).

As the financial resources presently available to the Group include bank borrowings and the Net Proceeds, our Directors believe that the Group have sufficient working capital for our future requirements.

The Company's shares were successfully listed on the Stock Exchange on 27 February 2019. There has been no change in the capital structure of the Group since then.

GEARING RATIO

As at 30 September 2019, the gearing ratio of the Group, which is calculated by dividing total of bank borrowings, finance lease payables and lease liabilities with the total equity of the Group, was approximately 4.3% (As at 31 March 2019: approximately 4.6%)

CAPITAL COMMITMENTS

As at 30 September 2019, the Group has capital commitments of approximately HK$648,000 (As at 31 March 2019: Nil) and nil (As at 31 March 2019: approximately HK$1.3 million), respectively, in respect of office leasehold improvements and purchase of computer hardware and software, which had been contracted but not provided for in the interim condensed consolidated financial information.

CONTINGENT LIABILITIES

The Group provided unlimited guarantees to certain banks in respect of performance bonds of the Group's subsidiaries with an aggregate amount of approximately HK$85.2 million (As at 31 March 2019: approximately HK$24.9 million) as at 30 September 2019. Certain of these performance bonds granted were secured by a time deposit amounting to approximately HK$16.4 million (As at 31 March 2019: approximately HK$5.0 million) as at 30 September 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, our Group has a total of 205 full-time employees and 2 part-time employees (As at 30 September 2018: 165 full-time employees and 1 part-time employee). The Group has developed its human resources policies and procedures to determine the individual remuneration with reference to factors such as performance, qualification, merits, responsibilities of each individual, market conditions, etc. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits including provident fund contributions, medical insurance coverage, annual leave, options which may be granted under the share option scheme adopted by the Company on 21 January 2019 (the "**Share Option Scheme**"). The total staff costs (excluding directors' remuneration) incurred by the Group during the six months ended 30 September 2019 was approximately HK$42.5 million (during the six months ended 30 September 2018: approximately HK$32.3 million).

USE OF PROCEEDS

The Shares were successfully listed on the Stock Exchange on 27 February 2019. The Net Proceeds, after deducting related underwriting commission and listing expenses, of approximately HK$93.5 million were and will be utilised in accordance with the section headed of "Future Plans and Use of Proceeds" in the Prospectus.

The Net Proceeds were utilised from the Listing Date to 30 September 2019 as follows:

	Planned use of proceeds in total *HK$ million*	Planned use of proceeds from the Listing Date to 30 September 2019 *HK$ million*	Actual use of proceeds from Listing Date to 30 September 2019 *HK$ million*	Remaining balance of Net Proceeds *HK$ million*
Strengthen the capacity in undertaking more building construction and RMAA works projects in Hong Kong	66.7	30.8	30.8	35.9
Strengthen the manpower	14.4	2.7	1.3	13.1
Upgrade and renovation of office	3.6	1.3	1.3	2.3
Develop engineering and technological innovation	2.9	2.7	2.2	0.7
General working capital	5.9	3.9	3.9	2.0
	93.5	41.4	39.5	54.0

From the Listing Date to 30 September 2019, the Group has not yet utilised the proceeds for strengthening manpower and developing engineering and technological innovation as planned. The delay in utilisation of the proceeds in the abovementioned areas were due to the difficulty in employment of suitable candidates for the position and the delay in development of the Group's technological innovation. The Group will continue to apply the Net Proceeds in accordance to the disclosure in the section headed "Future Plans and Use of Proceeds" in the Prospectus as soon as practicable.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group, including a bank borrowings, finance lease payables and lease liabilities, amounted to approximately HK$10.8 million as at 30 September 2019 (As at 31 March 2019: approximately HK$11.1 million). As at 30 September 2019, the banking facilities of the Group were secured by (i) the Group's pledged bank deposits; and (ii) corporate guarantee executed by the Group.

Borrowings were denominated in Hong Kong dollar and interests on borrowings were mainly charged at floating rate. The Group currently does not have any interest rate hedging policy while the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

FOREIGN EXCHANGE EXPOSURE

The Group has a minimal exposure to foreign currency risk as most of its business transactions and assets and liabilities are principally denominated in Hong Kong dollar. As such, the Directors believe that the Group's risk in foreign exchange is insignificant so the Group is not necessary to arrange any foreign currency hedging policy currently.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISTIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 September 2019.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend to the Shareholders for the six months ended 30 September 2019.

SHARE OPTIONS SCHEME

The Company has adopted the Share Option Scheme on 21 January 2019. No share option has been granted, exercised, expired, cancelled or lapsed under the Share Option Scheme since its adoption date and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

There have been no other significant events occurred after 30 September 2019 and up to the date to this announcement. There is no material change of position or business of the Group since the publication of previous annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

OTHER MATTER

The comparative information included in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 September 2018 and the relevant explanatory notes disclosed in the interim condensed consolidated financial information have not been reviewed in accordance with HKSRE 2410.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standard of corporate governance as the Board recognises the importance of sound corporate governance to the long term and continuing success of the Group. The corporate governance principles of the Group emphasise transparency, accountability and independence. The Board commits to continuously review and enhance the Group's corporate governance practices and procedures for the best interest of the Company's shareholders.

During the six months ended 30 September 2019 and up to the date of this announcement, save disclosed below in relation to Code Provision A.2.1 that the roles of Chairman and chief executive officer should be separate and should not be perform by the same individual, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules except the deviation stipulated below.

Code Provision A.2.1 stipulates that the roles of chairman (the "**Chairman**") and chief executive officer (the "**CEO**") should be separated and should not be performed by the same individual. Since the Listing Date up to the date of this announcement, Mr. Tsang Ka Yip ("**Mr. KY Tsang**") is the Chairman of the Board and the CEO of the Company. As the nature and extent of our Group's operations and Mr. KY Tsang's in-depth knowledge and experience in the industry in which we operate and his familiarity with the operations of our Group, the Board believes that it is the most beneficial to the Group and the shareholders as a whole to have Mr. KY Tsang acting as the Chairman of the Board and CEO of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. The Company has made specific enquiries to each of the Director and all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 September 2019.

AUDIT COMMITTEE REVIEW

The Audit Committee was established on 21 January 2019 with specific written terms of reference which clearly deals with its authority and duties.

The Audit Committee is mainly responsible for (a) maintaining the relationship with the Company's auditor; (b) reviewing the Company's financial information; (c) overseeing the Company's financial reporting system, risk management and internal control systems; and (d) overseeing the Company's continuing connected transactions. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange's website at "www.hkexnews.hk" and the Company's website at "www.wecon.com.hk".

The Audit Committee comprises three INEDs, namely Mr. Sze Kwok Wing Nigel (Chairman), Dr. Lau Chi Keung and Mr. Chan Tim Yiu Raymond. The composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules.

The interim condensed consolidated financial information of the Group during the six months ended 30 September 2019 has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at "www.hkexnews.hk" and on the website of the Company at "www.wecon.com.hk". The interim report of the Company for the six months ended 30 September 2019 will be despatched to the shareholders and published on the above websites according to the Listing Rules.

By order of the Board
Wecon Holdings Limited
Tsang Ka Yip
Chairman and Executive Director

Hong Kong, 28 November 2019

As at the date of this announcement, the executive Directors are Mr. Tsang Ka Yip (Chairman), Mr. Tsang Tsz Him Philip, Mr. Tsang Tsz Kit Jerry; and the independent non-executive Directors are Mr. Chan Tim Yiu Raymond, Dr. Lau Chi Keung and Mr. Sze Kwok Wing Nigel.