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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

The board of directors (the “**Board**”) of Wing Chi Holdings Limited (the “**Company**”) is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2023 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$537.3 million for the year ended 31 March 2023, representing an increase of approximately 27.6% as compared with that for the year ended 31 March 2022.
2. Gross profit was approximately HK\$43.3 million for the year ended 31 March 2023, as compared to the gross profit of approximately HK\$29.6 million for the year ended 31 March 2022.
3. Gross profit margin for the year ended 31 March 2023 was approximately 8.1%, as compared to the gross profit margin of approximately 7.0% for the year ended 31 March 2022.
4. Profit attributable to owners of the Company was approximately HK\$9.8 million for the year ended 31 March 2023 as compared to profit attributable to owners of the Company of approximately HK\$4.4 million for the year ended 31 March 2022. The improvement in net profit attributable to owners of the Company was mainly attributable to the improvement of gross profit and the receipt from the Government of the Hong Kong Special Administrative Region of a subsidy of approximately HK\$6.0 million from the Employment Support Scheme during the year ended 31 March 2023.
5. Profit per share amounted to approximately HK\$1.1 cents for the year ended 31 March 2023, as compared to profit per share amounted to approximately HK\$0.5 cents for the year ended 31 March 2022.
6. The Board does not recommend the payment of final dividend for the year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	3	537,299	421,120
Cost of sales		(493,976)	(391,509)
Gross profit		43,323	29,611
Other income and gains	4	6,606	2,550
Administrative expenses		(39,264)	(25,813)
Finance costs	5	(1,401)	(359)
Profit before taxation		9,264	5,989
Income tax credit (expense)	6	559	(1,621)
Profit for the year	7	9,823	4,368
Earnings per share:			
Basic and diluted	9	1.1 cents	0.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Plant and equipment		24,214	41,387
Right-of-use assets		26,310	11,683
		<u>50,524</u>	<u>53,070</u>
Current assets			
Contract assets	<i>10</i>	107,632	111,819
Trade and other receivables	<i>11</i>	30,366	24,348
Tax recoverable		137	379
Bank balances		45,584	25,363
		<u>183,719</u>	<u>161,909</u>
Current liabilities			
Trade and other payables	<i>12</i>	82,651	84,824
Lease liabilities		9,499	4,197
		<u>92,150</u>	<u>89,021</u>
Net current assets		<u>91,569</u>	<u>72,888</u>
Total assets less current liabilities		<u>142,093</u>	<u>125,958</u>
Non-current liabilities			
Deferred tax liabilities		4,096	4,661
Lease liabilities		10,871	3,994
		<u>14,967</u>	<u>8,655</u>
Net assets		<u>127,126</u>	<u>117,303</u>
Capital and reserves			
Share capital	<i>13</i>	9,338	9,338
Reserves		117,788	107,965
		<u>127,126</u>	<u>117,303</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

Wing Chi Holdings Limited (“**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. Its 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 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands and Room 3010, 30/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong respectively.

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 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 referred to as the “**Group**”).

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 April 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle

Except as described below, the application of the amendments to HKFRSs in the current year 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 consolidated financial statements.

Impact on application of Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Group has assessed all contracts existing at 1 April 2022 and determined that none of them would be identified as onerous applying the revised accounting policy.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020); Amendments to HKAS 1 – Non-current Liabilities with Covenants

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the “**2020 Amendments**”) clarify the requirements for classifying liabilities as current or non-current. Amendments to HKAS 1 Non-current Liabilities with Covenants issued in 2022 (the “**2022 Amendments**”) further clarify the requirements for classification of non-current liabilities with covenants. The amendments specify that if an entity’s right to defer settlement of a liability is subject to the entity complying with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered as settlement of a liability.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group's outstanding liabilities as at 31 March 2023, the application of the amendments will not result in change in the classification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the “four-step materiality process” described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

As at 31 March 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to approximately HK\$26,310,000 and HK\$20,370,000 respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group is still in the process of assessing the full impact of the application of the amendments.

3. REVENUE AND SEGMENT INFORMATION

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

	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
– Provision of foundation and site formation works	523,883	410,876
Revenue from other sources		
– Rental income from machineries leasing	13,416	10,244
	537,299	421,120

Disaggregation of revenue from contracts with customers by timing of recognition:

	2023	2022
	HK\$'000	HK\$'000
Timing of revenue recognition from contracts with customers		
Over time	523,883	410,876

Transaction price allocated to the remaining performance obligations for contracts with customers

As at 31 March 2023, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$482,610,000 (2022: HK\$390,500,000). The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 1 to 10 months (2022: 1 to 9 months).

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 and machineries leasing. 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 and machineries leasing for the purpose of making decisions about resources allocation and performance assessment. The CODM reviews the profit for the year 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.

Information about major customers

Revenues from external customers contributing over 10% of the total revenue of the Group of the corresponding year are as follows:

	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Customer A	145,039	N/A*
Customer B	100,162	118,089
Customer C	74,030	N/A*
Customer D	67,363	111,678
Customer E	65,187	N/A*
Customer F	N/A*	43,753

* The corresponding revenue did not contribute over 10% of total revenue of the Group.

4. OTHER INCOME AND GAINS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain on disposal of plant and equipment	–	1,976
Rental income	–	100
Government grants (<i>Note</i>)	6,465	2
Sundry income	141	472
	<hr/> 6,606 <hr/>	<hr/> 2,550 <hr/>

Note:

During the year ended 31 March 2023, approximately HK\$6,000,000 (2022: nil) were cash subsidies from the Employment Support Scheme (“**ESS**”) under Anti-epidemic Fund granted by the Government of Hong Kong Special Administrative Region (the “**Government**”) respectively as part of the relief measures on COVID-19 pandemic, approximately HK\$448,000 (2022: nil) were cash subsidies from the Ex-gratia Payment Scheme for Phasing Out Euro IV Diesel Commercial Vehicles granted by the Government to phase out Euro IV diesel commercial vehicles, while approximately HK\$17,000 (2022: nil) were cash subsidies from the Reimbursement of Maternity Leave Pay Scheme granted by the Government to reimburse maternity leave pay. The Group had complied with all attached conditions during the year ended 31 March 2023 and recognised the amounts in profit or loss in “other income and gains”.

During the year ended 31 March 2022, approximately HK\$2,000 (2023: nil) was cash subsidies from the Small and Medium-sized Enterprises Financing Guarantee Scheme (“**SFGS**”) under Anti-epidemic Fund granted by the Government as a support in obtaining financing in the commercial lending market. The Group had complied with all attached conditions during the year ended 31 March 2022 and recognised the amounts in profit or loss in “other income and gains”.

5. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interests on:		
– bank borrowings	9	32
– lease liabilities	1,392	327
	<hr/> 1,401 <hr/>	<hr/> 359 <hr/>

6. INCOME TAX (CREDIT) EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current year taxation		
Hong Kong Profits Tax	6	6
Over provision in prior years	–	(68)
Deferred taxation	<u>(565)</u>	<u>1,683</u>
	<u><u>(559)</u></u>	<u><u>1,621</u></u>

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands or the BVI for the year ended 31 March 2023 (2022: nil).

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 years ended 31 March 2023 and 2022, 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%.

7. PROFIT FOR THE YEAR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments	4,590	1,848
Staff costs (excluding directors' and chief executive's emoluments)		
– Salaries, wages, allowances and other benefits	161,802	111,567
– Contributions to retirement benefits scheme	<u>4,489</u>	<u>3,352</u>
Total staff costs	<u>166,291</u>	<u>114,919</u>
Impairment loss (reversal of impairment loss) recognised on trade receivables	88	(44)
Impairment loss recognised on contract assets	1,946	514
Auditor's remuneration	880	870
Depreciation of plant and equipment	13,081	12,826
Depreciation of right-of-use assets	7,239	2,965
Loss on disposal of plant and equipment	513	–
Loss on written off of plant and equipment	10	8
Loss on disposal of investment property	–	450
	<u><u> </u></u>	<u><u> </u></u>

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

9. EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings:		
– Profit for the year attributable to the owners of the Company	<u>9,823</u>	<u>4,368</u>
Number of shares		
– Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>933,750,000</u>	<u>933,750,000</u>

Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2023 and 2022.

10. CONTRACT ASSETS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analysed as current:		
Unbilled revenue of construction contracts	65,739	79,345
Loss allowance	<u>(469)</u>	<u>(341)</u>
	<u>65,270</u>	<u>79,004</u>
Retention receivables of construction contracts	45,219	33,854
Loss allowance	<u>(2,857)</u>	<u>(1,039)</u>
	<u>42,362</u>	<u>32,815</u>
Total contract assets	<u>107,632</u>	<u>111,819</u>

As at 1 April 2021, contract assets amounted to HK\$104,162,000.

The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

11. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Receivables at amortised cost comprise:		
Trade receivables (<i>Note</i>)	26,658	22,525
Loss allowance	(654)	(566)
	26,004	21,959
Other receivables	2,709	1,241
Prepayments and deposits	1,653	1,148
	30,366	24,348

Note:

As at 31 March 2023, gross amount of approximately HK\$22,220,000 (2022: HK\$18,729,000) included in the trade receivables arose from the provision of foundation and site formation works in accordance with HKFRS 15.

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, net of accumulated loss allowance, presented based on the certified date which approximates the respective revenue recognition dates and invoice dates at the end of the reporting period:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	24,676	20,131
31 to 60 days	–	239
61 to 180 days	20	1,484
181 to 365 days	1,308	105
	26,004	21,959

12. TRADE AND OTHER PAYABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	53,370	60,835
Retention payables	10,288	6,010
Accrued expenses and other payables	18,993	17,979
	<u>82,651</u>	<u>84,824</u>

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	53,370	60,835

13. SHARE CAPITAL

	Number of shares		Share capital	
	2023	2022	2023	2022
			<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each				
Authorised				
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid				
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	933,750,000	933,750,000	9,338	9,338

Note:

All shares issued rank pari passu with all the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the consolidated annual results of the Group for the year ended 31 March 2023 together with the corresponding year ended 31 March 2022.

BUSINESS REVIEW 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 in acting as a subcontractor but also aims to act as a foundation main contractor in the future. The Group’s principal operating subsidiary, Lik Shing Engineering Company Limited, has registered under the Construction Industry Council as a registered subcontractor since May 2008. Lik Shing Engineering Company Limited has also registered under the Buildings Department as a registered specialist contractor in the foundation works category and site formation works category since December 2019 and July 2021 respectively.

During the year ended 31 March 2023, the Hong Kong economy has gradually improved. The Government of the Hong Kong Special Administrative Region (the “**HKSAR Government**”) continues to invest in infrastructure and housing to boost the economy which increases the potential development opportunities in the construction industry.

The Directors opined that there are uncertainty in the Hong Kong economy and the severe competition in the foundation and site formation market will continue to affect the development 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 workflow throughout the construction process, and strengthen the effectiveness of project management. The Group will also continue to actively devote its efforts to ensure the health and safety of its employees.

FINANCIAL REVIEW

During the year ended 31 March 2023, the Group had been awarded 34 new contracts, with an aggregate original contract sum of approximately HK\$678.4 million and had completed 28 projects with an aggregate original contract sum of approximately HK\$560.0 million. As at 31 March 2023, the Group had 29 projects on hand which include projects in progress as well as projects that have been awarded to us but not yet commenced. As at 31 March 2023, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$482.6 million (2022: approximately HK\$390.5 million). This amount represents the revenue from construction contracts that is expected to be recognised in the future.

Revenue

The revenue from the foundation and site formation works of the Group for the year ended 31 March 2023 amounted to approximately HK\$523.9 million, representing an increase of approximately HK\$113.0 million, or 27.5% as compared to that of approximately HK\$410.9 million for the year ended 31 March 2022. Such increase was primarily due to the fact that more large size foundation and site formation works which include the redevelopment of the Prince of Wales Hospital and the construction of the Kwu Tung North and Wang Chiu Road, have commenced during the year ended 31 March 2023.

The revenue from machinery leasing for the year ended 31 March 2023 amounted to approximately HK\$13.4 million, representing an increase of approximately HK\$3.2 million, or 31.4% as compared to that of approximately HK\$10.2 million for the year ended 31 March 2022. This amount represents the revenue derived from the leasing of the Group's machinery to contractors and/or subcontractors under operating leases. The increase is primarily due to the fact that more revenue has been derived from machinery leasing for the project of North Runway Modification Work.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 31 March 2023 amounted to approximately HK\$43.3 million, as compared to the gross profit of approximately HK\$29.6 million for the year ended 31 March 2022. The gross profit margin of the Group during the year ended 31 March 2023 was approximately 8.1%, as compared to the gross profit margin of approximately 7.0% for the year ended 31 March 2022. The improvement in the gross profit and gross profit margin is mainly attributable to better bargaining power of the Group in negotiating with its customers on the construction workdone due to the gradual improvement in the economy of Hong Kong and the implementation of tight cost control measures by the Group's project teams which has improved the efficiency of work-flow throughout the construction process.

The Group prices its services based on various factors, among others, the scope of works and the complexity of the projects. In this regard, the Group's profitability depends on the nature of projects engaged by the Group. On the other hand, the Group prices its leasing machinery based on the procurement cost and the expected profit margin.

Other Income

The other income of the Group for the year ended 31 March 2023 amounted to approximately HK\$6.6 million, representing an increase of approximately HK\$4.0 million or 153.8% as compared to that of approximately HK\$2.6 million for the year ended 31 March 2022.

The significant increase is primarily due to the fact that during the year ended 31 March 2023, the Company has received from the HKSAR Government (i) a subsidy of approximately HK\$6.0 million from the Employment Support Scheme (“**ESS**”) and (ii) a subsidy of approximately HK\$0.4 million under the “Ex-Gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” upon disposal of vehicles. However, these subsidies are not available for the during the year ended 31 March 2022.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 March 2023 amounted to approximately HK\$39.3 million, representing an increase of approximately HK\$13.5 million or 52.3% as compared to that of approximately HK\$25.8 million for the year ended 31 March 2022. The significant increase in administrative expenses is primarily due to the increase of salary expenses, Directors’ remuneration, entertainment expenses, depreciation cost and provision for impairment. During the year ended 31 March 2023, the Group continued to expand its workforces to supports its business and enhance the remuneration packages of the employees and the Directors. As a result, the salary expenses and Directors’ remuneration increased by approximately HK\$6.1 million as compared to that for the year ended 31 March 2022. In addition, the Group has invested in much more fixed and leased assets during the year ended 31 March 2023, therefore, the depreciation expenses increased by approximately HK\$3.0 million in the reporting year as compared with that for the year ended 31 March 2022. Due to the expansion of our business, there was an increase in the entertainment expenses of HK\$2.7 million and an increase of impairment loss of approximately HK\$1.6 million for the year ended 31 March 2023 as compared with those for the year ended 31 March 2022.

Finance Costs

The finance costs of the Group for the year ended 31 March 2023 amounted to approximately HK\$1.4 million, representing a significant increase of approximately HK\$1.0 million or 250.0% as compared to that of approximately HK\$0.4 million for the year ended 31 March 2022. The significant increase was primarily due to the increase in lease liabilities during the year ended 31 March 2023 as compared to that for the year ended 31 March 2022.

Income Tax Credit/(Expenses)

The income tax credit of the Group for the year ended 31 March 2023 amounted to approximately HK\$0.6 million, as compared to a tax expense of approximately HK\$1.6 million for the year ended 31 March 2022. The income tax credit/(expense) represents the net effect on the movement of deferred tax expenses and Hong Kong income tax expense. The decrease was mainly due to the significant decrease in reversal of deferred tax expenses recognised during the year ended 31 March 2022.

Profit attributable to owners of the Company

The Group reported a net profit attributable to owners of approximately HK\$9.8 million for the year ended 31 March 2023 as compared to that of approximately HK\$4.4 million for the year ended 31 March 2022. The improvement in net profit attributable to owners of the Company was mainly attributable to the improvement of gross profit and the receipt from the HKSAR Government of a subsidy of approximately HK\$6.0 million from the ESS during the year ended 31 March 2023.

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 31 March 2023, the Group had total assets of approximately HK\$234.2 million (2022: approximately HK\$215.0 million), of which current assets amounted to approximately HK\$183.7 million (2022: approximately HK\$161.9 million).

As at 31 March 2023, the Group had total liabilities of approximately HK\$107.1 million (2022: approximately HK\$97.7 million), of which current liabilities amounted to approximately HK\$92.2 million as at 31 March 2023 (2022: approximately HK\$89.0 million). As at 31 March 2023, the Group had total equity attributable to owners of the Company amounted to approximately HK\$127.1 million (2022: approximately HK\$117.3 million).

As at 31 March 2023, the Group had total bank balances and cash of approximately HK\$45.6 million (2022: approximately HK\$25.4 million). The increase in bank balances and cash was mainly due to the generation of approximately HK\$20.2 million by the Group in its operation and in investing and financing activities.

As at 31 March 2023, the Group had total debts of approximately HK\$20.4 million which include lease liabilities (2022: approximately: HK\$8.2 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 16.0% (2022: approximately 7.0%).

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

PLEDGE OF ASSETS

As at 31 March 2023, the Group's right-of-use assets with an aggregate net book value of approximately HK\$20.4 million (2022: approximately HK\$7.3 million) were pledged under finance leases.

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 dollars, 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 year ended 31 March 2023.

CAPITAL EXPENDITURE

During the year ended 31 March 2023, the Group invested approximately HK\$18.2 million (31 March 2022: approximately HK\$26.9 million) on the acquisition of machineries and equipment, motor vehicles and computer 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.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 March 2023 and up to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2023, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 March 2023, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31 March 2023, the Group does not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed a total of 427 employees (including Executive Directors and Independent Non-executive Directors), as compared to a total of 363 employees (including Executive Directors, Non-executive Director and Independent Non-executive Directors) as at 31 March 2022. 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 31 March 2023. Total staff costs which include Directors' emoluments for the year ended 31 March 2023 was approximately HK\$170.9 million (31 March 2022: approximately HK\$116.8 million). The significant increase in staff costs was mainly due to the fact that more employees have been employed in construction works and the improvement of the remuneration packages of the employees and the Directors, during the year ended 31 March 2023.

The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts an annual review on salary increases, discretionary bonuses and promotions based on the performance of each employee.

The emoluments of the Directors of the Company are decided by the Board after recommendation from the Remuneration Committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in Appendix V to the Prospectus dated 30 September 2017 published by the Company.

During the year ended 31 March 2023, 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.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend to Shareholders of the Company for the year ended 31 March 2023.

FUTURE PROSPECTS

The future prospects for the construction industry in Hong Kong appear to be positive. The Northern Metropolis Development Strategy and the Budget 2023-24's plans of the HKSAR Government for mega public infrastructure projects are expected to continue driving growth in the Hong Kong construction sector. The Group will continue to focus on improving cost control measures on projects, strengthening project management teams and increasing our production efficiency. Overall, the Group appears to be well-positioned to continue delivering high-quality projects and creating value for the shareholders and society. Despite uncertainties in the global economy, the Group is confident that the construction industry in Hong Kong will remain positive in the future.

CORPORATE GOVERNANCE PRACTICES

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 period from 1 April 2022 to 31 March 2023 (the “**Reporting Period**”) with the exception of code provision C.2.1 as explained below.

According to code provision C.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. 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 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

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 of the Company.

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.

ANNUAL GENERAL MEETING (“AGM”)

The 2023 AGM of the Company will be held on Friday, 18 August 2023. The notice of the 2023 AGM of the Company will be published and despatched to the Shareholders of the Company in the manner as required by the Listing Rules and the articles of association of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The 2023 AGM of the Company has been scheduled to be held on Friday, 18 August 2023. For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Friday, 11 August 2023 to Friday, 18 August 2023 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2023 AGM, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited, the Company’s branch share registrar and transfer office, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 10 August 2023.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES

As at 31 March 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (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 Company’s annual results for the year ended 31 March 2023 have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made. The Audit Committee has met the external auditor of the Company, SHINEWING (HK) CPA Limited (“**SHINEWING**”), and reviewed the Group’s results for the year ended 31 March 2023.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

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 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, SHINEWING, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by SHINEWING 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 SHINEWING on the preliminary announcement.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the upcoming AGM, will be despatched to the shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2023 ANNUAL REPORT

The annual results announcement is published on the Company's website at <http://www.wingchiholdings.com> and the website of the Stock Exchange at www.hkexnews.hk.

The 2023 annual report of the Company for the year ended 31 March 2023 will be despatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 21 June 2023

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