Wecon Holdings Limited
偉工控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1793)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 22.8% from approximately HK$980.6 million for the year ended 31 March 2019 to approximately HK$1,204.0 million for the year ended 31 March 2020.

- Gross profit increased by approximately 15.6% from approximately HK$90.5 million for the year ended 31 March 2019 to approximately HK$104.6 million for the year ended 31 March 2020.

- Gross profit margin decreased from approximately 9.2% for the year ended 31 March 2019 to approximately 8.7% for the year ended 31 March 2020.

- Profit attributable to the equity holders of the Company increased by approximately HK$13.3 million or 35.8% from approximately HK$37.2 million for the year ended 31 March 2019 to approximately HK$50.5 million for the year ended 31 March 2020. After excluding the listing expenses, the adjusted net profit was approximately HK$50.3 million for the year ended 31 March 2019, while no listing expenses were incurred for the year ended 31 March 2020.

- Basic earnings per share was approximately HK6.3 cents for the year ended 31 March 2020 and approximately HK6.0 cents for the year ended 31 March 2019.

- The board has proposed a final dividend of HK1.9 cents per share (2019: HK1.4 cents per share) in respect of the year ended 31 March 2020, subject to approval of the Company's shareholders at the 2020 AGM.

The board (the "**Board**") of directors (the "**Directors**") of Wecon Holdings Limited (the "**Company**") is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020, together with the comparative figures for the corresponding year ended 31 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

	Notes	**2020** *HK$'000*	2019 *HK$'000*
REVENUE	*4*	**1,204,001**	980,589
Cost of sales		**(1,099,388)**	(890,081)
Gross profit		**104,613**	90,508
Other income and gains	*4*	**6,676**	4,091
Administrative expenses and other operating expenses		**(50,579)**	(47,365)
Finance costs	*5*	**(359)**	(600)
PROFIT BEFORE TAX	*6*	**60,351**	46,634
Income tax	*7*	**(9,855)**	(9,406)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**50,496**	37,228
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*		
– Basic and diluted		**HK6.3 cents**	HK6.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,726**	6,831
Right-of-use assets		**7,809**	–
Prepayments, deposits and other receivables		**6,331**	3,492
Total non-current assets		**22,866**	10,323
CURRENT ASSETS			
Contract assets and trade receivables	*10*	**334,727**	246,019
Prepayments, deposits and other receivables		**44,795**	49,912
Pledged deposits		**31,873**	20,513
Time deposits		**105,726**	144,888
Cash and bank balances		**35,047**	29,423
Total current assets		**552,168**	490,755
CURRENT LIABILITIES			
Trade and retention payables	*11*	**183,206**	118,895
Other payables and accruals		**105,574**	124,023
Interest-bearing bank borrowing		**–**	10,000
Finance lease payables		**–**	461
Lease liabilities		**4,994**	–
Tax payable		**369**	7,793
Total current liabilities		**294,143**	261,172
NET CURRENT ASSETS		**258,025**	229,583
TOTAL ASSETS LESS CURRENT LIABILITIES		**280,891**	239,906
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**814**	632
Finance lease payables		**–**	598
Lease liabilities		**2,108**	–
Total non-current liabilities		**2,922**	1,230
Net assets		**277,969**	238,676
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*12*	**8,000**	8,000
Reserves		**269,969**	230,676
Total equity		**277,969**	238,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

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.

The Company is an investment holding company. During the year, the Group's subsidiaries were principally engaged in the provision of building construction and repair, maintenance, alteration and addition ("**RMAA**") services.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Triple Arch Limited, which is incorporated in the British Virgin Islands (the "**BVI**").

Pursuant to the group reorganisation (the "**Reorganisation**") as set out in the Company's prospectus dated 30 January 2019 for the public listing of the Company's shares on the Stock Exchange (the "**Listing**"), the Company became the holding company of the companies now comprising the Group on 21 December 2018.

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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 to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new HKFRSs are described below:

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) Adoption of HKFRS 16

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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been 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 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

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.

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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) Adoption of HKFRS 16 *(continued)*

As a lessee – Leases previously classified as operating leases (continued)

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 and included in lease liabilities.

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 leased 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:

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

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) Adoption of HKFRS 16 *(continued)*

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 April 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 April 2019

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

	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)

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) Adoption of HKFRS 16 *(continued)*

Financial impact at 1 April 2019 (continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	2,497
Weighted average incremental borrowing rate as at 1 April 2019	3.55%
Discounted operating lease commitments as at 1 April 2019	2,334
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(1,961)
Add: Commitments relating to leases previously classified as finance leases	1,059
Payments for optional extension periods not recognised as at 31 March 2019	525
Lease liabilities as at 1 April 2019	1,957

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered that the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) Construction contracts; and

(b) RMAA

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax.

The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, rental income, government grant, sundry income, loss on disposal of items of property, plant and equipment, depreciation, including unallocated portion, exchange loss, impairment of contract assets, impairment of trade receivables, finance costs and unallocated head office and corporate expenses, are excluded from such measurement.

Segment assets exclude property, plant and equipment, right-of-use assets, pledged deposits, time deposits and cash and bank balances and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude an interest-bearing bank borrowing, lease liabilities (2019: finance lease payables), tax payable and deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*

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 years ended 31 March 2020 and 2019 is set out below.

Year ended 31 March 2020

	Construction contracts 2020 *HK$'000*	RMAA 2020 *HK$'000*	Total 2020 *HK$'000*
Segment revenue			
Revenue from external customers	**968,006**	**235,995**	**1,204,001**
Segment results	**75,979**	**28,634**	**104,613**
Interest income			**4,818**
Government grant			**297**
Sundry income			**1,561**
Loss on disposal of items of property, plant and equipment			**(4)**
Depreciation, including unallocated portion			**(5,505)**
Impairment of contract assets			**(232)**
Impairment of trade receivables			**(24)**
Exchange loss			**(2)**
Finance costs			**(359)**
Unallocated head office and corporate expenses			**(44,812)**
Profit before tax			**60,351**
Income tax expense			**(9,855)**
Profit for the year			**50,496**
Segment assets and liabilities			
Segment assets	**304,473**	**78,855**	**383,328**
Unallocated			**191,706**
			575,034
Segment liabilities	**236,953**	**46,826**	**283,779**
Unallocated			**13,286**
			297,065

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment results, assets and liabilities *(continued)*

Year ended 31 March 2019

	Construction contracts 2019 *HK$'000*	RMAA 2019 *HK$'000*	Total 2019 *HK$'000*
Segment revenue			
Revenue from external customers	787,552	193,037	980,589
Segment results	67,888	22,620	90,508
Interest income			2,584
Rental income			6
Sundry income			1,501
Loss on disposal of items of property, plant and equipment			(63)
Depreciation, including unallocated portion			(1,181)
Exchange loss			(1,533)
Finance costs			(600)
Unallocated head office and corporate expenses			(44,588)
Profit before tax			46,634
Income tax expense			(9,406)
Profit for the year			37,228
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

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

Since over 90% of the Group's revenue was generated from the sales in Hong Kong and over 90% of the Group's identifiable non-current assets were located in Hong Kong, no geographical information in accordance with HKFRS 8 *Operating Segments* is presented.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the years, is set out below:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**411,154**	N/A*
Customer B	**186,685**	306,033
Customer C	**178,658**	N/A*
Customer D	**161,283**	156,711
Customer E	**N/A***	177,759

* The corresponding revenues from these customers are not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the years ended 31 March 2020 and 2019.

4. REVENUE AND OTHER INCOME AND GAINS

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Construction contracts	**968,006**	787,552
RMAA	**235,995**	193,037
	1,204,001	980,589

4. REVENUE AND OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

For the year ended 31 March 2020

Segments	**Construction contracts** *HK$'000*	**RMAA** *HK$'000*	**Total** *HK$'000*
Type of services			
Construction services	**968,006**	**–**	**968,006**
RMAA	**–**	**235,995**	**235,995**
Total revenue from contracts with customers	**968,006**	**235,995**	**1,204,001**
Timing of revenue recognition			
Over time	**968,006**	**41,174**	**1,009,180**
Point in time	**–**	**194,821**	**194,821**
Total revenue from contracts with customers	**968,006**	**235,995**	**1,204,001**

For the year ended 31 March 2019

Segments	Construction contracts *HK$'000*	RMAA *HK$'000*	Total *HK$'000*
Type of services			
Construction services	787,552	–	787,552
RMAA	–	193,037	193,037
Total revenue from contracts with customers	787,552	193,037	980,589
Timing of revenue recognition			
Over time	787,552	22,746	810,298
Point in time	–	170,291	170,291
Total revenue from contracts with customers	787,552	193,037	980,589

4. REVENUE AND OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers ***(continued)***

(ii) Performance obligations

For the construction contracts and RMAA services using the output method, the construction and refurbishment of buildings is a single performance obligation that the Group satisfies over time. The construction period varies from 1.5 years to 3 years. As at 31 March 2020, the aggregate amount of the transaction price allocated to the remaining obligation was HK$1,655,118,000 (2019: HK$2,212,730,000), and the Group will recognise this revenue in future when the buildings are completed, which are expected to occur over the next 12 to 36 months.

For the RMAA services under term contracts, the performance obligation is satisfied upon the transfer of control of the asset. The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less.

	2020	2019
	HK$'000	*HK$'000*
Other income and gains		
Interest income arising from loans to subcontractors and bank deposits	**4,818**	2,584
Rental income	**–**	6
Government grant*	**297**	–
Sundry income	**1,561**	1,501
	6,676	4,091

* There are no unfulfilled conditions or contingencies relating to this income.

5. FINANCE COSTS

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

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings	**161**	568
Interest on lease liabilities	**198**	–
Interest on finance leases	**–**	32
	359	600

6. PROFIT BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**2,663**	1,181
Depreciation of right-of-use assets	**3,230**	–
Auditor's remuneration	**1,200**	1,300
Employee benefit expense (excluding directors' remuneration):*		
Wages and salaries	**86,434**	73,264
Pension scheme contributions (defined contribution scheme)	**3,402**	2,828
	89,836	76,092
Minimum lease payments under operating leases	**–**	3,492
Lease payments not included in the measurement of lease liabilities	**2,664**	–
Other charges in respect of rental premises	**237**	133
Loss on disposal of items of property, plant and equipment	**4**	63
Foreign exchange differences, net	**2**	1,533
Impairment of contract assets	**232**	–
Impairment of trade receivables	**24**	–
Provision for legal fees and claims	**1,367**	–
Listing expenses	**–**	13,134

* The employee benefit expense included in cost of sales was HK$69,173,000 (2019: HK$59,675,000).

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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2019: HK$2,000,000) of estimated assessable profits of this subsidiary is taxed at 8.25% and the remaining estimated assessable profits are taxed at 16.5%.

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**9,826**	9,604
Overprovision in prior years	**(153)**	(354)
Deferred	**182**	156
Total tax charge for the year	**9,855**	9,406

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 year attributable to equity holders of the Company of HK$50,496,000 (2019: HK$37,228,000), and the weighted average number of ordinary shares of 800,000,000 (2019: 618,082,192) in issue during the year. For the year ended 31 March 2019, the calculation of basic earnings per share amount is based on the assumption that the capitalisation issue and the Reorganisation in connection with the listing of the Company had been completed on 1 April 2017.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 March 2019 included 100 ordinary shares of the Company issued on the date of incorporation, 5 ordinary shares of the Company issued upon the completion of the Reorganisation and 599,999,895 ordinary shares issued pursuant to the capitalisation issue, on the assumptions that all these shares had been in issue throughout the year ended 31 March 2019, and the weighted average number of 200,000,000 ordinary shares issued in connection with the Listing.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019.

9. 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 paid during the year ended 31 March 2020.

Final dividend of HK1.9 cents per share, in an aggregate amount of HK$15,200,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

During the year ended 31 March 2019 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 year ended 31 March 2019. Investors who became the shareholders of the Company after the Listing were not entitled to such interim dividends.

10. CONTRACT ASSETS AND TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Other contract assets	**23,885**	10,900
Retention receivables	**69,834**	63,583
	93,719	74,483
Impairment of contract assets	**(232)**	–
Net contract assets	**93,487**	74,483
Trade receivables	**241,264**	171,536
Impairment	**(24)**	–
Net trade receivables	**241,240**	171,536
	334,727	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 works 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.

There is a certain concentration of credit risk. The balances of the five largest trade receivables at 31 March 2020 and 2019 represented 85.1% and 82.5% of the total trade receivables, respectively, while 59.0% and 44.3% of the total trade receivables were due from the largest trade receivable, respectively. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables based on the invoice date and net of provision, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Trade receivables:		
Within 90 days	**238,214**	169,278
91 to 180 days	**1,172**	1,493
181 to 365 days	**1,606**	172
Over 365 days	**248**	593
	241,240	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:

	2020	2019
	HK$'000	*HK$'000*
Trade payables:		
Within 3 months	**120,664**	64,424
4 to 6 months	**–**	1
Over 6 months	**–**	18
	120,664	64,443
Retention payables	**62,542**	54,452
	183,206	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

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 (2019: 5,000,000,000) ordinary shares of HK$0.01 each	**50,000**	50,000
Issued and fully paid:		
800,000,000 (2019: 800,000,000) ordinary shares of HK$0.01 each	**8,000**	8,000

12. SHARE CAPITAL *(continued)*

The movements in the Company's share capital during the period from 1 April 2018 to 31 March 2020 were as follows:

	Notes	**Number of ordinary shares of HK$0.01 each**	**Nominal value of ordinary shares** *HK$'000*
Authorised:			
At 1 April 2018	*(a)*	38,000,000	380
Increase in authorised share capital on 21 January 2019	*(b)(i)*	4,962,000,000	49,620
At 31 March 2019 and 31 March 2020		5,000,000,000	50,000
Issued and fully paid:			
At 1 April 2018	*(a)*	100	–
Issue of new shares pursuant to the Reorganisation	*(b)(ii)*	5	–
Capitalisation issue of shares	*(c)*	599,999,895	6,000
Issue of new shares pursuant to the Share Offer	*(d)*	200,000,000	2,000
At 31 March 2019 and 31 March 2020		800,000,000	8,000

12. SHARE CAPITAL *(continued)*

Notes:

(a) The Company was incorporated on 23 March 2018 with initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of a par value of HK$0.01 each. On the date of incorporation, one subscriber share was allotted and issued to the nominee subscriber and 99 ordinary shares of HK$0.01 each were allotted and issued by the Company on the same date.

(b) (i) On 21 January 2019, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$50,000,000 divided into 5,000,000,000 shares by the creation of additional 4,962,000,000 shares.

(ii) On 21 December 2018, the Company allotted and issued 5 ordinary shares of HK$0.01 each to settle the consideration for the acquisition of the entire issued share capital of subsidiaries now comprising the Group.

(c) Pursuant to the authority given by the resolutions of the then sole shareholder of the Company on 21 January 2019, an aggregate amount of HK$6,000,000 standing to the credit of the share premium of the Company was approved to be capitalised and applied in paying in full at par of 599,999,895 ordinary shares of HK$0.01 each for allotment and issue on 27 February 2019.

(d) On 26 February 2019, 200,000,000 ordinary shares of HK$0.01 each were issued under the share offer in connection with the Listing at an offer price of HK$0.625 per share. Among the proceeds from the issue of new shares, before the listing expenses of HK$13,833,000, amounted to HK$125,000,000, HK$2,000,000 and HK$123,000,000 were credited to issued share capital and share premium of the Company, respectively. Dealings on the Stock Exchange commenced 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) 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 our RMAA works services include the general upkeep, maintenance, improvement, refurbishment, alteration and addition of existing facilities and components of buildings and their surroundings.

As at 31 March 2020, the Group had 11 major projects on hand and each with an awarded contract sum of HK$10.0 million above, which includes projects in progress and projects that are yet to commence. In addition, there was 1 new major project with an awarded contract sum of HK$10.0 million above subsequent to 31 March 2020.

During the year ended 31 March 2020, the Group had completed 2 major projects and each with an awarded contract sum of HK$10.0 million above.

PROSPECTS

The shares of the Company (the "**Share(s)**") were successfully listed on the Main Board of the Stock Exchange on 27 February 2019. The Directors believe that the Listing would enhance the Group's profile and bring a positive effect on the Group's business opportunities in the market. Moreover, 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.

The Group was successfully awarded 2 building construction contracts with an aggregate contract sums of approximately HK$786.0 million in March and April 2020. Nevertheless, the Directors still believe that the Group is facing 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 direct costs will inevitably increase the overall operational risks of the Group. The management is handling these risks with care.

The outbreak of COVID-19 at the beginning of the year has made the operating environment difficult and has created the challenging to various industries in Hong Kong. The Group would closely monitor the pandemic as well as assess the overall impact on our business in both building construction and RMAA. Amid the outbreak of COVID-19, the Group continuously progressed our construction work with only minor disruption.

Looking forward, 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.

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$223.4 million or approximately 22.8% from approximately HK$980.6 million for the year ended 31 March 2019 to approximately HK$1,204.0 million for the year ended 31 March 2020.

(i) Building Construction Services

The revenue generated from the building construction services increased by approximately HK$180.4 million or approximately 22.9% from approximately HK$787.6 million for the year ended 31 March 2019 to approximately HK$968.0 million for the year ended 31 March 2020, which was mainly due to the achievement of significant progress and practical completion for the major projects on hand during the year ended 31 March 2020.

(ii) RMAA Works Services

The revenue generated from the RMAA works services increased by approximately HK$43.0 million or approximately 22.3% from approximately HK$193.0 million for the year ended 31 March 2019 to approximately HK$236.0 million for the year ended 31 March 2020, which was mainly due to the increase in revenue generated from a sizable project during the year ended 31 March 2020.

Cost of Sales

The cost of sales of the Group increased by approximately HK$209.3 million or approximately 23.5% from approximately HK$890.1 million for the year ended 31 March 2019 to approximately HK$1,099.4 million for the year ended 31 March 2020. Such increase was mainly driven by the corresponding increase in revenue. The Group's cost of sales primarily consisted of subcontracting costs, material costs, direct staff costs and site overhead. During the year, the increase in subcontracting costs and direct staff costs which was partially offset by the decrease in material costs and site overhead.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from approximately HK$90.5 million for the year ended 31 March 2019 to approximately HK$104.6 million for the year ended 31 March 2020. The Group's gross profit margin was approximately 9.2% and 8.7% for the years ended 31 March 2019 and 2020, respectively. The gross profit margin of the Group decreased by approximately 0.5% by comparing that for the year ended 31 March 2019 against the year ended 31 March 2020.

FINANCIAL REVIEW ***(continued)***

(i) Building Construction Services

The gross profit of building construction services was approximately HK$76.0 million for the year ended 31 March 2020, representing an increase of approximately HK$8.1 million from approximately HK$67.9 million for the year ended 31 March 2019. The gross profit margin decreased from approximately 8.6% for the year ended 31 March 2019 to approximately 7.8% for the year ended 31 March 2020. Such decrease was primarily attributable to the completion of one sizable project which has a relatively higher gross profit margin and another sizable project which has a relatively lower gross profit margin achieving significant progress during the year ended 31 March 2020.

(ii) RMAA Works Services

The gross profit of RMAA works services was approximately HK$28.6 million for the year ended 31 March 2020, representing an increase of approximately HK$6.0 million from approximately HK$22.6 million for the year ended 31 March 2019. The gross profit margin slightly increased from approximately 11.7% for the year ended 31 March 2019 to approximately 12.1% for the year ended 31 March 2020 which was mainly attributable to the decrease of site overhead cost of one sizable project during the year.

Other Income and Gains

The other income and gains of the Group increased by approximately HK$2.6 million, from approximately HK$4.1 million for year ended 31 March 2019 to approximately HK$6.7 million for year ended 31 March 2020. The increase was primarily due to the increase of bank interest income attributable to the Listing proceeds.

Administrative Expenses and Other Operating Expenses

The administrative expenses and other operating expenses increased by approximately HK$3.2 million, or representing approximately 6.8%, from approximately HK$47.4 million for the year ended 31 March 2019 to approximately HK$50.6 million for year ended 31 March 2020. Such increase was mainly due to the increase in (i) professional fees and other operating expenses subsequent to the Listing; (ii) staff costs; (iii) depreciation cost; (iv) workmen compensation expenses and (v) the impairment on contract assets and trade receivables, which is partially offset by the fact that no listing expenses were incurred for the year ended 31 March 2020.

Finance Costs

The finance costs decreased by approximately HK$0.2 million, from approximately HK$0.6 million for the year ended 31 March 2019 to approximately HK$0.4 million for the year ended 31 March 2020. Such decrease was mainly due to the decrease in the interest expense on bank borrowings.

FINANCIAL REVIEW *(continued)*

Income Tax Expenses

The income tax expenses increased by approximately HK$0.5 million or approximately 5.3%, from approximately HK$9.4 million for the year ended 31 March 2019 to approximately HK$9.9 million for the year ended 31 March 2020. The increase was primarily attributable to an increase in profit generated from building construction services and RMAA works services which was offset by the one-off non-deductible tax item of listing expenses incurred for the year ended 31 March 2019. The effective tax rate was approximately 20.2% and 16.3% for the years ended 31 March 2019 and 2020, respectively. The decrease of the effective tax rate of approximately 3.9% was mainly due to the one-off non-deductible tax item of listing expenses incurred for the year ended 31 March 2019.

Net Profit and Adjusted Net Profit

As a result of the foregoing, the net profit for the year of our Group increased by approximately HK$13.3 million, or approximately 35.8%, from approximately HK$37.2 million for the year ended 31 March 2019 to approximately HK$50.5 million for the year ended 31 March 2020. After excluding the listing expenses amounted to approximately HK$13.1 million and nil for the years ended 31 March 2019 and 2020, respectively, the Group adjusted net profit was approximately HK$50.3 million and approximately HK$50.5 million for the years ended 31 March 2019 and 2020, respectively, representing slightly increase of approximately HK$0.2 million or approximately 0.4%. The adjusted net profit margin (excluding the listing expenses) for the years ended 31 March 2019 and 2020 were approximately 5.1% and 4.2%, respectively, representing a decrease of approximately 0.9%. Such decrease was primarily attributable to the decline of gross profit margin during the year ended 31 March 2020.

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 31 March 2020, the Group had pledged bank deposits, time deposits and cash and bank balances of approximately HK$172.6 million (2019: approximately HK$194.8 million). The gearing ratio of the Group as at 31 March 2020 (defined as the total of bank borrowings and lease liabilities (2019: finance lease payables) divided by total equity) was approximately 2.6% (2019: 4.6%). As at 31 March 2020, the current ratio of the Group was approximately 1.9 times (2019: approximately 1.9 times).

The Group generally finances its operation by internally generated resources and banking facilities provided by certain banks in Hong Kong. Our Directors believe that the Group have sufficient working capital for our current commitments and 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 31 March 2020, the gearing ratio of the Group, which is calculated by dividing total of bank borrowings and lease liabilities (2019: finance lease payables) with the total equity of the Group, was approximately 2.6% (2019: 4.6%)

CAPITAL COMMITMENTS

As at 31 March 2020, the Group has no capital commitments (2019: approximately HK$1.3 million contracted to purchase of computer hardware and software).

CONTINGENT LIABILITIES

The Group provided unlimited guarantees to certain banks and an insurance company in respect of performance bonds of the Group's subsidiaries with an aggregate amount of approximately HK$82.6 million (2019: approximately HK$24.9 million) as at 31 March 2020. Certain of these performance bonds granted were secured by a time deposit amounting to approximately HK$16.4 million (2019: approximately HK$5.0 million) as at 31 March 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, our Group has a total of 194 full-time employees and 2 part-time employees (2019: 181 full-time employees and no 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, 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 (the "**Share Option Scheme**") adopted by the Company on 21 January 2019. The total staff costs (excluding directors' remuneration) incurred by the Group during the year ended 31 March 2020 was approximately HK$89.8 million (2019: approximately HK$76.1 million).

USE OF PROCEEDS

The Shares were successfully listed on the Stock Exchange on 27 February 2019 (the "**Listing Date**"). 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 of the Company dated 30 January 2019 (the "**Prospectus**").

The Net Proceeds from the Listing Date to 31 March 2020 were utilised as follows:

	Planned use of proceeds in total	Planned use of proceeds from the Listing Date to 31 March 2020	Actual use of proceeds from the Listing Date to 31 March 2020	Remaining balance of use of proceeds as at 31 March 2020
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Strengthen the capacity in undertaking more building construction and RMAA works projects in Hong Kong	66.7	56.3	47.9	18.8
Strengthen the manpower	14.4	5.0	2.9	11.5
Upgrade and renovation of office	3.6	1.7	1.7	1.9
Develop engineering and technological innovation	2.9	2.9	2.5	0.4
General working capital	5.9	5.9	5.9	–
	93.5	71.8	60.9	32.6

From the Listing Date to 31 March 2020, the Group has not yet utilised the proceeds allocated during the year ended 31 March 2020 for (i) strengthening the capacity in undertaking more works projects, (ii) strengthening manpower and (iii) developing engineering and technological innovation as planned. The delay in utilisation of the proceeds in the abovementioned areas were due to (i) the commencement of a new project in April 2020, which is later than the planned schedule (ii) the difficulty in recruiting suitable candidates for the positions which were created as planned and (iii) the delay in development of the Group's technological innovation. The Group plans to utilise the unutilised portion allocated for the year ended 31 March 2020 during the coming year ending 31 March 2021.

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 borrowing and lease liabilities (2019: finance lease payables) amounted to approximately HK$7.1 million as at 31 March 2020 (2019: approximately HK$11.1 million). As at 31 March 2020, 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

During the year ended 31 March 2020, there were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies by the Group.

PROPOSED FINAL DIVIDEND

At the Board meeting held on 24 June 2020, the Board proposed a final dividend of HK1.9 cents per Share in respect of the year ended 31 March 2020. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting scheduled to be held on Friday, 21 August 2020 (the "**2020 AGM**").

SHARE OPTION 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.

ANNUAL GENERAL MEETING

The 2020 AGM of the Company for the year ended 31 March 2020 is scheduled to be held on Friday, 21 August 2020. A notice convening the 2020 AGM will be issued and despatched to the shareholders according to the applicable law, the articles of association of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the shareholders of the Company who will be entitled to attend and vote at the 2020 AGM, the Register of Members of the Company will be closed from Tuesday, 18 August 2020 to Friday, 21 August 2020, both dates inclusive, the period during which no transfer of shares will be effected. In order to be eligible to attend and vote at the 2020 AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at its office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 August 2020.

Subject to the shareholders' approval at the 2020 AGM, to ascertain the shareholders' entitlement to the final dividend, the Register of Members of the Company will be closed from Thursday, 27 August 2020 to Friday, 28 August 2020, the period during which no transfer of shares will be effected. Subject to the approval of the shareholders at the 2020 AGM approving the payment of the final dividend, the final dividend is expected to be paid on Friday, 18 September 2020. In order to qualify for receiving the final dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Wednesday, 26 August 2020.

EVENTS AFTER THE REPORTING PERIOD

There have been no other significant events occurring after 31 March 2020 and up to the date to this announcement which requires disclosure.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its Shares.

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 year ended 31 March 2020, 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 standards set out in the Model Code during the year ended 31 March 2020 in response to the specific enquiry by the Company.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (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 is made up of three independent non-executive Directors including 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 consolidated financial statements of the Group for the year ended 31 March 2020 have been reviewed by the Audit Committee.

SCOPE OF WORK OF THE COMPANY'S AUDITOR ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor 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 the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report of the Company for the year ended 31 March 2020 will be despatched to the shareholders and published on the above websites according to the Listing Rules.

APPRECIATION

The Board would like to thank our management team and all our staff members for their effort and significant contribution to the Group during the past year. In addition, the Board would like to express our heartfelt gratitude to our shareholders, institutional investors, customers, bankers, suppliers, subcontractors and business partners for their continuous support to and confidence in the Group.

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

Hong Kong, 24 June 2020

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.