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WING CHI HOLDINGS LIMITED

榮智控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 6080)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of directors (the “**Board**”) of Wing Chi Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2018 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$189.3 million for the six months ended 30 September 2018, representing a decrease of approximately 30.3% as compared to that for the same period in 2017.
2. Gross loss was approximately HK\$15.9 million for the six months ended 30 September 2018, turning profit into loss compared to gross profit of approximately HK\$29.7 million for the same period in 2017.
3. Gross loss margin for the six months ended 30 September 2018 was approximately 8.4%, compared to gross profit margin of approximately 10.9% for the same period in 2017.
4. Loss attributable to owners of the Company was approximately HK\$26.8 million for the six months ended 30 September 2018 as compared to profit attributable to owners of the Company of approximately HK\$5.9 million for the same period in 2017. The decrease was principally attributable to the gross loss during the six months ended 30 September 2018.
5. Loss per share amounted to approximately HK\$2.9 cents for the six months ended 30 September 2018 as compared to earnings per share amounted to approximately HK\$0.9 cents for the same period in 2017.
6. The Board does not recommend the payment of interim dividend for the six months ended 30 September 2018.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		Six months ended	
		30 September	
	<i>Notes</i>	2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	189,308	271,427
Cost of sales		(205,160)	(241,710)
Gross (loss) profit		(15,852)	29,717
Other income	6	1,264	821
Administrative expenses		(10,905)	(20,368)
Finance costs	7	(142)	(296)
(Loss) profit before taxation		(25,635)	9,874
Income tax expense	8	(1,188)	(3,972)
(Loss) profit and total comprehensive (expense) income for the period	9	(26,823)	5,902
(Loss) earnings per share:			
Basic and diluted	11	(2.9) cents	0.9 cents

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

		At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Non-current assets			
Plant and equipment		40,131	24,902
Investment property		8,000	6,930
Deposits paid for acquisition of plant and equipment		—	2,222
		<u>48,131</u>	<u>34,054</u>
Current assets			
Amounts due from customers for contract work		—	83,030
Contract assets		76,841	—
Trade and other receivables	12	50,280	43,215
Tax recoverable		414	—
Restricted bank deposits		23,906	10,869
Bank balances and cash		35,698	89,496
		<u>187,139</u>	<u>226,610</u>
Current liabilities			
Amounts due to customers for contract work		—	1,793
Contract liabilities		3,436	—
Trade and other payables	13	41,398	41,887
Bank borrowings		2,215	2,461
Obligations under finance leases — due within one year		2,500	1,868
Tax payable		123	1,084
		<u>49,672</u>	<u>49,093</u>
Net current assets		<u>137,467</u>	<u>177,517</u>
Total assets less current liabilities		<u>185,598</u>	<u>211,571</u>

		At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
Capital and reserves			
Share capital	<i>14</i>	9,338	9,338
Reserves		171,358	198,181
		<hr/> 180,696	<hr/> 207,519
Non-current liabilities			
Obligations under finance leases			
— due after one year		2,508	2,454
Deferred tax liabilities		2,394	1,598
		<hr/> 4,902	<hr/> 4,052
		<hr/> 185,598	<hr/> 211,571

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(Note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018 (Audited)	9,338	115,593	10	82,578	207,519
Loss and total comprehensive expense for the period (Unaudited)	—	—	—	(26,823)	(26,823)
At 30 September 2018 (Unaudited)	<u>9,338</u>	<u>115,593</u>	<u>10</u>	<u>55,755</u>	<u>180,696</u>
At 1 April 2017 (Audited)	—	—	10	70,589	70,599
Profit and total comprehensive income for the period (Unaudited)	—	—	—	5,902	5,902
At 30 September 2017 (Unaudited)	<u>—</u>	<u>—</u>	<u>10</u>	<u>76,491</u>	<u>76,501</u>

Note:

Merger reserve represented the difference between the nominal value of the shares issued by the Company and the amount of issued share capital of the subsidiaries acquired pursuant to the group reorganisation.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in) generated from operation	(33,651)	7,867
Income taxes paid	(1,767)	(1,339)
	<u>(35,418)</u>	<u>6,528</u>
Cash flows from investing activities		
Purchase of plant and equipment	(16,957)	(472)
Proceeds from disposal of plant and equipment	–	135
Interest received	79	–
Government subsidy received	–	250
	<u>(16,878)</u>	<u>(87)</u>
Cash flows from financing activities		
Repayment of bank borrowings	(246)	(6,155)
Repayment of obligations under finance leases	(1,114)	(1,496)
Repayment to a director	–	(1,059)
Interest paid	(142)	(296)
	<u>(1,502)</u>	<u>(9,006)</u>
Net cash used in investing activities		
Net cash used in financing activities	(1,502)	(9,006)
Net decrease in cash and cash equivalents	(53,798)	(2,565)
Cash and cash equivalents at 1 April	89,496	21,328
Cash and cash equivalents at 30 September, represented by bank balances and cash	<u>35,698</u>	<u>18,763</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 13 March 2017. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its ultimate holding company and immediate holding company is Colourfield Global Limited, a limited company incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Li Cheuk Kam (the “**Controlling Shareholder**”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company, while the principal subsidiaries are principally engaged in the provision of foundation and site formation works and machineries leasing.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2018 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group have been prepared on the historical cost basis except for investment property that is measured at fair value.

The accounting policies used in the condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2018 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which effective for the Group’s financial year beginning after 1 April 2018:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendments to HKFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvement to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The adoption of HKFRS 9 and 15 resulted in changes in the Group’s accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and revised HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and on the disclosures set out in these condensed consolidated financial statements.

3.1 HKFRS 9 Financial instruments

HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the (1) classification and measurement of financial assets and financial liabilities; (2) impairment of financial assets and (3) general hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 April 2018.

3.1.1 Classification and measurements

At the date of initial application of HKFRS 9, the Group's management has reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of HKFRS 9, as explained below:

Trade and other receivables previously classified as loan and receivables carried at amortised cost:

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under HKAS 39.

3.1.2 Impairment of financial assets

The Group has the following type of financial instruments that are subject to the new impairment requirements under HKFRS 9.

Trade receivables, contract assets and other financial assets at amortised cost:

The Group applied the simplified approach to provide for expected credit losses ("ECL") under HKFRS 9 and recognised lifetime expected losses for all trade receivables and contract assets. The trade receivables and contract assets are grouped based on shared credit risk characteristics and past due information for measuring ECL.

All other financial assets on shared credit risk at amortised cost are considered to have low credit risk and the credit risk has not increased significantly, the loss allowance recognised during the period was therefore limited to 12-month ECL.

Based on assessment by the directors of the Company, the new impairment requirements have not resulted in any material impact to the loss allowance for ECL on the Group's financial assets on initial application of HKFRS 9.

3.2 HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 April 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate and comparative information is not restated. Details are described below.

The new accounting policies and the impact of the adoption of HKFRS 15 is shown as follows:

Accounting for revenue from construction contracts

In prior reporting periods, the Group accounted for revenue from construction contracts when the outcome of construction contracts can be estimated reliably by reference to the stage of completion of the contract activities at the end of the reporting periods. Under HKFRS 15, construction contracts will continue to be recognised over time, using the output method for measuring progress, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Groups performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the construction works certified by the customers or their agents).

Presentation of contract assets and liabilities

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15:

- contract assets recognised in relation to construction contracts were previously presented as amounts due from customers for contract work; and
- contract liabilities recognised in relation to construction contracts were previously presented as amounts due to customers for contract work.

Upon initial application of HKFRS 15, amounts due from/to customers for contract work of approximately HK\$83,030,000 and HK\$1,793,000 were reclassified to contract assets and contract liabilities at 1 April 2018 respectively.

The following table summarises the opening balance adjustments recognised for each line item in the condensed consolidated statements of financial position on initial application of HKFRS 15:

	At 31 March 2018 (as previously presented) <i>HK\$'000</i>	Effect from application of HKFRS 15 <i>HK\$'000</i>	At 1 April 2018 (as restated) <i>HK\$'000</i>
Amounts due from customers for contract work	83,030	(83,030)	–
Contract assets	–	83,030	83,030
Amounts due to customers for contract work	1,793	(1,793)	–
Contract liabilities	–	1,793	1,793
	<u> </u>	<u> </u>	<u> </u>

The application of HKFRS 9 and HKFRS 15 has no impact to opening equity and basic and diluted earnings per share.

The following table summarises the reclassification adjustments recognised for each line item in the condensed consolidated statements of financial position of the Group as at 30 September 2018:

	Amounts without application of new HKFRS HK\$'000	Effect from application of HKFRS 15 HK\$'000	At 30 September 2018 HK\$'000
Contract assets	–	76,841	76,841
Amounts due from customers for contract work	76,841	(76,841)	–
Contract liabilities	–	3,436	3,436
Amounts due to customers for contract work	3,436	(3,436)	–

Except as described above, the application of other amendments to HKFRSs in the current interim period has no material impact to the condensed consolidated financial statements of the Group as at 30 September 2018.

4. CHANGE IN ACCOUNTING POLICIES

4.1 HKFRS 9 Financial instruments

4.1.1 Classification and measurement

All recognised financial assets that are within the scope of HKFRS 9 are to be subsequently measured at amortised cost or fair value, depending on the entity's business model for managing the financial assets and cash flow characteristics of the asset.

Financial assets at amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on principal outstanding are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses)", together with foreign exchange gains and losses.

4.1.2 Impairment

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivable, contract assets, restricted bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group has established a provision matrix taking into account the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

For other financial instruments, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Despite the above requirements, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have a low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default and is estimated as the difference between all contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables, contract assets and other financial assets at amortised cost where the corresponding adjustment is recognised through a loss allowance account.

4.2 HKFRS 15 Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group applies output method in measuring the progress towards complete satisfaction of the relevant performance obligation and recognises revenue on the basis of direct measurement of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract.

The Group recognises revenue for a performance obligation satisfied over time only if the Group can reasonably measure its progress to towards complete satisfaction of the performance obligation. In circumstances where the Group is unable to reasonably measure the outcome of a performance obligation but expects to recover the cost incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

5. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 September	
	2018	2017
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Foundation and site formation works	184,116	261,825
Machineries leasing	5,192	9,602
	<u>189,308</u>	<u>271,427</u>

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) (the directors of the Company) in order to allocate resources to segments and to assess their performance.

The Group’s operating activity is attributable to a single operating segment focusing on the provision of foundation and site formation works. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from provision of foundation and site formation works for the purpose of making decisions about resources allocation and performance assessment. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Geographical information

The Group's revenue from external customers presented based on the location of the operations is derived solely in Hong Kong (country of domicile). Non-current assets of the Group presented based on the location of the assets are all located in Hong Kong. As a result, geographical information has not been presented.

6. OTHER INCOME

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income	79	–
Fair value gain on investment property	1,070	450
Rental income	114	121
Government subsidy (<i>Note</i>)	–	250
Sundry income	1	–
	<u>1,264</u>	<u>821</u>

Note:

Government subsidy was received under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” upon disposal of certain motor vehicles.

7. FINANCE COSTS

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interests on:		
— bank borrowings	31	197
— obligations under finance leases	111	99
	<u>142</u>	<u>296</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current year taxation		
— Hong Kong Profits Tax	392	4,106
Deferred taxation	796	(134)
	<u>1,188</u>	<u>3,972</u>

Note: Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits (six months ended 30 September 2017: 16.5%).

9. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
(Loss) profit for the period has been arrived at after charging:		
Loss on disposal of plant and equipment	–	201
Depreciation of plant and equipment	5,750	4,537
Minimum lease payments paid under operating lease in respect of rental office premises	172	428
Listing expenses	–	13,605
	<u>–</u>	<u>13,605</u>

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2018, nor has any dividend been proposed since the end of the last reporting period (30 September 2017: nil).

11. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
(Loss) earnings:		
— (Loss) profit for the year attributable to the owners of the Company	<u>(26,823)</u>	<u>5,902</u>
Number of shares ('000)		
— Weighted average number of ordinary shares for the purpose of basic loss per share (<i>Note</i>)	<u>933,750</u>	<u>675,000</u>

Note:

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share during the six months ended 30 September 2017 have been retrospectively adjusted for the effects of the capitalisation issue of the ordinary shares of the Company.

Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2018 and 2017.

12. TRADE AND OTHER RECEIVABLES

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Trade receivables	16,104	11,984
Retention receivables (<i>Note</i>)	31,976	26,204
Prepayments, deposits and other receivables	2,200	5,027
	<u>50,280</u>	<u>43,215</u>

Note: Except for the amount of approximately HK\$4,138,000 (31 March 2018: HK\$5,757,000) as at 30 September 2018, which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. All retention receivables are included under current assets as the Group expects to realise these within its normal operating cycle.

The Group does not hold any collateral over these balances.

The Group allows an average credit period of 15 to 75 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the certified date which approximates the respective revenue recognition dates and invoice dates at the end of the reporting period:

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
0 to 30 days	10,868	6,064
31 to 60 days	371	807
61 to 180 days	416	1,243
181 to 365 days	618	3,536
More than 365 days	3,831	334
	<u>16,104</u>	<u>11,984</u>

13. TRADE AND OTHER PAYABLES

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Trade payables	10,202	18,740
Retention payables	12,132	12,812
Accrued expenses and other payables	19,064	10,335
	<u>41,398</u>	<u>41,887</u>

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30 to 45 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
0 to 30 days	<u>10,202</u>	<u>18,740</u>

14. SHARE CAPITAL

	Number of Shares	Share capital <i>HK\$'000</i>
Authorised		
Ordinary shares of HK\$0.01 each at 31 March 2018 and 30 September 2018	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid		
Ordinary shares of HK\$0.01 each as at 31 March 2018 and 30 September 2018	<u>933,750,000</u>	<u>9,338</u>

Note:

There were no changes in the issued capital of the Company since 31 March 2018 to the period up to 30 September 2018.

15. CONTINGENT LIABILITIES

At 30 September 2018, the Group has been involved in a number of litigations and potential claims against the Group in relation to work-related injuries and criminal litigation.

In the opinion of the directors of the Company, the litigations and potential claims are not expected to have a material impact on the condensed consolidated financial statements of the Group. Accordingly, no provision has been made to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors of the Company (the “**Directors**”) is pleased to present the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2018 (the “**Reporting Period**”) together with the unaudited comparative figures for the corresponding period ended 30 September 2017.

BUSINESS AND OUTLOOK

The Group is a Hong Kong-based subcontractor engaged in foundation and site formation works. The foundation and site formation works provided by the Group represent the projects undertaken by it, the nature of which is broadly classified as excavation and lateral support (“**ELS**”) works, pile caps construction and site formation works for both public and private sector projects. To a lesser extent, the Group also leased some of its machineries. Lik Shing Engineering Company Limited, the Group’s principal operating subsidiary, has been registered under the Construction Industry Council as a registered subcontractor since May 2008.

During the Reporting Period, the Group is facing global economy uncertainty, slow approval process of government projects from the Legislative Council of Hong Kong Special Administration Region of the People’s Republic of China and keen competition in the construction industry. The Directors are aware that there are fewer large-scale government infrastructure works as before and the market competition is becoming more vigorous, therefore, the profit margin of project works is under pressure due to lower bidding price on the tenders which might in turn affect the performance of the Group. However, in view of the huge housing demand, the Group believes that the building construction projects would continuously be flourishing with vigorous competition. In order to maintain a stable and sustainable development of the Company’s business in the construction industry, the Group will closely monitor the market and respond to changes in market conditions. The Group will continue to improve its competitiveness in the market by continuing to provide quality works to the customers.

FINANCIAL REVIEW

During the Reporting Period, the Group had been awarded 14 new contracts, with an aggregate original contract sum of approximately HK\$233.2 million and had completed 11 projects with an aggregate original contract sum of approximately HK\$294.2 million.

As at 30 September 2018, the Group had 23 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with a total original contract sum of approximately HK\$382.3 million.

Revenue

The revenue from foundation and site formation works of the Group for the Reporting Period amounted to approximately HK\$184.1 million, representing a decrease of approximately HK\$77.7 million, or 29.7% compared to that of approximately HK\$261.8 million for the six months ended 30 September 2017. The decrease was primarily due to delay in commencement of new projects awarded to the Group and substantial completion of the projects on hand which include the Hong Kong-Zhuhai-Macao Bridge project, Tseung Kwan O Area 65C2 project and No.15 Middle Road project.

The revenue from machinery leasing of the Group for the Reporting Period amounted to approximately HK\$5.2 million, representing a decrease of approximately HK\$4.4 million, or 45.8%, compared to approximately HK\$9.6 million for the six months ended 30 September 2017. This amount represents the revenue contributed by the Group's leasing of its machineries to contractors and/or subcontractors under operating leases. The decrease was primarily due to fewer civil works projects available in the market.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

The gross loss of the Group for the Reporting Period amounted to approximately HK\$15.9 million, turning profit into loss compared to gross profit of approximately HK\$29.7 million for the six months ended 30 September 2017. The gross loss margin of the Group during the Reporting Period was approximately 8.4%, compared to gross profit margin of approximately 10.9% for the six months ended 30 September 2017.

The decline in gross profit margin was mainly due to (i) substantial loss being incurred in the Reporting Period in some of the project works and variation orders of completed projects; (ii) additional resources being required to deal with unforeseen ground conditions and site constraints in the construction projects; (iii) serious delay in works area handover by clients and discontinuity of works which in turn impair the construction efficiency; and (iv) decrease in gross profit margin of newly awarded contracts of the Group during the Reporting Period as a result from the increasing competition in the market.

Other Income

The other income of the Group for the Reporting Period amounted to approximately HK\$1.3 million, representing an increase of approximately HK\$0.5 million or 62.5% as compared to that of approximately HK\$0.8 million for the six months ended 30 September 2017. The increase was primarily due to fair value gain on investment property of approximately HK\$1.1 million for the Reporting Period as compared to that of approximately HK\$0.5 million for the six months ended 30 September 2017.

Administrative Expenses

The administrative expenses of the Group for the Reporting Period amounted to approximately HK\$10.9 million, representing a decrease of approximately HK\$9.5 million or 46.6% compared to approximately HK\$20.4 million for the six months ended 30 September 2017. The decrease was primarily due to the one-off listing expenses of approximately HK\$13.6 million for the six months ended 30 September 2017.

Finance Costs

The finance costs of the Group for the Reporting Period amounted to approximately HK\$0.1 million, representing a decrease of approximately HK\$0.2 million or 66.7% as compared to that of approximately HK\$0.3 million for the six months ended 30 September 2017. The decrease was primarily due to the decrease in borrowings and obligations under finance leases to finance the purchase of machineries and motor vehicles during the Reporting Period as compared to the corresponding period in 2017.

Income Tax

The income tax of the Group for the Reporting Period amounted to approximately HK\$1.2 million, representing a decrease of approximately HK\$2.8 million or 70.0% as compared to that of approximately HK\$4.0 million for the six months ended 30 September 2017. The decrease was mainly due to the absence of assessable profits of Hong Kong Profits Tax for one of the operative subsidiary during the Reporting Period. The income tax expenses are mainly related to the movement of the deferred tax during the Reporting Period.

(Loss)/Profit attributable to Equity Shareholders of the Company

The Group reported net loss of approximately HK\$26.8 million for the Reporting Period as compared to profit attributable to owners of the Company of approximately HK\$5.9 million for the six months ended 30 September 2017. The decrease was mainly attributable to the gross loss during the Reporting Period.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of any interim dividend for the six months ended 30 September 2018.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds received from the listing of the Company on 20 October 2017 (the “**Listing**”).

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of the Stock Exchange on 20 October 2017 and there has been no change in the capital structure of the Group since then.

As at 30 September 2018, the Group had total cash and cash equivalents of approximately HK\$35.7 million (31 March 2018: approximately HK\$89.5 million). The decrease was mainly due to the aggregate net cash used in operation, investing and financing activities of approximately HK\$53.8 million.

As at 30 September 2018, the gearing ratio of the Group, calculated by the total debts (defined as the sum of the bank borrowings and obligations under finance leases) divided by the total equity. The gearing ratio of the Group as at 30 September 2018 was approximately 4.0% (31 March 2018: approximately 3.3%), the increase was primarily due to decrease of equity from the operation and increase of finance lease during the Reporting Period.

PLEDGE OF ASSETS

As at 30 September 2018, the Group’s plant and equipment with an aggregate net book value of approximately HK\$6.3 million (31 March 2018: approximately HK\$5.3 million) were pledged under finance leases, while investment property of approximately HK\$8.0 million (31 March 2018: approximately HK\$6.9 million) was pledged to secure banking facilities granted to the Group.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Board is of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the Reporting Period.

CAPITAL EXPENDITURE

During the Reporting Period, the Group invested approximately HK\$21.0 million on acquisition of plant and equipment. Capital expenditure was principally funded by finance leases, internal resources and proceeds from the Listing.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

As at 30 September 2018, the Group did not have capital commitments on acquisition of plant and equipment contracted for but not provided in the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the Reporting Period, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company date 30 September 2017 (the "**Prospectus**"), the Group does not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group employed a total of 210 employees (including Executive Directors and Independent Non-Executive Directors), as compared to a total of 224 employees as at 31 March 2018. Total staff costs including Directors' emoluments for the Reporting Period was approximately HK\$38.8 million (six months ended 30 September 2017: approximately HK\$32.7 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the Reporting Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds of the share offer received by the Company in relation to the Listing on 20 October 2017 and full exercise of the over-allotment option on 7 November 2017 were approximately HK\$103.9 million in aggregate, after deducting listing related expenses. The Board considers that these proceeds are intended to be applied in accordance with the proposed applications set out in the paragraph headed “Future plans and use of proceeds” in the Prospectus. The table below sets out the proposed applications of the net proceeds and usage as at 30 September 2018:

	Planned use of proceeds	Actual usage up to 30 September 2018	Unutilised amount as at 30 September 2018
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Acquire new machinery and equipment	40.6	28.0	12.6
Reserve more capital to satisfy the potential requirement for surety bond	31.3	13.2	18.1
Strengthen the manpower	23.1	12.9	10.2
General working capital	8.9	8.9	–
	<u>103.9</u>	<u>63.0</u>	<u>40.9</u> <i>(Note)</i>

Note: During the Reporting Period, the Group temporarily used approximately HK\$5.2 million out of the unutilised amount of approximately HK\$40.9 million as short-term additional general working capital of the Group. The Directors expect that the temporarily used amount will be recovered from receipts of our customers' settlements of service fees by or around the end of February 2019. The remaining unutilised amount of the net proceeds have been deposited to the licensed banks in Hong Kong.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”) as its own corporate governance code. The Company has complied with the CG Code during the Reporting Period and up to the date of this announcement with the exception of code provision A.2.1 as explained below.

According to code provision A.2.1 of the CG Code, the roles of the chairman of the Company (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) should be separate and performed by different individuals. Mr. Li Cheuk Kam is both the Chairman and the Chief Executive Officer of the Company. In view of the in-depth knowledge and substantial experience of Mr. Li Cheuk Kam in the operations of the Group and his solid experience in foundation and site formation works, the Board believes that it is in the best interests of the Company for Mr. Li Cheuk Kam to assume both the roles of the Chairman and the Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors.

Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all the Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during the Reporting Period and up to the date of this announcement.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 21 September 2017. The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 21 September 2017, and there is no outstanding share option as at 30 September 2018.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Chan Chung Kik Lewis was appointed as an independent non-executive director of Eternity Technology Holdings Limited (stock code: 1725) on 25 July 2018.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 12 October 2018, Mr. Poon Wai Kong has been appointed as the Non-Executive Director with effect from 12 October 2018.

Save as disclosed as above, the Group had no material events after the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee of the Board (the “**Audit Committee**”) on 21 September 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The primary duties of the Audit Committee are to review the financial information of the Group, to oversee the Group’s financial reporting system and its internal control and risk management procedures, to monitor the independence and objectivity of the external auditor and to provide advice and comments to the Board on matters related to corporate governance.

The Audit Committee consists of three members who are all Independent Non-Executive Directors, namely, Mr. Chan Chung Kik Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Chan Chung Kik Lewis is the Chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the Reporting Period. The Audit Committee is satisfied that the unaudited condensed consolidated financial statements have been prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

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

Hong Kong, 23 November 2018

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