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WK Group (Holdings) Limited

泓基集團(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2535)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately HK\$33.8 million or 10.1%, from approximately HK\$336.4 million for the year ended 31 December 2022 to approximately HK\$370.2 million for the year ended 31 December 2023.
- Gross profit increased by approximately HK\$4.2 million or 6.2%, from approximately HK\$66.9 million for the year ended 31 December 2022 to approximately HK\$71.1 million for the year ended 31 December 2023.
- The Group recorded a profit attributable to owners of the Company of approximately HK\$25.2 million for the year ended 31 December 2023 (2022: approximately HK\$39.3 million).
- Basic earnings per share was approximately HK1.7 cents for the year ended 31 December 2023 (2022: approximately HK2.6 cents).
- The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2023.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of WK Group (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 December 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Revenue	3	370,226	336,384
Cost of services	5	<u>(299,128)</u>	<u>(269,445)</u>
Gross profit		71,098	66,939
Other income	4	181	2,611
Other (loss)/gain, net	4	(484)	123
Administrative expenses	5	(19,128)	(19,078)
Listing expenses		(15,982)	–
Impairment losses on financial assets and contract assets		<u>(1,577)</u>	<u>(3,800)</u>
Operating profit		<u>34,108</u>	<u>46,795</u>
Finance income	6	207	95
Finance costs	6	<u>(662)</u>	<u>(434)</u>
Finance costs, net		<u>(455)</u>	<u>(339)</u>
Profit before income tax expense		33,653	46,456
Income tax expense	7	<u>(8,448)</u>	<u>(7,191)</u>
Profit for the year attributable to owners of the Company		<u>25,205</u>	<u>39,265</u>
Earnings per share attributable to owners of the Company			
Basic and diluted (expressed in HK cents per share)	8	<u>HK1.7cents</u>	<u>HK2.6cents</u>
Profit for the year		25,205	39,265
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Currency translation differences		<u>440</u>	<u>1,482</u>
Total comprehensive income for the year attributable to owners of the Company		<u>25,645</u>	<u>40,747</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		6,482	7,100
Right-of-use assets		5,484	10,546
Deferred income tax assets		773	534
Investments in life insurance contracts		5,901	3,460
Deposits		–	1,013
		<u>18,640</u>	<u>22,653</u>
Current assets			
Trade receivables	<i>10</i>	43,199	14,493
Contract assets	<i>11</i>	161,569	73,758
Other receivables, deposits and prepayments		12,620	3,651
Amounts due from directors		759	–
Amount due from a related company		11,627	12,018
Cash and cash equivalents		8,650	70,880
		<u>238,424</u>	<u>174,800</u>
Total assets		<u>257,064</u>	<u>197,453</u>
Equity			
Equity attributable to owners of the Company			
Share capital		–*	–
Capital reserve		1,700	1,700
Reserves		(437)	(877)
Retained earnings		134,970	129,765
		<u>136,233</u>	<u>130,588</u>
Total equity		<u>136,233</u>	<u>130,588</u>

* The amount is below HK\$1,000.

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Liabilities			
Non-current liabilities			
Lease liabilities		<u>110</u>	<u>4,192</u>
Current liabilities			
Trade and retention payables	<i>12</i>	83,624	27,280
Accruals and other payables		17,516	7,891
Amounts due to directors		–	5,991
Contract liabilities	<i>11</i>	3,196	2,200
Lease liabilities		2,896	4,352
Bank borrowings		9,886	10,638
Current income tax liabilities		<u>3,603</u>	<u>4,321</u>
		<u>120,721</u>	<u>62,673</u>
Total liabilities		<u>120,831</u>	<u>66,865</u>
Total equity and liabilities		<u>257,064</u>	<u>197,453</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

WK Group (Holdings) Limited (the “**Company**”) was incorporated in the Cayman Islands on 28 June 2023 as an exempted company with limited liability under Companies Act (as revised) of the Cayman Islands. The address of the Company’s registered office is Suite 102, Cannon Place, P.O. Box 712, North Sound Rd., George Town, Grand Cayman KY1-9006, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are engaged in the provision of services for structural steelwork in Hong Kong. The ultimate holding company of the Company is WK (BVI) Limited (“**WK (BVI)**”), a limited liability company incorporated in the British Virgin Islands (the “**BVI**”). The ultimate controlling shareholders of the Group are Mr. Chan Kam Kei, Mr. Chan Kam Kong, Mr. Chan Wing Hong, Ms. Choi Chick Cheong and Ms. Chan Suk Man (together the “**Controlling Shareholders**”).

On 8 March 2024, the shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”) by way of share offer (the “**Share Offer**”).

2. BASIS OF PREPARATION

The consolidated financial information of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Companies Ordinance (Cap. 622 of the laws of Hong Kong). The consolidated financial information has been prepared under the historical cost convention, except for the investments in life insurance contracts, which have been measured at cash surrender value.

The preparation of the consolidated financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

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

The following amendments to standards, and interpretation that have been issued, but are not yet effective for the year ended 31 December 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 7 and HKAS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these amended standards and interpretation. According to the preliminary assessment made by the directors of the Company now comprising the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

3. REVENUE AND SEGMENT INFORMATION

The executive directors are identified as the chief operating decision makers (“CODM”) of the Group who review the Group’s internal reporting in order to assess performance and allocate resources.

The Group’s revenue is derived from provision of structural steelwork in Hong Kong and accordingly, there is only one single operating segment for the Group under HKFRS 8.

Revenue

	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Structural steelwork	<u>370,226</u>	<u>336,384</u>

All of the Group’s revenue is recognised over time.

Revenue from major customers

Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Customer 1	113,294	214,167
Customer 2	76,487	N/A *
Customer 3	55,205	N/A *
Customer 4	<u>42,857</u>	<u>N/A</u> *

* Represent less than 10% of revenue for the respective year.

All of the Group’s revenue are generated in Hong Kong.

4. OTHER INCOME AND OTHER (LOSS)/GAIN, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Government grants (<i>Note</i>)	<u>181</u>	<u>2,611</u>
Other (loss)/gain, net		
Change in value of life insurance contracts	(405)	100
(Loss)/gain on disposal of plant and equipment	<u>(79)</u>	<u>23</u>
	<u>(484)</u>	<u>123</u>
	<u>(303)</u>	<u>2,734</u>

Note: The amount in 2022 mainly represented wage subsidies granted under the Employment Support Scheme of the Anti-Epidemic Fund. Subsidies were offered to employers who had employed regular employees and paid MPF for them. Wage subsidies were granted to the Group to pay wages and MPF of regular employees from May 2022 to July 2022.

5. EXPENSES BY NATURE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Employee benefit expenses (including directors' remuneration)		
– Directors' fees	–	–
– Salaries, wages, bonuses and other welfare and allowances	39,267	44,520
– Pension costs – defined contribution plan	<u>1,476</u>	<u>1,280</u>
	<u>40,743</u>	<u>45,800</u>
Auditor's remuneration – audit services	1,000	98
Depreciation of plant and equipment	1,849	2,050
Depreciation of right-of-use assets	<u>3,956</u>	<u>3,338</u>

6. FINANCE COSTS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance income:		
– Interest income from bank deposits	(181)	(73)
– Unwinding of discount impact	(26)	(22)
	<u>(207)</u>	<u>(95)</u>
Finance costs:		
– Interest expense on bank borrowings	446	316
– Interest expense on lease liabilities	216	118
	<u>662</u>	<u>434</u>
Finance costs, net	<u><u>455</u></u>	<u><u>339</u></u>

7. INCOME TAX EXPENSE

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Current income tax	8,688	7,946
Deferred income tax	(240)	(755)
	<u><u>8,448</u></u>	<u><u>7,191</u></u>

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK\$25,205,000 (2022: approximately HK\$39,265,000), and the weighted average number of ordinary shares of 1,500,000,000 (2022: 1,500,000,000) during the year.

For the years ended 31 December 2023 and 2022, the weighted average number of ordinary shares used for the purpose of basic earnings per share has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue of 1,499,999,999 shares which took place on 8 March 2024.

9. DIVIDEND

During the year ended 31 December 2023 and prior to the Reorganisation (as defined in the Prospectus), dividends of HK\$20,000,000 were declared and settled by a subsidiary of the Company to its then shareholders (2022: HK\$8,000,000).

In January 2024, prior to the Capitalisation Issue and the Listing, the Company declared an interim dividend of approximately HK\$26,586,000, of which approximately HK\$10,000,000 was settled by cash and approximately HK\$16,586,000 was offset against the aggregate amounts due from the Directors and the related company.

No dividend has been paid or declared by the Company for the year ended 31 December 2023 (2022: nil).

10. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	46,063	17,143
Less: provision for impairment	<u>(2,864)</u>	<u>(2,650)</u>
Trade receivables, net	<u>43,199</u>	<u>14,493</u>

The ageing analysis of the trade receivables based on invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	43,077	14,458
91-180 days	376	–
Over 180 days	<u>2,610</u>	<u>2,685</u>
	<u>46,063</u>	<u>17,143</u>

The credit terms provided to customers mainly range from 30 to 60 days. The Group's trade receivables are denominated in HK\$.

The carrying amounts of trade receivables approximate their fair values.

11. Contract assets and contract liabilities

Included in contract assets/(liabilities) are the following:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract assets		
Unbilled revenue	96,060	20,698
Retention receivables for structural steelwork	<u>69,668</u>	<u>55,856</u>
Total contract assets	165,728	76,554
Less: provision for impairment	<u>(4,159)</u>	<u>(2,796)</u>
Contract assets, net	<u>161,569</u>	<u>73,758</u>
Contract liabilities	<u>(3,196)</u>	<u>(2,200)</u>

12. TRADE AND RETENTION PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	77,770	20,105
Retention payables	<u>5,854</u>	<u>7,175</u>
	<u>83,624</u>	<u>27,280</u>

The trade and retention payables are mainly denominated in HK\$ and the carrying amounts approximate to their fair values.

As at 31 December 2023, the ageing analysis of the trade payables based on invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	23,730	6,851
31 – 60 days	28,475	4,998
61 – 90 days	1,939	5,307
More than 90 days	<u>23,626</u>	<u>2,949</u>
	<u>77,770</u>	<u>20,105</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 March 2024 (the “**Listing Date**”) by way of share offer (the “**Share Offer**”) (the “**Listing**”).

The Group is a structural steelwork contractor in Hong Kong, specialising in the supply, fabrication and installation of structural steel for construction projects in Hong Kong. According to the industry report included in the Company’s prospectus dated 29 February 2024 (the “**Prospectus**”), the demand for structural steelwork in Hong Kong will continue to grow at a CAGR of approximately 4.8% from 2023 to 2027, reaching a gross value of approximately HK\$12,580.1 million in 2027. Driven by various growth drivers including (i) the demand for structural steelwork generated from the planned and ongoing infrastructural and property developments in both public and private sectors in Hong Kong; (ii) the increasingly common adoption of structural steelwork for construction in Hong Kong owing to its eco-friendliness nature, flexibility of use and better performance in achieving space efficiency; and (iii) the growing emphasis and continuous support from the Hong Kong government for the development of the structural steelwork industry, including the increase in use of steel structures by the Hong Kong government in major infrastructure projects and the establishment of the Chinese National Engineering Research Centre for Steel Construction at the Hong Kong Polytechnic University, which is likely to improve applied research and technology in structural steel engineering and infrastructure sustainability, as well as strengthen the structural steel engineering industry’s productivity, capability and competitiveness. The gross value of structural steelwork in Hong Kong is expected to maintain a steady growth.

During the year ended 31 December 2023, the Group successfully secured numerous tendering opportunities by demonstrating the Group’s capabilities and effectively managing the resources. The Group possessed professional expertise and technical competence, which allowed the Group to obtain different business opportunities through customer invitations for tender. Furthermore, the Group had extensive experience and knowledge in the field of structural steelwork. Whether it was in fabrication or forming of steel structures, the Group was able to deliver high-quality services. The Group’s engineers and technical staff have strong professional backgrounds and skills, empowering them to tackle various complex engineering challenges and meet the specifications outlined in building plans and designs.

Through the efforts to respond to tender invitations from customers, the Group was awarded the following tenders, leading to revenue growth of the Group during the year ended 31 December 2023:

- (i) a private commercial development located at Causeway Bay with an estimated contract sum of approximately HK\$388.0 million;
- (ii) a private commercial development located at Central with an estimated contract sum of approximately HK\$55.0 million;

- (iii) a public residential development located at Tung Chung with an estimated contract sum of approximately HK\$43.8 million; and
- (iv) an infrastructure and public facilities development located at Kai Tak with an estimated contract sum of approximately HK\$62.7 million.

As at 31 December 2023, the Group had 19 projects (31 December 2022: 28 projects) on hand with backlog value of approximately HK\$550.5 million (31 December 2022: approximately HK\$253.5 million).

PROSPECTS

The principal business objective of the Group is to further strengthen its market position, increase its market share and capture the growth in the Hong Kong structural steelwork industry. The Group intends to achieve its business objective by expanding the scale of operation through its intended effort in actively seeking opportunities in undertaking additional structural steelwork projects, from both existing and potential new customers, on top of the present scale of operation and our current projects on hand. The Group intends to pursue the following key business strategies: (i) competing for structural steelwork projects and expanding its market share; (ii) expanding its production capacity of structural steel; (iii) adhering to prudent financial management to ensure optimal finance costs and capital sufficiency; and (iv) expanding our workforce.

In the face of economic uncertainties and government budget deficits, the Group maintains a cautious and attentive approach towards market fluctuations. It closely monitors market trends, economic indicators, and government policies, enabling it to make informed decisions and adjust strategies accordingly. The Group allocates resources prudently, maintains strong customer relationships, and responds promptly to changes. These measures ensure the resilience and reliability of the Group in uncertain times.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately HK\$33.8 million or 10.1%, from approximately HK\$336.4 million for the year ended 31 December 2022 to approximately HK\$370.2 million for the year ended 31 December 2023, which was mainly attributable to the revenue contributed by some new projects were awarded in 2023, such as (i) a private commercial development located at Causeway Bay with an estimated contract sum of approximately HK\$388.0 million; (ii) a private commercial development located at Central with an estimated contract sum of approximately HK\$55.0 million; (iii) a public residential development located at Tung Chung with an estimated contract sum of approximately HK\$43.8 million, and (iv) an infrastructure and public facilities development located at Kai Tak with an estimated contract sum of approximately HK\$62.7 million, resulting in more amount of works performed during the year ended 31 December 2023.

Cost of Services

Cost of services mainly comprised cost of materials, subcontracting fees, direct labour costs, transportation and machinery service fees.

The cost of services increased by approximately HK\$29.7 million or 11.0%, from approximately HK\$269.4 million for the year ended 31 December 2022 to approximately HK\$299.1 million for the year ended 31 December 2023. The increase was primarily driven by the increase in the amount of works performed, which was in line with the increase in our revenue.

Gross profit and gross profit margin

Gross profit increased by approximately HK\$4.2 million or 6.2%, from approximately HK\$66.9 million for the year ended 31 December 2022 to approximately HK\$71.1 million for the year ended 31 December 2023, which was mainly driven by the increase in revenue as discussed above. Gross profit margin remained stable at approximately 19.9% for the year ended 31 December 2022 and at approximately 19.2% for the year ended 31 December 2023.

Other income and other (loss)/gain, net

Other income and other net (loss)/gain changed from other income and gain of approximately HK\$2.7 million for the year ended 31 December 2022 to other loss of approximately HK\$0.3 million for the year ended 31 December 2023, which was mainly due to (i) the decrease in government grants received by the Group from Employment Support Scheme under Anti-Epidemic Fund; and (ii) the loss recognised for the change in value of life insurance contracts, which was measured at its cash surrender value at each balance sheet date.

Administrative expenses

Administrative expenses mainly comprised staff costs, motor vehicles expenses, depreciation and exchange differences.

Administrative expenses remained stable at approximately HK\$19.1 million and HK\$19.1 million for the year ended 31 December 2023 and 31 December 2022, respectively. The increase in audit fee and staff costs is offset by the decrease in exchange losses recognised in relation to the Group's operation in the People's Republic of China ("PRC").

Impairment losses on financial assets and contract assets

The Group recorded impairment losses on financial assets and contract assets of approximately HK\$3.8 million for the year ended 31 December 2022 and approximately HK\$1.6 million for the year ended 31 December 2023. Such decrease was mainly due to the specific provision made on trade receivable and retention receivable from one of our customers for the year ended 31 December 2022.

Profit for the year

As a result of the foregoing and the Listing expenses of approximately HK\$16.0 million incurred during the year ended 31 December 2023, the profit for the year decreased by approximately HK\$14.1 million or 35.8%, from approximately HK\$39.3 million for the year ended 31 December 2022 to approximately HK\$25.2 million for the year ended 31 December 2023, while the net profit margin decreased from approximately 11.7% for the year ended 31 December 2022 to approximately 6.8% for the the year ended 31 December 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group needs to maintain a solid liquidity for working capital to support the Group's business operations. The principal sources of liquidity are equity capital, cash generated from operations and bank borrowings. As at 31 December 2023, the Group maintained a healthy liquidity position with net current assets balance of approximately HK\$117.7 million (2022: approximately HK\$112.1 million) and comprising cash and cash equivalents of approximately HK\$8.7 million (2022: approximately HK\$70.9 million), respectively. The cash and cash equivalents were denominated in Hong Kong dollars and in Renminbi ("RMB"). The Shares were listed on the Main Board of the Stock Exchange on 8 March 2024. There has been no change in the capital structure of the Company since then. As at the date of this announcement, the capital structure of the Company comprised mainly issued share capital and reserves. The Group also deployed bank borrowings as its financial resources.

Bank Borrowings

Bank borrowings as at 31 December 2023 amounted to approximately HK\$9.9 million (2022: approximately HK\$10.6 million). The bank borrowings were denominated in Hong Kong dollars and bear interest at floating rates.

Gearing Ratio

Gearing ratio is calculated as total borrowings (i.e. bank borrowings, amounts due to directors and lease liabilities) divided by the total equity as at the respective reporting dates. The gearing ratio decreased from 19.3% as at 31 December 2022 to approximately 9.5% as at 31 December 2023. Such decrease was mainly due to the decrease in lease liabilities and amounts due to directors.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. bank borrowings, amounts due to directors and lease liabilities, net of cash and cash equivalents) divided by total equity as at the respective reporting dates. The Group recorded net cash positions as at 31 December 2022. The net debt to equity ratio was approximately 3.1% as at 31 December 2023, which was due to the dividend distribution.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Capital Expenditures

For the year ended 31 December 2023, the Group incurred capital expenditures of approximately HK\$1.4 million (2022: approximately HK\$0.3 million).

CONTINGENT LIABILITIES

During the year ended 31 December 2023 and in the ordinary course of the Group's business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The Board is of the opinion that such claims are covered by insurance and will not result in any material adverse impact on the financial position or results and operations of the Group. No provision has been made in respect of these claims in the year ended 31 December 2023.

OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

The Directors confirm that as at the date of this announcement, the Group did not have any off-balance sheet arrangements or commitments.

PLEDGE OF ASSETS

As at 31 December 2023, (i) non-revolving loan facility amounting to approximately HK\$7.0 million and revolving loan facility amounting to approximately HK\$2.0 million were guaranteed by Mr. Chan Kam Kei, Mr. Chan Kam Kong, Ms. Chan Suk Man and Mr. Chan Wing Hong, and were secured by properties owned by Wealthy River International Investment Limited, being a related company of the Group, and life insurance contracts owned by Mr. Chan Kam Kei and Ms. Chan Suk Man; and (ii) non-revolving loan facility amounting to approximately HK\$0.9 million was secured by the properties owned by Wealthy River International Investment Limited, Mr. Chan Wing Hong and Ms. Choi Chick Cheong, and was guaranteed by Mr. Chan Kam Kong, Mr. Chan Kam Kei and Mr. Chan Wing Hong respectively.

SIGNIFICANT INVESTMENTS, ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2023, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

FOREIGN EXCHANGE EXPOSURE

The Group's revenue from customers is mainly from Hong Kong while the part of materials purchased in the PRC and the fabrication of structural steel mainly operates in the PRC. Accordingly, the revenue is received in HK\$ while part of costs arising from the Group's operations are generally settled in RMB. As a result, fluctuations in the value of HK\$ against RMB could adversely affect the financial results of the Group. During the year ended 31 December 2023, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation.

The Group did not use any financial instruments for hedging purposes during the year ended 31 December 2023 and there was no hedging instruments outstanding as at 31 December 2023. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

FINANCIAL INSTRUMENTS

As at 31 December 2023, the major financial instruments include trade receivables, other receivables and deposits, amounts due from/(to) directors, cash and cash equivalents, trade payables, accruals and other payables, bank borrowings and lease liabilities. The management manages such exposure to ensure appropriate measures are implemented in a timely and effective manner.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 148 employees (2022: 144 employees) who were directly employed by the Group and based in Hong Kong and the PRC. The Group offers remuneration package to the employees which includes salary and bonuses. Generally, the Group considers employees' salaries based on each of their qualifications, position and seniority. The Group has an annual review system to appraise the performance of the employees, which constitutes the grounds of the decision as to the salary raises, bonuses and promotions. The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

EVENTS AFTER THE REPORTING PERIOD

Prior to the Listing, in January 2024, the Company declared an interim dividend of approximately HK\$26,586,000, of which approximately HK\$10,000,000 was settled by cash and approximately HK\$16,586,000 was offset against the aggregate amounts due from the Directors and the related company.

On 8 March 2024, the Company issued additional 1,499,999,999 Shares by way of capitalisation of HK\$14,999,999.99 standing to the credit of the Company's share premium account (the "**Capitalisation Issue**"). On the same day, the Shares were listed on the Main Board of the Stock Exchange with an offer price of HK\$0.25 per Share. In connection with the Listing, the Company issued a total of 500,000,000 Shares for total proceeds (before related fees and expenses) of HK\$125,000,000. Dealing in the shares of the Company on the Main Board of the Stock Exchange commenced on 8 March 2024.

Save as disclosed above, there were no material events from the end of the reporting period up to the date of this announcement.

USE OF PROCEEDS

The Shares were successfully listed on the Main Board of the Stock Exchange on 8 March 2024.

The amount of gross proceeds from the Share Offer is HK\$125 million and the amount of net proceeds from the Share Offer is approximately HK\$91.0 million after deducting underwriting commissions and the expenses relating to the Share Offer (the "**Net Proceeds**").

The Net Proceeds will be used in the manner consistent with that as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the details of which are as outlined below:

Purposes	Intended use of Net Proceeds <i>HK\$ million</i>	Approximate Percentage of the Total Net Proceeds	Expected timeline for the use of Net Proceeds
Financing the up-front costs of projects	56.0	61.5%	December 2024
Acquiring a piece of land and setting up a new production facility	33.1	36.4%	December 2025
Expanding and strengthening manpower	1.9	2.1%	December 2024
	<u>91.0</u>	<u>100%</u>	

As at the date of this results announcement, there was no change for the intended use of Net Proceeds as disclosed in the Prospectus. Since the Listing Date and up to the date of this announcement, the Company has not yet utilised the Net Proceeds.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus, as at the date of this announcement, the Group did not have other plans for material investments and capital assets.

DIVIDEND

During the year ended 31 December 2023 and prior to the Reorganisation (as defined in the Prospectus), dividends of HK\$20,000,000 were declared and settled by a subsidiary of the Company to its then shareholders (2022: HK\$8,000,000).

In January 2024, prior to the Capitalisation Issue and the Listing, the Company declared an interim dividend of approximately HK\$26.6 million (representing approximately HK\$26.6 million per ordinary Share), of which approximately HK\$10.0 million was settled by cash before the Listing and approximately HK\$16.6 million was offset against the aggregate amounts due from the Directors and the related company.

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the period from the Listing Date to the date of this announcement, the Company has complied with the applicable code provisions of the CG Code and, where applicable, the recommended best practices of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the required standard for securities transactions by Directors. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code during the period from the Listing Date to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the period from the Listing Date to the date of this announcement.

SHARE OPTION SCHEME

Written resolutions were passed on 5 February 2024 to adopt the share option scheme (the "**Scheme**"). The principal terms of the Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V of the Prospectus.

No share options have been granted, exercised, cancelled, forfeited or lapsed under the Scheme during the period from the Listing Date to the date of this announcement. The Scheme will remain in force for a period of 10 years after the date of adoption.

MANAGEMENT CONTRACT

No contract, other than a contract of service with any Director or any person in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public during the period from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph D.3.3 of part 2 of the Corporate Governance Code. The primary duties of the audit committee are, among others, to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of the Company and perform other duties and responsibilities assigned by the Board.

The audit committee comprises Mr. Yu Chun Kit, Mr. Cha Ho Wa and Mr. Liu Chi Kwun Albert, all being our independent non-executive Directors. Mr. Yu Chun Kit is the chairperson of our audit committee.

The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2023 and confirmed that they were prepared in accordance with applicable financial reporting standards and the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement for the year ended 31 December 2023 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting (“**2024 AGM**”) of the Company will be held on 24 May 2024 and the notice and circular of the 2024 AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the Shareholders who will be entitled to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024, 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 2024 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, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 May 2024.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement and the annual report are published on the Company’s website at www.wing-kei.com.hk and the Stock Exchange’s website at www.hkexnews.hk. The annual report of the Company for the year ended 31 December 2023 will be published on the websites of both the Stock Exchange and the Company in due course in the manner as required by the Listing Rules.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the period.

On behalf of the Board
WK Group (Holdings) Limited
Chan Wing Hong
Chairman and Non-executive Director

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises Mr. Chan Kam Kei, Mr. Chan Kam Kong and Ms. Chan Suk Man as executive Directors; Mr. Chan Wing Hong and Ms. Choi Chick Cheong as non-executive Directors; and Mr. Cha Ho Wa, Mr. Yu Chun Kit and Mr. Liu Chi Kwun Albert as independent non-executive Directors.