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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 2021

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately HK\$100.8 million or approximately 8.4% from approximately HK\$1,204.0 million for the year ended 31 March 2020 to approximately HK\$1,103.2 million for the year ended 31 March 2021.
- Gross profit decreased by approximately HK\$49.2 million or approximately 47.0% from approximately HK\$104.6 million for the year ended 31 March 2020 to approximately HK\$55.4 million for the year ended 31 March 2021.
- Gross profit margin decreased from approximately 8.7% for the year ended 31 March 2020 to approximately 5.0% for the year ended 31 March 2021.
- Profit attributable to the equity holders of the Company decreased by approximately HK\$31.3 million or approximately 62.0% from approximately HK\$50.5 million for the year ended 31 March 2020 to approximately HK\$19.2 million for the year ended 31 March 2021.
- Basic earnings per share was approximately HK2.4 cents (2020: approximately HK6.3 cents) for the year ended 31 March 2021.
- The Board has proposed a final dividend of HK1.2 cents per share (2020: HK1.9 cents per share) in respect of the year ended 31 March 2021, subject to approval of the Company's shareholders at the 2021 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 2021, together with the comparative figures for the corresponding year ended 31 March 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	4	1,103,157	1,204,001
Cost of sales		<u>(1,047,756)</u>	<u>(1,099,388)</u>
GROSS PROFIT		55,401	104,613
Other income and gains	4	14,131	6,676
Administrative and other operating expenses, net		(48,519)	(50,579)
Finance costs	5	<u>(199)</u>	<u>(359)</u>
PROFIT BEFORE TAX	6	20,814	60,351
Income tax	7	<u>(1,572)</u>	<u>(9,855)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>19,242</u>	<u>50,496</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
– Basic and diluted		<u>HK2.4 cents</u>	<u>HK6.3 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		8,148	8,726
Right-of-use assets		7,584	7,809
Financial asset at fair value through profit or loss		2,150	–
Prepayments, deposits and other receivables		<u>5,379</u>	<u>6,331</u>
Total non-current assets		<u>23,261</u>	<u>22,866</u>
CURRENT ASSETS			
Contract assets and trade receivables	<i>10</i>	260,376	334,727
Prepayments, deposits and other receivables		21,295	44,795
Financial assets at fair value through profit or loss		17,452	–
Tax recoverable		7,997	–
Pledged deposits		42,193	31,873
Time deposits		5,109	105,726
Cash and bank balances		<u>120,639</u>	<u>35,047</u>
Total current assets		<u>475,061</u>	<u>552,168</u>
CURRENT LIABILITIES			
Trade and retention payables	<i>11</i>	143,758	183,206
Other payables and accruals		68,166	105,574
Lease liabilities		3,344	4,994
Tax payable		<u>–</u>	<u>369</u>
Total current liabilities		<u>215,268</u>	<u>294,143</u>
NET CURRENT ASSETS		<u>259,793</u>	<u>258,025</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>283,054</u>	<u>280,891</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		728	814
Lease liabilities		<u>1,311</u>	<u>2,108</u>
Total non-current liabilities		<u>2,039</u>	<u>2,922</u>
Net assets		<u>281,015</u>	<u>277,969</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	<i>12</i>	8,000	8,000
Reserves		<u>273,015</u>	<u>269,969</u>
Total equity		<u>281,015</u>	<u>277,969</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 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").

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, except for financial assets at fair value through profit or loss which have been measured at fair value. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

The adoption of the above revised standards has had no significant financial effect on these financial statements.

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, government grants, fair value gain/(loss) on financial assets at fair value through profit or loss, sundry income, loss on disposal of items of property, plant and equipment, depreciation (unallocated portion), impairment of contract assets, impairment of trade receivables, foreign exchange differences, finance costs and unallocated head office and corporate expenses, are excluded from such measurement.

Segment assets exclude property, plant and equipment, financial assets at fair value through profit or loss, tax recoverable, pledged deposits, time deposits, cash and bank balances and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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 2021 and 2020 is set out below.

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment results, assets and liabilities *(continued)*

Year ended 31 March 2021

	Construction contracts 2021 <i>HK\$'000</i>	RMAA 2021 <i>HK\$'000</i>	Total 2021 <i>HK\$'000</i>
Segment revenue			
Revenue from external customers	<u>990,847</u>	<u>112,310</u>	<u>1,103,157</u>
Segment results	41,517	13,884	55,401
Interest income			1,592
Government grants			9,986
Fair value gain on financial assets at fair value through profit or loss, net			601
Sundry income			1,949
Loss on disposal of items of property, plant and equipment			(94)
Depreciation (unallocated portion)			(7,292)
Impairment of contract assets			(122)
Impairment of trade receivables			(11)
Foreign exchange gain			3
Finance costs			(199)
Unallocated head office and corporate expenses			<u>(41,000)</u>
Profit before tax			20,814
Income tax expense			<u>(1,572)</u>
Profit for the year			<u><u>19,242</u></u>
Segment assets and liabilities			
Segment assets	256,799	28,556	285,355
Unallocated			<u>212,967</u>
			<u><u>498,322</u></u>
Segment liabilities	188,065	20,376	208,441
Unallocated			<u>8,866</u>
			<u><u>217,307</u></u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment results, assets and liabilities *(continued)*

Year ended 31 March 2020

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

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	683,607	411,154
Customer B	N/A*	186,685
Customer C	N/A*	178,658
Customer D	N/A*	161,283

* 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 year ended 31 March 2021.

4. REVENUE AND OTHER INCOME AND GAINS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Construction contracts	990,847	968,006
RMAA	112,310	235,995
	<u>1,103,157</u>	<u>1,204,001</u>

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

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 March 2021

Segments	Construction contracts <i>HK\$'000</i>	RMAA <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of services			
Construction services	990,847	–	990,847
RMAA	–	112,310	112,310
Total revenue from contracts with customers	<u>990,847</u>	<u>112,310</u>	<u>1,103,157</u>
Timing of revenue recognition			
Over time	990,847	34,577	1,025,424
Point in time	–	77,733	77,733
Total revenue from contracts with customers	<u>990,847</u>	<u>112,310</u>	<u>1,103,157</u>

For the year ended 31 March 2020

Segments	Construction contracts <i>HK\$'000</i>	RMAA <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of services			
Construction services	968,006	–	968,006
RMAA	–	235,995	235,995
Total revenue from contracts with customers	<u>968,006</u>	<u>235,995</u>	<u>1,204,001</u>
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	<u>968,006</u>	<u>235,995</u>	<u>1,204,001</u>

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 2021, the aggregate amount of the transaction price allocated to the remaining obligation was HK\$1,185,703,000 (2020: HK\$1,655,118,000), 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income and gains		
Interest income arising from loans to subcontractors and bank deposits	1,592	4,818
Government grants*	9,986	297
Fair value gain on financial assets at fair value through profit or loss, net	601	–
Foreign exchange gain	3	–
Sundry income	<u>1,949</u>	<u>1,561</u>
	<u>14,131</u>	<u>6,676</u>

* During the year ended 31 March 2021, government grants mainly represented the amount of HK\$8,911,000 received under the Employment Support Scheme from the Government of the Hong Kong Special Administrative Region and amount of HK\$864,000 received under Employment Support Scheme for the Construction Sector for casual employees from the Construction Industry Council. There are no unfulfilled conditions or contingencies related to these grants.

5. FINANCE COSTS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	46	161
Interest on lease liabilities	153	198
	<u>199</u>	<u>359</u>

6. PROFIT BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation of property, plant and equipment	2,640	2,663
Depreciation of right-of-use assets	4,900	3,230
Auditor's remuneration	1,250	1,200
Employee benefit expense (excluding directors' remuneration):*		
Wages and salaries	86,757	86,434
Pension scheme contributions (defined contribution scheme)	3,403	3,402
	<u>90,160</u>	<u>89,836</u>

6. PROFIT BEFORE TAX (continued)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lease payments not included in the measurement of lease liabilities	747	2,664
Other charges in respect of rental premises	266	237
Loss on disposal of items of property, plant and equipment	94	4
Foreign exchange differences	(3)	2
Impairment of contract assets	122	232
Impairment of trade receivables	11	24
Provision/(write-back) for legal fees and claims**	<u>(700)</u>	<u>1,367</u>

* The employee benefit expense included in cost of sales was HK\$68,380,000 (2020: HK\$69,173,000).

** Amounts are included in “Administrative and other operating expenses, net” on the face of the consolidated statement of profit or loss and other comprehensive income.

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% (2020: 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 (2020: 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%.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	1,763	9,826
Overprovision in prior years	(105)	(153)
Deferred	<u>(86)</u>	<u>182</u>
Total tax charge for the year	<u>1,572</u>	<u>9,855</u>

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\$19,242,000 (2020: HK\$50,496,000), and the weighted average number of ordinary shares of 798,648,153 (2020: 800,000,000) in issue during the year.

The weighted average number of ordinary shares used in the calculation for the year ended 31 March 2021 is the number of ordinary shares in issue during the year as adjusted to reflect the number of shares held under share award plan of 5,304,000 (2020: Nil) of the Company.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2021 and 2020.

9. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend in respect of the previous financial year paid during the year – HK1.9 cents (2020: HK1.4 cents) per ordinary share	<u>15,200</u>	<u>11,200</u>
Proposed final dividend – HK1.2 cents (2020: HK1.9 cents) per ordinary share	<u>9,600</u>	<u>15,200</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

10. CONTRACT ASSETS AND TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other contract assets	61,569	23,885
Retention receivables	<u>90,462</u>	<u>69,834</u>
	152,031	93,719
Impairment of contract assets	<u>(354)</u>	<u>(232)</u>
Net contract assets	<u>151,677</u>	<u>93,487</u>
Trade receivables	108,734	241,264
Impairment of trade receivables	<u>(35)</u>	<u>(24)</u>
Net trade receivables	<u>108,699</u>	<u>241,240</u>
	<u>260,376</u>	<u>334,727</u>

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 2021 and 2020 represented 89.6% and 85.1% of the total trade receivables, respectively, while 56.3% and 59.0% 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables:		
Within 90 days	108,000	238,214
91 to 180 days	699	1,172
181 to 365 days	-	1,606
Over 365 days	<u>-</u>	<u>248</u>
	<u>108,699</u>	<u>241,240</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables:		
Within 3 months	72,680	120,664
Retention payables	<u>71,078</u>	<u>62,542</u>
	<u>143,758</u>	<u>183,206</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
5,000,000,000 ordinary shares of HK\$0.01 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
800,000,000 ordinary shares of HK\$0.01 each	<u>8,000</u>	<u>8,000</u>

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 the Group's RMAA works services include the general upkeep, maintenance, improvement, refurbishment, alteration and addition of existing facilities and components of buildings and their surroundings.

As at 31 March 2021, the Group had nine major projects on hand with an awarded contract sum of HK\$10.0 million or above, which includes projects in progress and projects that are yet to commence. In addition, the Group secured three new major projects with an awarded contract sum of HK\$10.0 million or above subsequent to 31 March 2021.

During the year ended 31 March 2021, the Group had completed three major projects with an awarded contract sum of HK\$10.0 million or above.

PROSPECTS

The outbreak of COVID-19 pandemic (the "**Pandemic**") at the beginning of 2020 has made the operating environment difficult and has created challenges to various industries in Hong Kong. The negative impact brought by the Pandemic had caused an adverse effect on the Group's business, which led to a delay in the delivery of raw materials to the construction sites and progress of certain construction projects, which caused a drop in revenue of the Group for the year ended 31 March 2021. However, the Group had taken the necessary measures to maintain its construction works performed within the planned schedule during the Pandemic. The management of the Group will continue to monitor the development of the Pandemic as well as assess the overall impact on the Group's business in both building construction and RMAA in the coming year.

In the meantime, the Group pays careful attention to the development of COVID-19 and accordingly evaluates the impact on the financial position and performance of the Group. Also, the management of the Group monitors any changes to regulations and instructions in compliance with industrial safety and public health policies; and deploys appropriate preventive measures to enhance protection of the Group's employees by providing healthy and hygienic environment both in the office and at the construction sites.

During the year ended 31 March 2021, the Group was successfully awarded a sizeable building construction contract with contract sum of approximately HK\$420 million. Subsequent to 31 March 2021, the Group was awarded three additional contracts with an aggregate contract sum of approximately HK\$867.7 million, of which one was awarded from a new customer. The Group would continue to diversify its customer base by placing extra effort to maintain the Group's reputation, ensuring projects are completed on time with the highest quality and implementing various cost-effective measures to improve its competitiveness. The management of the Group still remains prudently optimistic about the prospects of the construction industry in Hong Kong.

PROSPECTS (Continued)

In August 2020, the Group established a new subsidiary, namely RH Studio Limited, for rendering Building Information Modeling (“**BIM**”) services. The Group believes that the BIM services could differentiate the Group from the Group’s competitors, through providing creative technical solutions to the Group’s customers. As the world economy enters into a period of profound transformation, the Group would seek evolution through every avenue. Going forward, the Group plan to invest in building construction related services that will enhance the Group’s capabilities and provide synergies to the existing business of the Group while the Group strives to maintain the high quality and workmanship which the Group has been delivering to its customers.

SEGMENT INFORMATION

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

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately HK\$100.8 million or approximately 8.4% from approximately HK\$1,204.0 million for the year ended 31 March 2020 to approximately HK\$1,103.2 million for the year ended 31 March 2021.

(i) Building Construction Services

The revenue generated from the building construction services slightly increased by approximately HK\$22.9 million or approximately 2.4% from approximately HK\$968.0 million for the year ended 31 March 2020 to approximately HK\$990.9 million for the year ended 31 March 2021, which was mainly due to the increase in revenue generated from a sizable project which was partially offset by the decrease in revenue due to practical completion of two sizable projects during the year ended 31 March 2021.

(ii) RMAA Works Services

The revenue generated from the RMAA works services decreased by approximately HK\$123.7 million or approximately 52.4% from approximately HK\$236.0 million for the year ended 31 March 2020 to approximately HK\$112.3 million for the year ended 31 March 2021, which was mainly due to the decrease in revenue generated from a sizable project during the year ended 31 March 2021.

FINANCIAL REVIEW *(continued)*

Cost of Sales

The cost of sales of the Group decreased by approximately HK\$51.6 million or approximately 4.7% from approximately HK\$1,099.4 million for the year ended 31 March 2020 to approximately HK\$1,047.8 million for the year ended 31 March 2021. Such decrease was mainly driven by the corresponding decrease in revenue. The Group's cost of sales primarily consisted of subcontracting costs, material costs, direct staff costs and site overhead.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately HK\$49.2 million or approximately 47.0% from approximately HK\$104.6 million for the year ended 31 March 2020 to approximately HK\$55.4 million for the year ended 31 March 2021. The Group's gross profit margin was approximately 8.7% and 5.0% for the years ended 31 March 2020 and 2021, respectively. The gross profit margin of the Group decreased by approximately 3.7% by comparing that for the year ended 31 March 2020 against the year ended 31 March 2021. The decrease in gross profit margin was principally due to (i) the outbreak of the COVID-19 pandemic in Hong Kong, which led to a delay in the delivery of raw materials to the construction sites and progress of certain construction projects, which caused a drop in revenue of the Group recognised during the year ended 31 March 2021; and (ii) increase in subcontracting costs.

(i) Building Construction Services

The gross profit of building construction services was approximately HK\$41.5 million for the year ended 31 March 2021, representing a decrease of approximately HK\$34.5 million from approximately HK\$76.0 million for the year ended 31 March 2020. The gross profit margin decreased from approximately 7.8% for the year ended 31 March 2020 to approximately 4.2% for the year ended 31 March 2021. Such decrease was primarily attributable to (i) the completion of one sizable project, which has a relatively higher gross profit margin, during the year ended 31 March 2020; and (ii) another sizable project, which has a relatively lower gross profit margin, achieving significant progress during the year ended 31 March 2021.

(ii) RMAA Works Services

The gross profit of RMAA works services was approximately HK\$13.9 million for the year ended 31 March 2021, representing a decrease of approximately HK\$14.7 million from approximately HK\$28.6 million for the year ended 31 March 2020. The gross profit margin slightly increased from approximately 12.1% for the year ended 31 March 2020 to approximately 12.4% for the year ended 31 March 2021. Such increase was primarily attributable to the decrease of site overhead cost of one sizable project, which was reaching the completion stage during the year ended 31 March 2021.

FINANCIAL REVIEW (continued)

Other Income and Gains

The other income and gains of the Group increased by approximately HK\$7.4 million or approximately 110.4%, from approximately HK\$6.7 million for year ended 31 March 2020 to approximately HK\$14.1 million for year ended 31 March 2021. The increase was primarily due to the recognition of a non-recurring government subsidy under the Employment Support Scheme established by the Government of Hong Kong during the year ended 31 March 2021.

Administrative and Other Operating Expenses, Net

The administrative and other operating expenses, net decreased by approximately HK\$2.1 million or approximately 4.2%, from approximately HK\$50.6 million for the year ended 31 March 2020 to approximately HK\$48.5 million for year ended 31 March 2021. Such decrease was mainly due to the decrease in discretionary bonuses to the executive Directors incurred for the year ended 31 March 2021.

Finance Costs

The finance costs slightly decreased by approximately HK\$0.2 million or approximately 50.0%, from approximately HK\$0.4 million for the year ended 31 March 2020 to approximately HK\$0.2 million for the year ended 31 March 2021. Such decrease was mainly due to the decrease in the interest expense on bank borrowings.

Income Tax

The income tax decreased by approximately HK\$8.3 million or approximately 83.8%, from approximately HK\$9.9 million for the year ended 31 March 2020 to approximately HK\$1.6 million for the year ended 31 March 2021. The decrease was primarily attributable to the decrease in profit generated from building construction services and RMAA works services for the year ended 31 March 2021. The effective tax rate was approximately 16.3% and 7.6% for the years ended 31 March 2020 and 2021, respectively. The decrease of the effective tax rate of approximately 8.7% was mainly due to the one-off non-taxable item of a non-recurring government subsidy under the Employment Support Scheme recognised during the year ended 31 March 2021.

Net Profit

As a result of the foregoing, the net profit for the year of the Group decreased by approximately HK\$31.3 million or approximately 62.0%, from approximately HK\$50.5 million for the year ended 31 March 2020 to approximately HK\$19.2 million for the year ended 31 March 2021. The net profit margin for the years ended 31 March 2020 and 2021 were approximately 4.2% and 1.7%, respectively, representing a decrease of approximately 2.5%. Such decrease was primarily attributable to the decline in revenue while the cost of sales decreased to a lesser extent during the year ended 31 March 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group has a total of 185 full-time and 1 part-time employees (as at 31 March 2020: 194 full-time and 2 part-time employees). The Group has developed its human resources policies and procedures to determine the individual remuneration with reference to factors such as performance, qualification, merits, responsibilities of each individual, market conditions, etc. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits including provident fund contributions, medical insurance coverage, annual leave and share option and share award which may be granted to eligible employees. The total staff costs (excluding Directors' remuneration) incurred by the Group during the year ended 31 March 2021 and 2020 was approximately HK\$90.2 million and HK\$89.8 million, respectively.

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

During the year ended 31 March 2021, other than the shareholding in the subsidiaries of the Company, there were no significant investments held by the Company. There were no material acquisitions or disposals of subsidiaries and associated companies by the Group during the year ended 31 March 2021.

CAPITAL COMMITMENTS

As at 31 March 2021 and 2020, the Group has no significant capital commitments.

CONTINGENT LIABILITIES

The Group provided unlimited guarantees to certain banks and an insurance company in support of the issue of performance bonds to the Group's subsidiaries with an aggregate amount of approximately HK\$119.1 million and HK\$82.6 million, respectively as at 31 March 2021 and 2020. Certain of these performance bonds granted were secured by a time deposit amounting to approximately HK\$34.2 million and HK\$16.4 million, respectively, as at 31 March 2021 and 2020.

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.

GEARING RATIO

As at 31 March 2021 and 2020, the gearing ratio of the Group (defined as the lease liabilities divided by total equity), was approximately 1.7% and 2.6%, respectively.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2021 and 2020, the Group had pledged deposits, time deposits and cash and bank balances of approximately HK\$167.9 million and HK\$172.6 million, respectively. The gearing ratio of the Group as at 31 March 2021 and 2020 (defined as the lease liabilities divided by total equity) was approximately 1.7% and 2.6%, respectively. As at 31 March 2021 and 2020, the current ratio of the Group was approximately 2.2 times and 1.9 times, respectively.

The Group generally finances its operation by internally generated resources and banking facilities provided by certain banks in Hong Kong. The Directors believe that the Group have sufficient working capital for the Group's current commitments and future requirements.

During the year ended 31 March 2021, there has been no change in the capital structure of the Company.

DEBTS AND CHARGE ON ASSETS

As at 31 March 2021 and 2020, the Group has no bank borrowings. The lease liabilities of the Group amounted to approximately HK\$4.7 million and HK\$7.1 million, respectively, as at 31 March 2021 and 2020.

As at 31 March 2021 and 2020, the banking facilities of the Group were secured by (i) the Group's pledged deposits of approximately HK\$42.2 million and HK\$31.9 million, respectively; and (ii) corporate guarantee executed by the Group.

The Group's 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.

USE OF PROCEEDS

The shares of the Company (the “**Share(s)**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 February 2019 (the “**Listing Date**”). The net proceeds from the share offer (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 “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 January 2019 (the “**Prospectus**”).

The Net Proceeds were utilised during the year ended 31 March 2021 as follows:

	Planned use of Net Proceeds in total <i>HK\$ million</i>	Actual use of Net Proceeds during the year ended 31 March 2021 <i>HK\$ million</i>	Remaining balance of Net Proceeds as at 31 March 2021 <i>HK\$ million</i>	Expected timeline for the use of the remaining balance of Net Proceeds
Strengthen the capacity in undertaking more building construction and RMAA works projects in Hong Kong	66.7	18.8	–	N/A
Strengthen the manpower	14.4	4.7	6.8	31 March 2022
Upgrade and renovation of office	3.6	0.8	1.1	30 June 2022
Develop engineering and technological innovation	2.9	–	0.4	31 March 2022
General working capital	5.9	–	–	N/A
	<u>93.5</u>	<u>24.3</u>	<u>8.3</u>	

From the Listing Date to 31 March 2021, the Group has not yet utilised the Net Proceeds allocated during the year ended 31 March 2021 for strengthening manpower, upgrading and renovating office and developing engineering and technological innovation. The delay in utilisation of the Net Proceeds in the abovementioned areas were due to (i) the difficulty in recruiting suitable candidates for the positions which were created as planned; and (ii) the delay in development of the Group’s technological innovation. The Group plans to utilise the unutilised portion of the Net Proceeds allocated for the year ended 31 March 2021 during the coming year ending 31 March 2022.

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.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (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.

SHARE AWARD PLAN

The Board adopted a share award plan (the “**Share Award Plan**”) on 31 July 2020 (the “**Adoption Date**”), under which any employee of the Group and its invested entities, who contributes to the Group or its invested entities (the “**Eligible Participants**”), will be entitled to participate. The purposes of the Share Award Plan are:

- i. to recognise and reward the contribution of the Eligible Participants to the growth and development of the Group;
- ii. to give incentives to the Eligible Participants in order to retain them for the continual operation and development of the Group; and
- iii. to attract suitable personnel for further development of the Group.

The Group has set up a trust (the “**Share Award Plan Trust**”) for the purpose of administering the Share Award Plan. The Share Award Plan Trust will acquire the Shares from the Stock Exchange, with a maximum amount of funds to be allocated by the Board, and hold such Shares until they are vested. Unless early terminated by the Board, the Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date.

The Share Award Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date (i.e. 80,000,000 Shares) to be subscribed for the purchase of the Shares to be awarded to the Eligible Participants to be selected by the Board.

On 23 December 2020, the Company paid HK\$1,000,000 to the Share Award Plan Trust, and approximately HK\$996,000 of which was used to purchase 5,304,000 Shares, which were as at the date of this announcement held by the trustee for the benefit of the Eligible Participants under the Share Award Plan Trust.

No Share has been granted or vested under the Share Award Plan since its Adoption Date and up to 31 March 2021.

Further details of the Share Award Plan are set out in the Company’s announcement dated 31 July 2020.

PROPOSED FINAL DIVIDEND

At the Board meeting held on 25 June 2021, the Board proposed a final dividend of HK1.2 cents per Share in respect of the year ended 31 March 2021. 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, 20 August 2021 (the "**2021 AGM**").

ANNUAL GENERAL MEETING

The 2021 AGM of the Company is scheduled to be held on Friday, 20 August 2021. A notice convening the 2021 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 (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 2021 AGM, the Register of Members of the Company will be closed from Tuesday, 17 August 2021 to Friday, 20 August 2021, 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 2021 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, 16 August 2021.

Subject to the shareholders' approval at the 2021 AGM, to ascertain the shareholders' entitlement to receiving the final dividend, the Register of Members of the Company will be closed from Thursday, 26 August 2021 to Friday, 27 August 2021, the period during which no transfer of shares will be effected. Subject to the approval of the shareholders at the 2021 AGM approving the payment of the final dividend, the final dividend is expected to be paid on Monday, 20 September 2021. 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, 25 August 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its Shares during the year ended 31 March 2021.

EVENTS AFTER THE REPORTING PERIOD

There have been no other significant events occurred after 31 March 2021 and up to the date to this announcement which requires disclosure.

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 2021 and up to the date of this announcement, 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 and up to the date of this announcement, Mr. Tsang Ka Yip ("**Mr. KY Tsang**") has been the Chairman of the Board and the CEO of the Company. Given the nature and extent of the Group's operations and Mr. KY Tsang's in-depth knowledge and experience in the industry in which the Group operates and his familiarity with the operations of the 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 at the same time.

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 Directors 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 2021.

AUDIT COMMITTEE REVIEW

The consolidated financial statements of the Group for the year ended 31 March 2021 have been reviewed by the audit committee of the Company.

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, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 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 2021 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, 25 June 2021

As at the date of this announcement, the executive Directors are Mr. Tsang Ka Yip (Chairman), Mr. Tsang Tsz Him Philip and 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.