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## **WING CHI HOLDINGS LIMITED**

### **榮智控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6080)**

## **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

The board of directors (the “**Board**”) of Wing Chi Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020 as follows:

### **FINANCIAL HIGHLIGHTS**

1. Revenue was approximately HK\$182.0 million for the six months ended 30 September 2020, representing an increase of approximately 7.6% as compared to that for the same period in 2019.
2. Gross loss was approximately HK\$17.6 million for the six months ended 30 September 2020, turning profit into loss compared to a gross profit of approximately HK\$3.0 million for the same period in 2019.
3. Gross loss margin for the six months ended 30 September 2020 was approximately 9.7%, compared to the gross profit margin of approximately 1.8% for the same period in 2019.
4. Loss attributable to owners of the Company was approximately HK\$27.5 million for the six months ended 30 September 2020 as compared to the loss attributable to owners of the Company of approximately HK\$7.5 million for the same period in 2019. The increase in net loss attributable to owners of the Company was principally attributable to the gross loss during the six months ended 30 September 2020.
5. Loss per share amounted to approximately HK\$2.9 cents for the six months ended 30 September 2020 as compared to the loss per share amounted to approximately HK\$0.8 cents for the same period in 2019.
6. The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020.

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

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2020</b>	2019
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>182,001</b>	169,168
Cost of sales		<u><b>(199,627)</b></u>	<u>(166,125)</u>
Gross (loss) profit		<b>(17,626)</b>	3,043
Other income	5	<b>2,115</b>	497
Administrative expenses		<b>(11,828)</b>	(10,567)
Finance costs	6	<u><b>(188)</b></u>	<u>(109)</u>
Loss before taxation		<b>(27,527)</b>	(7,136)
Income tax credit (expense)	7	<u><b>19</b></u>	<u>(407)</u>
Loss and total comprehensive expense for the period	8	<u><u><b>(27,508)</b></u></u>	<u><u>(7,543)</u></u>
Loss per share:			
Basic and diluted	10	<u><u><b>(2.9) cents</b></u></u>	<u><u>(0.8) cents</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 SEPTEMBER 2020*

	<i>Notes</i>	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Plant and equipment	11	29,945	32,635
Deposits paid for acquisition of plant and equipment		284	–
Investment property		7,100	7,300
Right-of-use assets	12	8,380	4,370
		<u>45,709</u>	<u>44,305</u>
Current assets			
Contract assets		101,738	97,386
Trade and other receivables	13	22,291	8,810
Tax recoverable		662	513
Restricted bank deposits		–	6,889
Bank balances		32,513	41,741
		<u>157,204</u>	<u>155,339</u>
Current liabilities			
Trade and other payables	14	60,674	33,202
Lease liabilities	12	2,652	1,626
Bank borrowing		1,810	1,883
		<u>65,136</u>	<u>36,711</u>
Net current assets		<u>92,068</u>	118,628
Total assets less current liabilities		<u>137,777</u>	162,933
Non-current liabilities			
Deferred tax liabilities		2,892	2,957
Lease liabilities	12	3,103	686
		<u>5,995</u>	3,643
Net assets		<u>131,782</u>	<u>159,290</u>
Capital and reserves			
Share capital	15	9,338	9,338
Reserves		122,444	149,952
		<u>131,782</u>	<u>159,290</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Merger reserve</b> <i>HK\$'000</i> <i>(Note)</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2020 (Audited)	<b>9,338</b>	<b>115,593</b>	<b>10</b>	<b>34,349</b>	<b>159,290</b>
Loss and total comprehensive expense for the period (Unaudited)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(27,508)</u>	<u>(27,508)</u>
At 30 September 2020 (Unaudited)	<u><b>9,338</b></u>	<u><b>115,593</b></u>	<u><b>10</b></u>	<u><b>6,841</b></u>	<u><b>131,782</b></u>
At 1 April 2019 (Audited)	9,338	115,593	10	48,071	173,012
Loss and total comprehensive expense for the period (Unaudited)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,543)</u>	<u>(7,543)</u>
At 30 September 2019 (Unaudited)	<u>9,338</u>	<u>115,593</u>	<u>10</u>	<u>40,528</u>	<u>165,469</u>

*Note:*

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Cash (used in) from operation	<b>(3,347)</b>	5,826
Income taxes paid	<b>(195)</b>	–
	<hr/>	<hr/>
Net cash (used in) from operating activities	<b>(3,542)</b>	5,826
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	<b>(6,559)</b>	(13,486)
Deposits paid for acquisition of plant and equipment	<b>(284)</b>	–
Proceeds from disposal of plant and equipment	<b>3,194</b>	130
Government grants received	<b>140</b>	–
Interest received	<b>14</b>	25
	<hr/>	<hr/>
Net cash used in investing activities	<b>(3,495)</b>	(13,331)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Repayment of bank borrowing	<b>(73)</b>	(70)
Repayment of lease liabilities	<b>(2,095)</b>	(1,450)
Interest paid	<b>(23)</b>	(26)
	<hr/>	<hr/>
Net cash used in financing activities	<b>(2,191)</b>	(1,546)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(9,228)</b>	(9,051)
Cash and cash equivalents at 1 April	<b>41,741</b>	51,332
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 September, represented by bank balances and cash</b>	<b>32,513</b>	42,281
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

### 1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 13 March 2017. The Shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its ultimate holding company and immediate holding company is Colourfield Global Limited, a limited company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Li Cheuk Kam (the “**Controlling Shareholder**”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the interim report.

The Company is an investment holding company, while the principal subsidiaries are principally engaged in the provision of foundation and site formation works and machineries leasing.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries (hereinafter collectively refer to as the “**Group**”).

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2020 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group have been prepared on the historical cost basis except for investment property that is measured at fair value.

The accounting policies used in the condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020 except as described below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
— Provision of foundation and site formation works	<b>173,843</b>	161,092
Revenue from other sources		
— Machineries leasing	<b>8,158</b>	8,076
	<b>182,001</b>	169,168

Disaggregation of revenue by timing of recognition:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Timing of revenue recognition</b>		
Over time	<b>173,843</b>	161,092
Total revenue from contracts with customers	<b>173,843</b>	161,092

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) (the directors of the Company) in order to allocate resources to segments and to assess their performance.

The Group’s operating activity is attributable to a single operating segment focusing on the provision of foundation and site formation works. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from provision of foundation and site formation works for the purpose of making decisions about resources allocation and performance assessment. The CODM reviews the financial performance of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

#### **Geographical information**

The Group’s revenue from external customers presented based on the location of the operations is derived solely in Hong Kong (country of domicile). Non-current assets of the Group presented based on the location of the assets are all located in Hong Kong. As a result, geographical information has not been presented.

## 5. OTHER INCOME

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	14	25
Fair value gain on investment property	–	100
Rental income	113	114
Government grants	1,988	–
Sundry income	–	258
	<u>2,115</u>	<u>497</u>

## 6. FINANCE COSTS

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
— bank borrowing	23	26
— lease liabilities	165	83
	<u>188</u>	<u>109</u>

## 7. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current year taxation		
Hong Kong Profits Tax	46	248
Deferred taxation	(65)	159
	<u>(19)</u>	<u>407</u>

*Note:*

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the six months ended 30 September 2020 and 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.



## 8. LOSS FOR THE PERIOD

<b>Six months ended</b>	
<b>30 September</b>	
<b>2020</b>	2019
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Unaudited)</b>	(Unaudited)

Loss for the period has been arrived at after charging:

Impairment loss on trade receivables	<b>153</b>	201
Impairment loss on contract assets	<b>2,450</b>	241
Loss on disposal of plant and equipment	<b>715</b>	103
Depreciation of plant and equipment	<b>5,340</b>	6,432
Depreciation of right-of-use assets	<b>1,363</b>	111
Fair value loss on investment property	<b>200</b>	–
Minimum lease payments paid under operating lease in respect of rental office premises	<b>N/A</b>	103
	<u><u>          </u></u>	<u><u>          </u></u>

## 9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2020, nor has any dividend been proposed since the end of the last reporting period (30 September 2019: nil).

## 10. LOSS PER SHARE

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

<b>Six months ended</b>	
<b>30 September</b>	
<b>2020</b>	2019
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Unaudited)</b>	(Unaudited)

Loss:

— Loss for the period attributable to the owners of the Company	<u><u>(27,508)</u></u>	<u><u>(7,543)</u></u>
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Number of shares ('000)

— Weighted average number of ordinary shares for the purpose of basic loss per share	<u><u>933,750</u></u>	<u><u>933,750</u></u>
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### Diluted loss per share

Diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2020 and 2019.

## 11. PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group spent approximately HK\$6,559,000 (six months ended 30 September 2019: approximately HK\$13,486,000) on acquisition of plant and equipment.

During the six months ended 30 September 2020, the Group has disposed of certain plant and equipment with an aggregate carrying values of approximately HK\$3,909,000 (six months ended 30 September 2019: HK\$233,000) for cash proceeds of approximately HK\$3,194,000 (six months ended 30 September 2019: HK\$130,000), resulting a loss on disposal of approximately HK\$715,000 (six months ended 30 September 2019: HK\$103,000).

## 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (i) Right-of-use assets

As at 30 September 2020, the carrying amounts of right-of-use assets were HK\$783,000, HK\$1,080,000 and HK\$6,517,000 in respect of the leased premises, motor vehicles and machineries, respectively.

During the six months ended 30 September 2020, the Group entered into a lease arrangement for machinery. On lease commencement, the Group recognised right-of-use assets of HK\$5,373,000.

### (ii) Lease liabilities

As at 30 September 2020, the carrying amount of lease liabilities was HK\$5,755,000 (2019: HK\$2,312,000).

During the six months ended 30 September 2020, the Group entered into a new lease arrangement for machinery and recognised lease liabilities of HK\$5,373,000.

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

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation on right-of-use assets		
— Premises	223	111
— Machineries	960	—
— Motor vehicles	180	—
Interest expense on lease liabilities	165	83
Expense relating to short-term leases	—	91
	<u>          </u>	<u>          </u>

### (iv) Others

For the six months ended 30 September 2020, the total cash outflow for leases amount to approximately HK\$2,095,000 (six months ended 30 September 2019: \$1,541,000).

### 13. TRADE AND OTHER RECEIVABLES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	20,609	8,553
Loss allowance	(496)	(343)
	<u>20,113</u>	<u>8,210</u>
Other receivables	1,654	254
Prepayments and deposits	524	346
	<u>22,291</u>	<u>8,810</u>

The Group does not hold any collateral over these balances.

The Group allows an average credit period of 15 to 75 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the certified date which approximates the respective revenue recognition dates and invoice dates at the end of the reporting period:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	19,810	4,018
31 to 60 days	85	3,478
61 to 180 days	22	413
181 to 365 days	196	301
	<u>20,113</u>	<u>8,210</u>

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

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

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	343	339
Increase during the period/year	<u>153</u>	<u>4</u>
At the end of the period/year	<u><u>496</u></u>	<u><u>343</u></u>

As at 30 September 2020 and 31 March 2020, the expected credit losses on trade receivables are estimated collectively by using a provision matrix.

For deposits and other receivables, the Group measures the loss allowance at an amount equal to 12-month ECL since the credit risk is considered to be low and there is no significant increase in credit risk during the year. The loss allowance is insignificant to the Company as at 30 September 2020 and 31 March 2020.

#### 14. TRADE AND OTHER PAYABLES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	35,171	13,586
Retention payables	14,650	12,728
Accrued expenses and other payables	<u>10,853</u>	<u>6,888</u>
	<u><u>60,674</u></u>	<u><u>33,202</u></u>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30 to 45 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is the aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	<u>35,171</u>	<u>13,586</u>
	<u><u>35,171</u></u>	<u><u>13,586</u></u>

## 15. SHARE CAPITAL

	Number of Shares	Share capital <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.01 each</b>		
<b>Authorised</b>		
At 30 September 2020 and 31 March 2020	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid</b>		
At 30 September 2020 and 31 March 2020	<u>933,750,000</u>	<u>9,338</u>

*Note:*

There were no changes in the issued capital of the Company since 1 April 2020 to the period up to 30 September 2020.

## 16. CONTINGENT LIABILITIES

At 30 September 2020, the Group has been involved in a number of litigations and potential claims against the Group in relation to work-related injuries and civil litigation.

In the opinion of the directors of the Company, the litigations and potential claims are not expected to have a material impact on the condensed consolidated financial statements of the Group. Accordingly, no provision has been made to the condensed consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Wing Chi Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2020 (the “**Reporting Period**”) together with the unaudited comparatives figures for the corresponding period ended 30 September 2019.

## BUSINESS AND OUTLOOK

The Company is an investment holding company. The principal activities of its subsidiaries include foundation and site formation works for both the public and the private sectors in Hong Kong. The foundation and site formation works provided by the Group can be broadly classified as (i) excavation and lateral support (“**ELS**”) works and (ii) pile caps construction and site formation works for both public and private sector projects. To a lesser extent, the Group also leased some of its machineries.

Apart from acting as a subcontractor in foundation and site formation works, the Group has actively sought to enlarge its scope of work in the construction industry. The Group not only focuses on acting as a subcontractor but also aims to act as a foundation main contractor in future. The Group’s principal operating subsidiary, Lik Shing Engineering Company Limited, has registered under the categories of S01 Concreting, S02 Concreting Formwork, S04 Demolition and S06 Reinforcement Bar Fixing under the Registered Specialist Trade Contractors Scheme (previously named as Subcontractor Registration Scheme) maintained by the Construction Industry Council and has registered under the Buildings Department as a registered specialist contractor in the foundation works category.

During the Reporting Period, the Group is facing various problems which include substantial loss being incurred in some construction projects, the adverse impact from the outbreak of the novel coronavirus (“**COVID-19**”) which has weakened the macro-economy and increased the difficulty on the Group’s negotiation with its customers on the construction workdones of the completed projects. In addition, severe competition in the foundation and site formation market which was caused by the suppression of contract prices in both the public and the private sectors. The profit margin of our project works is under pressure which might in turn affect the performance of the Group.

The Directors consider that the uncertainty in the economy of Hong Kong is apparent, and the growth in the overall income of the industry has slowed down. In light of the negative impact on the operation of the Group, the Group will continue to try its best to implement tight cost control measures on the existing projects, improve the efficiency of work-flow throughout the construction process, and strengthen the effectiveness of project management. The Group will also continue to actively devote its efforts to facilitate the prevention and control of further spreading of the COVID-19 pandemic in its premises and construction sites and to ensure the health and safety of its employees.

## **FINANCIAL REVIEW**

During the Reporting Period, the Group had been awarded 17 new contracts, with an aggregate original contract sum of approximately HK\$199.1 million and had completed 17 projects with an aggregate original contract sum of approximately HK\$213.5 million. As at 30 September 2020, the Group had 28 projects on hand which include projects in progress as well as projects that have been awarded to us but not yet commenced. As at 30 September 2020, the aggregate amount of transaction price allocated to the unsatisfied/partially unsatisfied performance obligations is approximately HK\$316.6 million (30 September 2019: approximately HK\$133.2 million). This amount represents the revenue from construction contracts that is expected to be recognised in the future.

### **Revenue**

The revenue from foundation and site formation works of the Group for the Reporting Period amounted to approximately HK\$173.8 million, representing an increase of approximately HK\$12.7 million, or 7.9% compared to that of approximately HK\$161.1 million for the six months ended 30 September 2019. The slight increase was primarily due to the fact that more large size foundation and site formation works have been completed during the Reporting Period.

The Group's revenue from machinery leasing for the Reporting Period amounted to approximately HK\$8.2 million with no significant changes as compared to that of approximately HK\$8.1 million for the six months ended 30 September 2019. This amount represents the revenue derived from leasing of the Group's machinery to contractors and/or subcontractors under operating leases.

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

The gross loss of the Group for the Reporting Period amounted to approximately HK\$17.6 million, turning profit into loss as compared to a gross profit of approximately HK\$3.0 million for the six months ended 30 September 2019. The gross loss margin of the Group during the Reporting Period was approximately 9.7%, compared to the gross profit margin of approximately 1.8% for the six months ended 30 September 2019.

The decline in the gross profit margin was mainly due to (1) substantial loss being incurred in some of the foundation and site formation works due to (a) the need to employ additional resources to deal with unforeseen ground conditions and site constraints in the construction projects, (b) delay in the handover of certain works area and change of construction methods by clients which in turn impaired construction efficiency; (2) the adverse impact from the outbreak of the novel coronavirus (“**COVID-19**”) which has weakened the macro-economy and the bargaining power of the Group when negotiation with its customers on the construction workdone of the completed projects; and (3) severe competition in the foundation and site formation market following (a) the suppression of contract prices in both the public and the private sectors and (b) the overall weakness of the economy.

Due to the fierce competition in the market, some newly awarded contracts of the Group will have lower profit margin, but the Group will continue to improve its competitive strengths and closely monitor the cost of services.

## **Other Income**

The other income of the Group for the Reporting Period amounted to approximately HK\$2.1 million, representing an increase of approximately HK\$1.6 million or 320.0% as compared to that of approximately HK\$0.5 million for the six months ended 30 September 2019. The increase was primarily due to the receipt of Government grants of approximately HK\$2.0 million from the Employment Support Scheme for the Reporting Period (30 September 2019: Nil).

## **Administrative Expenses**

The administrative expenses of the Group for the Reporting Period amounted to approximately HK\$11.8 million, representing a slight increase of approximately HK\$1.2 million or 11.3% as compared to that of approximately HK\$10.6 million for the six months ended 30 September 2019. The increase was primarily due to the provision of impairment loss on contract assets of approximately HK\$2.5 million during the Reporting Period (30 September 2019: approximately HK\$0.2 million). The administrative expenses are mainly comprise of professional expenses, salaries costs and depreciation expenses.

## **Finance Costs**

The finance costs of the Group amounted to approximately HK\$0.2 million for both the Reporting Period and for the six months ended 30 September 2019. There are no significant changes on the borrowings and lease liabilities on financing the purchase of machineries and motor vehicles during the Reporting Period and for the corresponding period in 2019.

## **Income Tax Credit/(Expense)**

The income tax credit of the Group for the Reporting Period amounted to approximately HK\$0.02 million. There are no significant changes on the amount of income tax expense as compared to that of approximately HK\$0.4 million for the six months ended 30 September 2019. The income tax credit/(expense) represents the net effect on the movement of deferred tax expense and Hong Kong income tax expense during the Reporting Period.

## **Loss attributable to Owners of the Company**

The Group reported the net loss attributable to owners of the Company of approximately HK\$27.5 million for the Reporting Period, representing an increase of approximately HK\$20.0 million or 266.7% as compared to that of approximately HK\$7.5 million for the six months ended 30 September 2019. The increase in net loss attributable to owners of the Company was mainly attributable to the gross loss during the Reporting Period.



## **INTERIM DIVIDEND**

The Board has resolved not to recommend the declaration of any interim dividend for the six months ended 30 September 2020.

## **LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE**

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

As at 30 September 2020, the Group had total assets of approximately HK\$202.9 million (31 March 2020: approximately HK\$199.6 million), of which current assets amounted to approximately HK\$157.2 million (31 March 2020: approximately HK\$155.3 million). As at 30 September 2020, the Group had total liabilities of approximately HK\$71.1 million (31 March 2020: approximately HK\$40.4 million), of which current liabilities amounted to approximately HK\$65.1 million as at 30 September 2020 (31 March 2020: approximately HK\$36.7 million). As at 30 September 2020, the Group had total equity attributable to owners of the Company amounted to approximately HK\$131.8 million (31 March 2020: approximately HK\$159.3 million).

As at 30 September 2020, the Group had total bank balances and cash of approximately HK\$32.5 million (31 March 2020: approximately HK\$41.7 million). The decrease was mainly due to the aggregate net cash used in operation, investing and financing activities of approximately HK\$9.2 million.

As at 30 September 2020, the Group had total debt including lease liabilities and bank borrowings of approximately HK\$7.6 million (31 March 2020: approximately: HK\$4.2 million) denominated in Hong Kong dollars. The gearing ratio of the Group, calculated by the total debts (defined as the sum of the lease liabilities and bank borrowings) divided by the total equity is approximately 5.8% (31 March 2020: approximately 2.6%).

## **PLEDGE OF ASSETS**

As at 30 September 2020, the Group's right-of-use assets with an aggregate net book value of approximately HK\$7.6 million (31 March 2020: plant and equipment approximately HK\$3.4 million) were pledged under finance leases, while investment property of approximately HK\$7.1 million (31 March 2020: approximately HK\$7.3 million) was pledged to secure banking facilities granted to the Group.

## **EXPOSURE TO FOREIGN EXCHANGE RATE RISKS**

As the Group only operates in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Board is of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the Reporting Period.

## **CAPITAL EXPENDITURE**

During the Reporting Period, the Group invested approximately HK\$11.9 million on acquisition of plant and equipment. Capital expenditure was principally funded by finance leases, internal resources and proceeds from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 October 2017 (the "**Listing**").

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 30 September 2020, the Group have capital commitments of approximately HK\$6.0 million on acquisition of plant and equipment contracted for but not provided in the financial statements.

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

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

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

## **SIGNIFICANT INVESTMENT HELD**

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

## **FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2020, the Group employed a total of 205 employees (including 2 Executive Directors, a Non-executive Director and 3 Independent Non-executive Directors), as compared to a total of 166 employees as at 31 March 2020. The significant increase in the number of employees was mainly due to the fact that we have conducted projects which are labour intensive as at 30 September 2020. Total staff costs including Directors' emoluments for the Reporting Period was approximately HK\$41.3 million (six months ended 30 September 2019: approximately HK\$44.9 million). The decrease in staff costs during the Reporting Period was mainly due to the reduction in the average number of employees during the Reporting Period when compare with that for the same period in 2019. The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in the 2020 interim report of the Company.

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

## USE OF NET PROCEEDS FROM THE LISTING

The net proceeds of the share offer received by the Company in relation to the Listing and full exercise of the over-allotment option on 7 November 2017 were approximately HK\$103.9 million in aggregate, after deducting listing related expenses. The Board considers that these net proceeds are intended to be applied in accordance with the proposed applications set out in the paragraph headed “Future plans and use of proceeds” in the Prospectus dated 30 September 2017 published by the Company (the “**Prospectus**”). The following table sets out the proposed applications of the net proceeds and usage as at 30 September 2020:

	<b>Planned use of Net Proceeds from the Listing</b> <i>HK\$' million</i>	<b>Actual usage of Net Proceeds from the Listing up to 30 September 2020</b> <i>HK\$' million</i>	<b>Unutilised Net proceeds from the Listing as at 30 September 2020</b> <i>HK\$' million</i>
Acquire new machinery and equipment	40.6	40.6	–
Reserve more capital to satisfy the potential requirement for surety bond	31.3	25.7	5.6
Strengthen the manpower	23.1	23.1	–
General working capital	8.9	8.9	–
	<u>103.9</u>	<u>98.3</u>	<u>5.6</u>

The planned use of proceeds as stated in the Prospectus was based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group’s business and industry.

The unutilised amounts of the net proceeds from the Listing will be applied in the manner consistent with that mentioned in the Prospectus. The unutilised amount had been deposited with licensed banks in Hong Kong.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) as its own corporate governance code. The Company has complied with the CG Code during the Reporting Period and up to the date of this announcement with the exception of code provision A.2.1 as explained below.

According to code provision A.2.1 of the CG Code, the roles of the chairman of the Company (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) should be separate and performed by different individuals. Mr. Li Cheuk Kam is both the Chairman and the Chief Executive Officer of the Company. In view of the in-depth knowledge and substantial experience of Mr. Li Cheuk Kam in the operations of the Group and his solid experience in foundation and site formation works, the Board believes that it is in the best interests of the Company for Mr. Li Cheuk Kam to assume both the roles of the Chairman and the Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

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

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

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

## **SHARE OPTION SCHEME**

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 21 September 2017. The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus dated 30 September 2017 published by the Company. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 21 September 2017, and there is no outstanding share option as at 30 September 2020.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES**

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

## **DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES**

Mr. Chan Chung Kik, Lewis, an Independent Non-executive Director of the Company has been appointed as the Chief Financial Officer, Company Secretary and Authorized Representative of Brilliant Circle Holdings International Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1008) since 1 September 2020.

Save as disclosed in this announcement, the Directors are not aware of any change in the information of Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this announcement.

## **SUBSEQUENT EVENT AFTER THE REPORTING PERIOD**

The Group had no material events after the Reporting Period.

## **AUDIT COMMITTEE**

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

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

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

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

Hong Kong, 20 November 2020

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