

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2023

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately HK\$283.7 million or approximately 24.6% from approximately HK\$1,152.7 million for the year ended 31 March 2022 to approximately HK\$869.0 million for the year ended 31 March 2023.
- Gross profit decreased by approximately HK\$14.7 million or approximately 27.4% from approximately HK\$53.7 million for the year ended 31 March 2022 to approximately HK\$39.0 million for the year ended 31 March 2023.
- Gross profit margin decreased from approximately 4.7% for the year ended 31 March 2022 to approximately 4.5% for the year ended 31 March 2023.
- Profit attributable to the equity holders of the Company decreased by approximately HK\$8.3 million or approximately 58.5% from approximately HK\$14.2 million for the year ended 31 March 2022 to approximately HK\$5.9 million for the year ended 31 March 2023.
- Basic earnings per share for the year ended 31 March 2023 was approximately HK0.7 cents (2022: approximately HK1.8 cents).
- The Board has proposed to maintain the final dividend for the year ended 31 March 2023 to be paid at HK1.2 cents per share (2022: HK1.2 cents per share), which is the same as that of the previous year ended 31 March 2022. The final dividend declared for the year ended 31 March 2023 represents a pay-out ratio of 161% (2022: 68%). The proposed final dividend for the year ended 31 March 2023 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 2023, together with the comparative figures for the year ended 31 March 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REVENUE	4	869,032	1,152,691
Cost of sales		<u>(830,011)</u>	<u>(1,099,041)</u>
GROSS PROFIT		39,021	53,650
Other income and gains	4	13,242	7,286
Administrative and other operating expenses, net		(45,403)	(44,251)
Finance costs	5	<u>(180)</u>	<u>(129)</u>
PROFIT BEFORE TAX	6	6,680	16,556
Income tax	7	<u>(733)</u>	<u>(2,347)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>5,947</u>	<u>14,209</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
– Basic and diluted		<u>HK0.7 cents</u>	<u>HK1.8 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		9,271	10,272
Right-of-use assets		7,021	8,315
Financial assets at fair value through profit or loss		13,383	4,200
Prepayments, deposits and other receivables		4,123	5,921
Total non-current assets		<u>33,798</u>	<u>28,708</u>
CURRENT ASSETS			
Contract assets and trade receivables	<i>10</i>	251,761	323,001
Prepayments, deposits and other receivables		57,013	42,251
Financial assets at fair value through profit or loss		13,735	15,581
Pledged deposits		34,190	34,190
Cash and cash equivalents		64,226	88,500
Total current assets		<u>420,925</u>	<u>503,523</u>
CURRENT LIABILITIES			
Trade and retention payables	<i>11</i>	129,115	185,006
Other payables and accruals		35,970	52,430
Lease liabilities		4,153	3,740
Tax payable		455	368
Total current liabilities		<u>169,693</u>	<u>241,544</u>
NET CURRENT ASSETS		<u>251,232</u>	<u>261,979</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>285,030</u>	<u>290,687</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		618	846
Lease liabilities		2,566	4,153
Total non-current liabilities		<u>3,184</u>	<u>4,999</u>
NET ASSETS		<u>281,846</u>	<u>285,688</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		8,000	8,000
Reserves		273,846	277,688
Total equity		<u>281,846</u>	<u>285,688</u>

NOTES

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 shares of the Company (the “**Share(s)**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Triple Arch Limited, which was 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 following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The revised HKFRSs that are applicable to the Group did not have any significant impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

- (a) Construction contracts; and
- (b) RMAA

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

The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income and gains, fair value changes on financial assets at fair value through profit or loss, net, depreciation (unallocated portion), impairment/reversal of impairment of contract assets and trade receivables, net, finance costs and unallocated head office and corporate expenses, are excluded from such measurement.

Segment assets exclude financial assets at fair value through profit or loss, pledged deposits, cash and cash equivalents 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 2023 and 2022 is set out below.

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment results, assets and liabilities *(continued)*

Year ended 31 March 2023

	Construction contracts <i>HK\$'000</i>	RMAA <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
Revenue from external customers	<u>560,670</u>	<u>308,362</u>	<u>869,032</u>
Segment results	18,289	20,732	39,021
Other income and gains			13,242
Fair value loss on financial assets at fair value through profit or loss, net			(635)
Depreciation (unallocated portion)			(7,301)
Impairment of contract assets, net			(426)
Impairment of trade receivables, net			(352)
Finance costs			(180)
Unallocated head office and corporate expenses			<u>(36,689)</u>
Profit before tax			6,680
Income tax expense			<u>(733)</u>
Profit for the year			<u><u>5,947</u></u>
Segment assets and liabilities			
Segment assets	229,408	78,918	308,326
Unallocated			<u>146,397</u>
			<u><u>454,723</u></u>
Segment liabilities	123,592	38,920	162,512
Unallocated			<u>10,365</u>
			<u><u>172,877</u></u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment results, assets and liabilities *(continued)*

Year ended 31 March 2022

	Construction contracts <i>HK\$'000</i>	RMAA <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
Revenue from external customers	<u>986,696</u>	<u>165,995</u>	<u>1,152,691</u>
Segment results	53,805	(155)	53,650
Other income and gains			7,286
Fair value loss on financial assets at fair value through profit or loss, net			(629)
Depreciation (unallocated portion)			(7,034)
Impairment of contract assets, net			(62)
Reversal of impairment of trade receivables, net			14
Finance costs			(129)
Unallocated head office and corporate expenses			<u>(36,540)</u>
Profit before tax			16,556
Income tax expense			<u>(2,347)</u>
Profit for the year			<u><u>14,209</u></u>
Segment assets and liabilities			
Segment assets	306,607	63,077	369,684
Unallocated			<u>162,547</u>
			<u><u>532,231</u></u>
Segment liabilities	204,766	30,835	235,601
Unallocated			<u>10,942</u>
			<u><u>246,543</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 the year, is set out below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	269,212	121,556
Customer B	125,682	173,440
Customer C	104,669	N/A*
Customer D	N/A*	345,433
Customer E	N/A*	159,932
Customer F	N/A*	156,776

* 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.

4. REVENUE AND OTHER INCOME AND GAINS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
Construction contracts	560,670	986,696
RMAA	308,362	165,995
	<u>869,032</u>	<u>1,152,691</u>

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

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 March 2023

Segments	Construction contracts HK\$'000	RMAA HK\$'000	Total HK\$'000
Type of services			
Building construction services	560,670	–	560,670
RMAA works services	–	308,362	308,362
Total revenue from contracts with customers	<u>560,670</u>	<u>308,362</u>	<u>869,032</u>

For the year ended 31 March 2022

Segments	Construction contracts HK\$'000	RMAA HK\$'000	Total HK\$'000
Type of services			
Building construction services	986,696	–	986,696
RMAA works services	–	165,995	165,995
Total revenue from contracts with customers	<u>986,696</u>	<u>165,995</u>	<u>1,152,691</u>

The Group's revenue from contracts with customers was recognised over time.

The revenue from contracts with customers recognised in the reporting period that was included in contract liabilities at the beginning of the reporting period was HK\$5,949,000 for the year ended 31 March 2022.

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

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

For the construction and other RMAA services, the performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. As at 31 March 2023, the aggregate amount of the transaction price allocated to the remaining performance obligations was HK\$1,818,871,000 (2022: HK\$862,858,000), and the Group will recognise this revenue in the 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 over time as services are rendered and payment is generally due within 30 days from the date of billing. 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.

Other income and gains

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income	1,712	225
Government grants*	2,660	133
Gain on disposal of financial assets at fair value through profit or loss, net	1,468	1,176
Dividend income from equity investments at fair value through profit or loss	1,143	1,173
Sundry income	<u>6,259</u>	<u>4,579</u>
	<u><u>13,242</u></u>	<u><u>7,286</u></u>

* Government grants mainly represented receipt under the Employment Support Scheme from the Government of the Hong Kong Special Administrative Region during the year ended 31 March 2023. There are no unfulfilled conditions or contingencies related to the grants.

5. FINANCE COSTS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	37	33
Interest on lease liabilities	<u>143</u>	<u>96</u>
	<u>180</u>	<u>129</u>

6. PROFIT BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Depreciation of property, plant and equipment	2,035	2,175
Depreciation of right-of-use assets	5,639	5,155
Lease payments not included in the measurement of lease liabilities	348	701
Other charges in respect of rental premises	229	212
Auditor's remuneration	1,070	900
Employee benefit expense (excluding directors' remuneration):*		
Wages and salaries	90,402	89,286
Pension scheme contributions (defined contribution scheme)	<u>3,109</u>	<u>3,608</u>
	<u>93,511</u>	<u>92,894</u>
Gain on disposal of financial assets at fair value through profit or loss, net	(1,468)	(1,176)
Dividend income from equity investments at fair value through profit or loss	(1,143)	(1,173)
Fair value loss on financial assets at fair value through profit or loss, net**	635	629
Impairment of contract assets, net**	426	62
Impairment/(reversal of impairment) of trade receivables, net**	352	(14)
Provision for legal fees and claims**	<u>-</u>	<u>360</u>

* The employee benefit expense included in cost of sales was HK\$75,347,000 (2022: HK\$73,819,000).

** 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% (2022: 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 (2022: HK\$2,000,000) of estimated assessable profits of this subsidiary are taxed at 8.25% and the remaining estimated assessable profits are taxed at 16.5%.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	953	2,192
Underprovision in prior years	8	37
Deferred	<u>(228)</u>	<u>118</u>
Total tax charge for the year	<u><u>733</u></u>	<u><u>2,347</u></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\$5,947,000 (2022: HK\$14,209,000), and the weighted average number of ordinary shares of 794,592,877 (2022: 794,696,000) in issue during the year.

The weighted average number of ordinary shares used in the calculation for the years ended 31 March 2023 and 2022 is the number adjusted to reflect the 6,796,000 (2022: 5,304,000) ordinary shares held by the trustee under the share award plan of the Company.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2023 and 2022.

9. DIVIDEND

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Final dividend in respect of the previous financial year paid during the year – HK1.2 cents (2022: HK1.2 cents) per ordinary share	<u>9,536</u>	<u>9,536</u>
Proposed final dividend – HK1.2 cents (2022: HK1.2 cents) per ordinary share	<u>9,600</u>	<u>9,600</u>

The payment of a final dividend in respect of the financial year ended 31 March 2022 of HK1.2 cents per share, totalling HK\$9,536,000, was based on the number of ordinary shares in issue less shares held under share award plan.

10. CONTRACT ASSETS AND TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other contract assets	98,817	62,947
Retention receivables	<u>66,812</u>	<u>97,719</u>
	165,629	160,666
Less: Impairment	<u>(842)</u>	<u>(416)</u>
Net contract assets	<u>164,787</u>	<u>160,250</u>
Trade receivables	87,347	162,772
Less: Impairment	<u>(373)</u>	<u>(21)</u>
Net trade receivables	<u>86,974</u>	<u>162,751</u>
Total	<u>251,761</u>	<u>323,001</u>

Trade receivables represented receivables for contract work. Management generally submits interim payment applications to customers on a monthly basis containing a statement setting out the 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 verifies such valuation of works completed and issues an interim payment certificate within 30 days. Within 30 days after the issuance of interim payment certificate, the customer makes payment to the Group based on the certified amount stipulated in such certificate, deducting any retention money in accordance with the contract.

10. CONTRACT ASSETS AND TRADE RECEIVABLES (continued)

There is a certain concentration of credit risk. The balances of the five largest trade receivables as at 31 March 2023 represented 83.5% (2022: 86.3%) of total trade receivables while 35.4% (2022: 50.3%) of total trade receivables as at 31 March 2023 were due from the largest debtor. Trade receivables are non-interest-bearing.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	86,085	159,374
91 to 180 days	180	1,696
181 to 365 days	695	624
Over 365 days	<u>14</u>	<u>1,057</u>
	<u>86,974</u>	<u>162,751</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables:		
Within 3 months	61,568	100,586
Retention payables	<u>67,547</u>	<u>84,420</u>
	<u>129,115</u>	<u>185,006</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.

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 2023, the Group had 11 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.

During the year ended 31 March 2023, the Group completed five major projects with an awarded contract sum of HK\$10.0 million or above.

PROSPECTS

During the year ended 31 March 2023, the Group was successfully awarded three sizeable contracts for re-development projects from new customers with an aggregate contract sum of approximately HK\$1.5 billion, under which the Group acted as main contractor to provide building construction services. Subsequent to 31 March 2023, the Group was successfully awarded an additional sizeable contract with a contract sum of approximately HK\$500 million. The Group will continue to diversify its customer base by placing more effort in promoting 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.

In July 2022, Wecon Construction & Engineering Limited ("**Wecon Construction**"), an indirect wholly-owned subsidiary of the Company, was admitted to Group C on probation under the "Buildings" category on the List of Approved Contractors for Public Works (the "**Group C**") maintained by the Works Branch of the Development Bureau of the Government of Hong Kong Special Administrative Region ("**HKSAR**"), upon which Wecon Construction as the main contractor will be eligible to tender for Group C contract of contract value exceeding HK\$400 million from the Architectural Services Department ("**ASD**"), subject to the probationary condition that Wecon Construction cannot undertake more than two Group C contracts nor undertake a total outstanding contract value exceeding the Group C probationary limit of HK\$1.5 billion at any one time. The management of the Group believes that admission to the Group C list will allow the Group to tender for more construction projects from ASD in terms of quantity as well as contract value, and will demonstrate the capability of the Group in undertaking construction projects of larger scale and larger contract sum.

PROSPECTS (continued)

As the world economy enters into a period of profound transformation, the Group would seek evolution through every avenue. The Group believes that the building information modeling services could differentiate the Group from the Group's competitors through providing creative technical solutions to the Group's customers. Going forward, the Group plans 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\$283.7 million or approximately 24.6% from approximately HK\$1,152.7 million for the year ended 31 March 2022 to approximately HK\$869.0 million for the year ended 31 March 2023.

(i) Building Construction Services

The revenue generated from the building construction services decreased by approximately HK\$426.0 million or approximately 43.2% from approximately HK\$986.7 million for the year ended 31 March 2022 to approximately HK\$560.7 million for the year ended 31 March 2023. Such decrease was mainly due to decrease in revenue generated from several major projects as a result of the practical completion of those projects during the year ended 31 March 2023. Such decrease, however, was partially offset by increase in revenue generated from other major projects, which achieved significant progress during the year ended 31 March 2023.

(ii) RMAA Works Services

The revenue generated from the RMAA works services substantially increased by approximately HK\$142.3 million or approximately 85.7% from approximately HK\$166.0 million for the year ended 31 March 2022 to approximately HK\$308.3 million for the year ended 31 March 2023. Such increase was primarily attributable to increase in revenue generated from two major projects awarded during the year ended 31 March 2022, which achieved significant progress during the year ended 31 March 2023.

FINANCIAL REVIEW (*continued*)

Cost of Sales

The cost of sales of the Group decreased by approximately HK\$269.0 million or approximately 24.5% from approximately HK\$1,099.0 million for the year ended 31 March 2022 to approximately HK\$830.0 million for the year ended 31 March 2023. 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 costs.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately HK\$14.7 million or approximately 27.4% from approximately HK\$53.7 million for the year ended 31 March 2022 to approximately HK\$39.0 million for the year ended 31 March 2023. The gross profit margin of the Group was approximately 4.5% and 4.7% for the years ended 31 March 2023 and 2022, respectively, representing a decrease of approximately 0.2 percentage points.

(i) *Building Construction Services*

The gross profit of building construction services decreased by approximately HK\$35.5 million or approximately 66.0% from approximately HK\$53.8 million for the year ended 31 March 2022 to approximately HK\$18.3 million for the year ended 31 March 2023. The gross profit margin of building construction services decreased from approximately 5.5% for the year ended 31 March 2022 to approximately 3.3% for the year ended 31 March 2023. Such decrease was primarily attributable to higher gross profit margin generated from several major projects during the year ended 31 March 2022 as a result of negotiation of final accounts with subcontractors, which led to a decrease in subcontracting costs.

(ii) *RMAA Works Services*

The gross profit of RMAA works services was approximately HK\$20.7 million for the year ended 31 March 2023, as compared to the gross loss of approximately HK\$0.1 million for the year ended 31 March 2022. The gross profit margin of RMAA works services changed from gross loss margin of approximately 0.1% for the year ended 31 March 2022 to gross profit margin of approximately 6.7% for the year ended 31 March 2023. The turnaround from gross loss to gross profit of RMAA works services was primarily attributable to the commencement of revenue generating stage of two major projects during the year ended 31 March 2023, as compared to the significant site overhead costs incurred at the initial stage of the two major projects during the year ended 31 March 2022.

FINANCIAL REVIEW (continued)

Other Income and Gains

The other income and gains of the Group increased by approximately HK\$5.9 million or approximately 80.8% from approximately HK\$7.3 million for year ended 31 March 2022 to approximately HK\$13.2 million for year ended 31 March 2023. Such increase was mainly due to (i) a non-recurring government subsidy under the Employment Support Scheme established by the Government of HKSAR recognised during the year ended 31 March 2023 and (ii) increase in bank interest income.

Administrative and Other Operating Expenses, Net

The administrative and other operating expenses, net of the Group increased by approximately HK\$1.1 million or approximately 2.5% from approximately HK\$44.3 million for the year ended 31 March 2022 to approximately HK\$45.4 million for year ended 31 March 2023. Such increase was mainly due to increase in (i) impairment of contract assets and trade receivables and (ii) professional fees during the year ended 31 March 2023.

Finance Costs

The finance costs of the Group increased by approximately HK\$51,000 or approximately 39.5% from approximately HK\$129,000 for the year ended 31 March 2022 to approximately HK\$180,000 for the year ended 31 March 2023. Such increase was primarily attributable to increase in the interest expense on lease liabilities.

Income Tax

The income tax of the Group decreased by approximately HK\$1.6 million or approximately 69.6% from approximately HK\$2.3 million for the year ended 31 March 2022 to approximately HK\$0.7 million for the year ended 31 March 2023. The effective tax rate (defined as the income tax divided by profit before tax) was approximately 11.0% and 14.2% for the years ended 31 March 2023 and 2022, respectively. The decrease of the effective tax rate was mainly due to the non-taxable government subsidy and bank interest income recognised during the year ended 31 March 2023.

Net Profit

As a result of the foregoing, the net profit of the Group decreased by approximately HK\$8.3 million or approximately 58.5% from approximately HK\$14.2 million for the year ended 31 March 2022 to approximately HK\$5.9 million for the year ended 31 March 2023. The net profit margin was approximately 0.7% and 1.2% for the years ended 31 March 2023 and 2022, respectively, representing a decrease of approximately 0.5 percentage points. Such decrease was primarily attributable to the decrease in gross profit for the year ended 31 March 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group has a total of 226 full-time and three part-time employees (as at 31 March 2022: 223 full-time and one 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 and market conditions. The Group offers induction and other ad hoc training to employees according to the job nature and position of individual employee. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage, annual leave and share options and share awards which may be granted to eligible employees. The total staff costs (excluding Directors' remuneration) of the Group were approximately HK\$93.5 million and HK\$92.9 million for the years ended 31 March 2023 and 2022, respectively.

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

During the year ended 31 March 2023, 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 undertaken by the Group during the year ended 31 March 2023.

CAPITAL COMMITMENTS

As at 31 March 2023 and 2022, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

The Group provided unlimited guarantees in favour of 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\$64.5 million and HK\$77.9 million as at 31 March 2023 and 2022, respectively. Certain of these performance bonds granted were secured by pledged deposits of approximately HK\$22.8 million and HK\$26.2 million as at 31 March 2023 and 2022, respectively. Other than those disclosed above, the Group had no other material contingent liabilities as at 31 March 2023.

FOREIGN EXCHANGE EXPOSURE

The Group has a minimal exposure to foreign currency risk as most of its business transactions, 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 that it is not necessary for the Group to arrange any foreign currency hedging. The Group did not enter into any instrument for hedging purposes during the year ended 31 March 2023.

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 2023 and 2022, the Group had pledged deposits and cash and cash equivalents of approximately HK\$98.4 million and HK\$122.7 million, respectively. As at 31 March 2023 and 2022, the current ratio of the Group was approximately 2.5 times and 2.1 times, respectively.

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

During the year ended 31 March 2023, there has been no change in the capital structure of the Company.

DEBTS AND CHARGE ON ASSETS

As at 31 March 2023 and 2022, the Group has no outstanding bank borrowings. As at 31 March 2023 and 2022, the lease liabilities of the Group amounted to approximately HK\$6.7 million and HK\$7.9 million, respectively.

As at 31 March 2023 and 2022, the banking facilities of the Group were secured by (i) the Group's pledged deposits of approximately HK\$34.2 million and HK\$34.2 million, respectively; (ii) the Group's life insurance policy of approximately HK\$10.1 million and nil, respectively; and (iii) corporate guarantee executed by the Group.

During the year ended 31 March 2023, the Group's bank borrowings were denominated in Hong Kong Dollar and interests on bank borrowings were mainly charged at floating rate. The Group currently does not have any interest rate hedging policy. Although the Group had no outstanding bank borrowings as at 31 March 2023, the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

GEARING RATIO

As at 31 March 2023 and 2022, the gearing ratio of the Group (defined as the lease liabilities divided by total equity) was approximately 2.4% and 2.8%, respectively.

USE OF PROCEEDS

The Shares were successfully listed on the Main Board of 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, have been fully utilised during the year ended 31 March 2023 in accordance with the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 January 2019.

The particulars of the Net Proceeds utilised during the year ended 31 March 2023 are as follows:

	Planned use of Net Proceeds in total <i>HK\$ million</i>	Actual use of Net Proceeds during the year ended 31 March 2023 <i>HK\$ million</i>	Remaining balance of Net Proceeds as at 31 March 2023 <i>HK\$ million</i>
Strengthen the capacity in undertaking more building construction and RMAA works projects in Hong Kong	66.7	–	–
Strengthen the manpower	14.4	1.9	–
Upgrade and renovation of office	3.6	0.2	–
Develop engineering and technological innovation	2.9	0.4	–
General working capital	5.9	–	–
	<u>93.5</u>	<u>2.5</u>	<u>–</u>

PROPOSED FINAL DIVIDEND

At the Board meeting held on 29 June 2023, the Board has proposed to maintain the final dividend for the year ended 31 March 2023 to be paid at HK1.2 cents per Share (2022: HK1.2 cents per Share), which is the same as that of the previous year ended 31 March 2022. The final dividend declared for the year ended 31 March 2023 represents a pay-out ratio of 161% (2022: 68%). The proposed final dividend is subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting scheduled to be held on Friday, 18 August 2023 (the “**2023 AGM**”).

ANNUAL GENERAL MEETING

The 2023 AGM of the Company is scheduled to be held on Friday, 18 August 2023. A notice convening the 2023 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 who will be entitled to attend and vote at the 2023 AGM, the Register of Members of the Company will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023, 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 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 14 August 2023.

Subject to the Shareholders' approval at the 2023 AGM, to ascertain the Shareholders' entitlement to receiving the final dividend, the Register of Members of the Company will be closed from Thursday, 24 August 2023 to Friday, 25 August 2023, the period during which no transfer of Shares will be effected. Subject to the approval of the Shareholders at the 2023 AGM approving the payment of the final dividend, the final dividend is expected to be paid on Monday, 4 September 2023. 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, 23 August 2023.

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. For details of the Share Award Plan, please refer to the Company's announcement dated 31 July 2020. The Share Award Plan only involves existing Shares and no new Shares shall be issued thereunder.

During the year ended 31 March 2023, additional 1,492,000 Shares, amounted to approximately HK\$253,000, were purchased and held by the trustee for the benefit of the Eligible Participants under the Share Award Plan.

As at 31 March 2023 and up to the date of this announcement, the 6,796,000 Shares held by the trustee under the Share Award Plan have not yet been granted to any Eligible Participants. No share award has been granted, vested, cancelled or lapsed under the Share Award Plan since its Adoption Date and up to 31 March 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2023.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurred after 31 March 2023 and up to the date to this announcement which require 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 reviewing and enhancing the Group's corporate governance practices and procedures for the best interest of the Shareholders.

During the year ended 31 March 2023 and up to the date of this announcement, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (“**CG Code**”) in Appendix 14 to the Listing Rules except the deviation stipulated below.

Code Provision C.2.1 of the CG Code 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 the 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**”) as 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 2023 and up to the date of this announcement.

AUDIT COMMITTEE REVIEW

The consolidated financial statements of the Group for the year ended 31 March 2023 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 2023 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 2023 will be despatched to the Shareholders and published on the above websites by July 2023 according to the Listing Rules.

APPRECIATION

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. The Board would also like to take this opportunity to express our sincere thanks to our management team and all our staff members for their effort and significant contribution to the Group.

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

Hong Kong, 29 June 2023

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.