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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 INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

**FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately HK\$43.0 million or approximately 9.5% from approximately HK\$451.4 million for the six months ended 30 September 2022 to approximately HK\$494.4 million for the six months ended 30 September 2023.
- Gross profit increased by approximately HK\$1.5 million or approximately 7.2% from approximately HK\$20.7 million for the six months ended 30 September 2022 to approximately HK\$22.2 million for the six months ended 30 September 2023.
- Gross profit margin slightly decreased from approximately 4.6% for the six months ended 30 September 2022 to approximately 4.5% for the six months ended 30 September 2023.
- Profit attributable to the equity holders of the Company decreased by approximately HK\$0.4 million or approximately 15.4% from approximately HK\$2.6 million for the six months ended 30 September 2022 to approximately HK\$2.2 million for the six months ended 30 September 2023.
- Basic earnings per share for the six months ended 30 September 2023 was approximately HK0.3 cents (six months ended 30 September 2022: approximately HK0.3 cents).
- The Board resolved not to declare any interim dividend to the shareholders of the Company for the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Wecon Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2023 (the “**Interim Results**”), together with the comparative figures for the six months ended 30 September 2022. The Interim Results are unaudited, but have been reviewed by Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose report on review of the interim financial information will be included in the interim report to be sent to the shareholders of the Company by December 2023 in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Interim Results have also been reviewed by the audit committee of the Board (the “**Audit Committee**”).

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

*For the six months ended 30 September 2023*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2023</b>	2022
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
<b>REVENUE</b>	4	<b>494,390</b>	451,400
Cost of sales		<u>(472,209)</u>	<u>(430,655)</u>
<b>Gross profit</b>		<b>22,181</b>	20,745
Other income and gains		<b>3,886</b>	5,840
Administrative and other operating expenses, net		<b>(23,129)</b>	(24,182)
Finance costs	5	<u>(124)</u>	<u>(81)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>2,814</b>	2,322
Income tax	7	<u>(622)</u>	<u>249</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<u><b>2,192</b></u>	<u>2,571</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	8		
– Basic and diluted		<u><b>HK0.3 cents</b></u>	<u>HK0.3 cents</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2023

		<b>30 September 2023 (Unaudited) HK\$'000</b>	31 March 2023 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>8,416</b>	9,271
Right-of-use assets		<b>7,109</b>	7,021
Financial assets at fair value through profit or loss		<b>13,452</b>	13,383
Prepayments, deposits and other receivables		<b>8,238</b>	4,123
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>37,215</b>	33,798
<b>CURRENT ASSETS</b>			
Contract assets and trade receivables	<i>10</i>	<b>294,961</b>	251,761
Prepayments, deposits and other receivables		<b>50,079</b>	57,013
Financial assets at fair value through profit or loss		<b>15,870</b>	13,735
Pledged deposits		<b>34,190</b>	34,190
Cash and cash equivalents		<b>41,140</b>	64,226
		<hr/>	<hr/>
<b>Total current assets</b>		<b>436,240</b>	420,925
<b>CURRENT LIABILITIES</b>			
Trade and retention payables	<i>11</i>	<b>140,428</b>	129,115
Other payables and accruals		<b>49,588</b>	35,970
Lease liabilities		<b>4,554</b>	4,153
Tax payable		<b>1,259</b>	455
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>195,829</b>	169,693
<b>NET CURRENT ASSETS</b>		<hr/> <b>240,411</b>	<hr/> 251,232
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>277,626</b>	<hr/> 285,030

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

30 September 2023

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	436	618
Lease liabilities	<u>2,670</u>	<u>2,566</u>
<b>Total non-current liabilities</b>	<u>3,106</u>	<u>3,184</u>
<b>NET ASSETS</b>	<u>274,520</u>	<u>281,846</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued capital	8,000	8,000
Reserves	<u>266,520</u>	<u>273,846</u>
<b>Total equity</b>	<u>274,520</u>	<u>281,846</u>

## NOTES TO INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 September 2023

### 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2023.

The interim condensed consolidated financial information is presented in Hong Kong Dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The new and 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

#### 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 six months ended 30 September 2023 and 2022 is set out below.

#### Six months ended 30 September 2023

	<b>Construction contracts (Unaudited) HK\$'000</b>	<b>RMAA (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
<b>Segment revenue:</b>			
Revenue from external customers	<u>313,594</u>	<u>180,796</u>	<u>494,390</u>
<b>Segment results:</b>	<b>14,033</b>	<b>8,148</b>	<b>22,181</b>
Other income and gains			3,886
Fair value loss on financial assets at fair value through profit or loss, net			(2,527)
Depreciation (unallocated portion)			(3,435)
Impairment of contract assets, net			(106)
Impairment of trade receivables, net			(90)
Finance costs			(124)
Unallocated head office and corporate expenses			<u>(16,971)</u>
Profit before tax			2,814
Income tax expense			<u>(622)</u>
Profit for the period			<u><u>2,192</u></u>
<b>Segment assets and liabilities</b>			
Segment assets	263,779	84,558	348,337
Unallocated			<u>125,118</u>
Total assets			<u><u>473,455</u></u>
Segment liabilities	147,713	40,527	188,240
Unallocated			<u>10,695</u>
Total liabilities			<u><u>198,935</u></u>

### 3. OPERATING SEGMENT INFORMATION *(continued)*

#### Segment results, assets and liabilities *(continued)*

Six months ended 30 September 2022

	Construction contracts (Unaudited) <i>HK\$'000</i>	RMAA (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
<b>Segment revenue:</b>			
Revenue from external customers	<u>314,992</u>	<u>136,408</u>	<u>451,400</u>
<b>Segment results:</b>	13,720	7,025	20,745
Other income and gains			5,840
Fair value loss on financial assets at fair value through profit or loss, net			(2,853)
Depreciation (unallocated portion)			(3,713)
Impairment of contract assets, net			(47)
Reversal of impairment of trade receivables, net			9
Finance costs			(81)
Unallocated head office and corporate expenses			<u>(17,578)</u>
Profit before tax			2,322
Income tax credit			<u>249</u>
Profit for the period			<u><u>2,571</u></u>

As at 31 March 2023

	Construction contracts (Audited) <i>HK\$'000</i>	RMAA (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
<b>Segment assets and liabilities</b>			
Segment assets	229,408	78,918	308,326
Unallocated			<u>146,397</u>
Total assets			<u><u>454,723</u></u>
Segment liabilities	123,592	38,920	162,512
Unallocated			<u>10,365</u>
Total liabilities			<u><u>172,877</u></u>

#### 4. REVENUE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue from contracts with customers</b>		
Construction contracts	<b>313,594</b>	314,992
Repair, maintenance, alteration and addition ("RMAA")	<b>180,796</b>	136,408
	<b><u>494,390</u></b>	<u>451,400</u>

#### Revenue from contracts with customers

#### *Disaggregated revenue information*

For the six months ended 30 September 2023

<b>Segments</b>	<b>Construction contracts (Unaudited) HK\$'000</b>	<b>RMAA (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
<b>Type of services</b>			
Building construction services	<b>313,594</b>	–	<b>313,594</b>
RMAA works services	–	<b>180,796</b>	<b>180,796</b>
	<b><u>313,594</u></b>	<b><u>180,796</u></b>	<b><u>494,390</u></b>
Total revenue from contracts with customers	<b><u>313,594</u></b>	<b><u>180,796</u></b>	<b><u>494,390</u></b>



#### 4. REVENUE (continued)

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

##### Disaggregated revenue information (continued)

For the six months ended 30 September 2022

Segments	Construction contracts (Unaudited) <i>HK\$'000</i>	RMAA (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
<b>Type of services</b>			
Building construction services	314,992	–	314,992
RMAA works services	–	136,408	136,408
Total revenue from contracts with customers	<u>314,992</u>	<u>136,408</u>	<u>451,400</u>

The Group's revenue from contracts with customers was recognised over time for the six months ended 30 September 2023 and 2022.

#### 5. FINANCE COSTS

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

	<b>Six months ended 30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Interest on lease liabilities	<u>124</u>	<u>81</u>

## 6. PROFIT BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation of property, plant and equipment	<b>892</b>	1,051
Depreciation of right-of-use assets	<b>2,752</b>	2,848
Lease payments not included in the measurement of lease liabilities	<b>292</b>	133
Other charges in respect of rental premises	<b>146</b>	125
Employee benefit expense (excluding directors' remuneration):*		
Wages and salaries	<b>45,400</b>	43,387
Pension scheme contributions (defined contribution scheme)	<b>1,540</b>	1,572
	<b>46,940</b>	44,959
Gain on disposal of financial assets at fair value through profit or loss	<b>(35)</b>	(62)
Dividend income from equity investments at fair value through profit or loss	<b>(1,122)</b>	(1,108)
Fair value loss on financial assets at fair value through profit or loss, net**	<b>2,527</b>	2,853
Government grants#	<b>(17)</b>	(2,293)
Impairment of contract assets, net**	<b>106</b>	47
Impairment/(reversal of impairment) of trade receivables, net**	<b>90</b>	(9)

\* The employee benefit expense included in cost of sales was HK\$38,182,000 (2022: HK\$36,346,000).

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

# Government grants included in "Other income and gains" on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2022 mainly represented receipt under the Employment Support Scheme from the Government of the Hong Kong Special Administrative Region. There were no unfulfilled conditions or contingencies related to the grants.

## 7. INCOME TAX

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	<b>811</b>	147
Overprovision in prior years	<b>(7)</b>	–
Deferred	<b>(182)</b>	(396)
	<hr/>	<hr/>
Total tax charge/(credit) for the period	<b><u>622</u></b>	<b><u>(249)</u></b>

## 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 period attributable to equity holders of the Company of HK\$2,192,000 (2022: HK\$2,571,000), and the weighted average number of ordinary shares of 793,204,000 (2022: 794,696,000) in issue during the period.

The weighted average number of ordinary shares used in the calculation for the six months ended 30 September 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 six months ended 30 September 2023 and 2022.

## 9. DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

## 10. CONTRACT ASSETS AND TRADE RECEIVABLES

	<b>30 September 2023 (Unaudited) HK\$'000</b>	31 March 2023 (Audited) HK\$'000
Other contract assets	119,152	98,817
Retention receivables	<u>68,035</u>	<u>66,812</u>
	<b>187,187</b>	165,629
Less: Impairment	<u>(948)</u>	<u>(842)</u>
Net contract assets	<u>186,239</u>	164,787
Trade receivables	109,185	87,347
Less: Impairment	<u>(463)</u>	<u>(373)</u>
Net trade receivables	<u>108,722</u>	86,974
Total	<u><b>294,961</b></u>	<u>251,761</u>

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

	<b>30 September 2023 (Unaudited) HK\$'000</b>	31 March 2023 (Audited) HK\$'000
Within 90 days	107,453	86,085
91 to 180 days	1,133	180
181 to 365 days	51	695
Over 365 days	<u>85</u>	<u>14</u>
	<u><b>108,722</b></u>	<u>86,974</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:

	<b>30 September 2023 (Unaudited) HK\$'000</b>	31 March 2023 (Audited) HK\$'000
Trade payables:		
Within 3 months	76,464	61,568
Retention payables	<u>63,964</u>	<u>67,547</u>
	<u><b>140,428</b></u>	<u>129,115</u>

## **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.

## **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) repair, maintenance, alteration and addition (“**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 30 September 2023, the Group had nine major projects on hand with an awarded contract sum of HK\$10.0 million or above, which include projects in progress and projects that are yet to commence.

During the six months ended 30 September 2023, the Group completed four major projects with an awarded contract sum of HK\$10.0 million or above.

## **PROSPECTS**

During the six months ended 30 September 2023, the Group was successfully awarded two sizeable contracts with an aggregate contract sum of approximately HK\$546.7 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.

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 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 increased by approximately HK\$43.0 million or approximately 9.5% from approximately HK\$451.4 million for the six months ended 30 September 2022 to approximately HK\$494.4 million for the six months ended 30 September 2023.

#### **(i) Building Construction Services**

The revenue generated from the building construction services decreased by approximately HK\$1.4 million or approximately 0.4% from approximately HK\$315.0 million for the six months ended 30 September 2022 to approximately HK\$313.6 million for the six months ended 30 September 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 six months ended 30 September 2023. Such decrease, however, was partially offset by increase in revenue generated from other several major projects, which achieved significant progress during the six months ended 30 September 2023.

#### **(ii) RMAA Works Services**

The revenue generated from the RMAA works services increased by approximately HK\$44.4 million or approximately 32.6% from approximately HK\$136.4 million for the six months ended 30 September 2022 to approximately HK\$180.8 million for the six months ended 30 September 2023. Such increase was primarily attributable to increase in revenue generated from several major projects which achieved significant progress during the six months ended 30 September 2023.

### **Cost of Sales**

The cost of sales of the Group increased by approximately HK\$41.5 million or approximately 9.6% from approximately HK\$430.7 million for the six months ended 30 September 2022 to approximately HK\$472.2 million for the six months ended 30 September 2023. Such increase was mainly driven by the corresponding increase in revenue. The Group's cost of sales primarily consisted of subcontracting costs, material costs, direct staff costs and site overhead costs.

## **FINANCIAL REVIEW (continued)**

### **Gross Profit and Gross Profit Margin**

The gross profit of the Group increased by approximately HK\$1.5 million or approximately 7.2% from approximately HK\$20.7 million for the six months ended 30 September 2022 to approximately HK\$22.2 million for the six months ended 30 September 2023. The gross profit margin of the Group was approximately 4.5% and 4.6% for the six months ended 30 September 2023 and 2022, respectively, representing a slight decrease of approximately 0.1 percentage point.

#### **(i) Building Construction Services**

The gross profit of building construction services increased by approximately HK\$0.3 million or approximately 2.2% from approximately HK\$13.7 million for the six months ended 30 September 2022 to approximately HK\$14.0 million for the six months ended 30 September 2023. The gross profit margin of building construction services increased from approximately 4.4% for the six months ended 30 September 2022 to approximately 4.5% for the six months ended 30 September 2023. Such increase was primarily attributable to higher gross profit margin generated from several major projects which achieved significant progress during the six months ended 30 September 2023.

#### **(ii) RMAA Works Services**

The gross profit of RMAA works services increased by approximately HK\$1.1 million or approximately 15.7% from approximately HK\$7.0 million for the six months ended 30 September 2022 to approximately HK\$8.1 million for the six months ended 30 September 2023. However, the gross profit margin of RMAA works services decreased from approximately 5.1% for the six months ended 30 September 2022 to approximately 4.5% for the six months ended 30 September 2023. Such decrease was primarily attributable to lower gross profit margin generated from works orders performed under two major projects during the six months ended 30 September 2023.

### **Other Income and Gains**

The other income and gains of the Group decreased by approximately HK\$1.9 million or approximately 32.8% from approximately HK\$5.8 million for the six months ended 30 September 2022 to approximately HK\$3.9 million for the six months ended 30 September 2023. Such decrease was primarily attributable to the absence of a non-recurring government subsidy under the Employment Support Scheme established by the Government of Hong Kong SAR during the six months ended 30 September 2023.

### **Administrative and Other Operating Expenses, Net**

The administrative and other operating expenses, net of the Group decreased by approximately HK\$1.1 million or approximately 4.5% from approximately HK\$24.2 million for the six months ended 30 September 2022 to approximately HK\$23.1 million for the six months ended 30 September 2023. Such decrease was primarily attributable to decrease in fair value loss on financial assets at fair value through profit or loss, net.

## **FINANCIAL REVIEW (continued)**

### **Finance Costs**

The finance costs of the Group increased by approximately HK\$43,000 or approximately 53.1% from approximately HK\$81,000 for the six months ended 30 September 2022 to approximately HK\$124,000 for the six months ended 30 September 2023. Such increase was primarily attributable to the increase in interest expense on lease liabilities.

### **Income Tax**

The income tax expense of the Group was approximately HK\$0.6 million for the six months ended 30 September 2023, as compared to the income tax credit of approximately HK\$0.2 million for the six months ended 30 September 2022. The effective tax rate (defined as the income tax divided by profit before tax) was approximately 22.1% and (10.7)% for the six months ended 30 September 2023 and 2022, respectively. The increase of the effective tax rate was primarily attributable to the non-taxable non-recurring government subsidy recognised during the six months ended 30 September 2022, while no such government subsidy was recognised during the six months ended 30 September 2023.

### **Net Profit**

As a result of the foregoing, the net profit of the Group decreased by approximately HK\$0.4 million or approximately 15.4% from approximately HK\$2.6 million for the six months ended 30 September 2022 to approximately HK\$2.2 million for the six months ended 30 September 2023. The net profit margin was approximately 0.4% and 0.6% for the six months ended 30 September 2023 and 2022, respectively, representing a decrease of approximately 0.2 percentage point. Such decrease was mainly due to the decrease in gross profit margin and the absence of government subsidy for the six months ended 30 September 2023.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2023, the Group has a total of 212 full-time and one part-time employees (as at 30 September 2022: 213 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 employee 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\$46.9 million and HK\$45.0 million for the six months ended 30 September 2023 and 2022, respectively.



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

During the six months ended 30 September 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 six months ended 30 September 2023.

## **CAPITAL COMMITMENTS**

As at 30 September 2023, the Group had no significant capital commitments (as at 31 March 2023: nil).

## **CONTINGENT LIABILITIES**

As at 30 September 2023, 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\$51.4 million (as at 31 March 2023: approximately HK\$64.5 million). As at 30 September 2023, certain of these performance bonds granted were secured by pledged deposits of approximately HK\$15.5 million (as at 31 March 2023: approximately HK\$22.8 million). Other than those disclosed above, the Group had no other material contingent liabilities as at 30 September 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 and there were no foreign currency investments which were hedged by currency borrowings, and no other hedging instruments were entered into by the Group during the six months ended 30 September 2023.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

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

As at 30 September 2023, the Group had pledged deposits and cash and cash equivalents of approximately HK\$75.3 million (as at 31 March 2023: approximately HK\$98.4 million). As at 30 September 2023, the current ratio of the Group was approximately 2.2 times (as at 31 March 2023: approximately 2.5 times).

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 six months ended 30 September 2023, there has been no change in the capital structure of the Company.

## **DEBTS AND CHARGE ON ASSETS**

As at 30 September 2023, the Group has no outstanding bank borrowings (as at 31 March 2023: nil). As at 30 September 2023, the lease liabilities of the Group amounted to approximately HK\$7.2 million (as at 31 March 2023: approximately HK\$6.7 million).

As at 30 September 2023, the banking facilities of the Group were secured by (i) the Group's pledged deposits of approximately HK\$34.2 million (as at 31 March 2023: approximately HK\$34.2 million); (ii) the Group's life insurance policy of approximately HK\$10.1 million (as at 31 March 2023: approximately HK\$10.1 million); and (iii) corporate guarantee executed by the Company.

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 30 September 2023, the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

## **GEARING RATIO**

As at 30 September 2023, the gearing ratio of the Group (defined as the lease liabilities divided by total equity) was approximately 2.6% (as at 31 March 2023: approximately 2.4%).

## **SHARE OPTIONS 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.

As at 30 September 2023 and the date of this announcement, 6,796,000 Shares were held respectively by the trustee under the Share Award Plan, under which no Shares have been granted to any Eligible Participants and were available to be granted to Eligible Participants. No share award has been granted, vested, cancelled or lapsed under the Share Award Plan since its Adoption Date and up to 30 September 2023.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend to the shareholders of the Company for the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

## **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 six months ended 30 September 2023.

## **EVENTS AFTER THE REPORTING PERIOD**

There have been no significant events occurred after 30 September 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 of the Company.

During the six months ended 30 September 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 of the Company 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 six months ended 30 September 2023 and up to the date of this announcement.

## **AUDIT COMMITTEE REVIEW**

The interim condensed consolidated financial information of the Group for the six months ended 30 September 2023 has been reviewed by the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim 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 interim report of the Company for the six months ended 30 September 2023 will be despatched to the shareholders of the Company and published on the above websites by December 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 November 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.*