

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

WING CHI HOLDINGS LIMITED

榮智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6080)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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 2021 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$209.4 million for the six months ended 30 September 2021, representing an increase of approximately 15.1% as compared to that for the same period in 2020.
2. Gross profit was approximately HK\$12.5 million for the six months ended 30 September 2021, as compared to a gross loss of approximately HK\$17.6 million for the same period in 2020.
3. Gross profit margin for the six months ended 30 September 2021 was approximately 6.0%, as compared to the gross loss margin of approximately 9.7% for the same period in 2020.
4. Profit attributable to owners of the Company was approximately HK\$1.3 million for the six months ended 30 September 2021 as compared to the loss attributable to owners of the Company of approximately HK\$27.5 million for the same period in 2020. The improvement in net profit attributable to owners of the Company was mainly attributable to the generation of gross profit during the six months ended 30 September 2021.
5. Earnings per share amounted to approximately HK\$0.1 cents for the six months ended 30 September 2021 as compared to the loss per share amounted to approximately HK\$2.9 cents for the same period in 2020.
6. The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021.

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	<i>Notes</i>	Six months ended	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	209,386	182,001
Cost of sales		(196,875)	(199,627)
Gross profit (loss)		12,511	(17,626)
Other income and gains	5	1,111	2,115
Administrative expenses		(11,716)	(11,828)
Finance costs	6	(191)	(188)
Profit (loss) before taxation		1,715	(27,527)
Income tax (expense) credit	7	(390)	19
Profit (loss) and total comprehensive income (expense) for the period	8	1,325	(27,508)
Earnings (loss) per share:			
Basic and diluted	10	0.1 cents	(2.9) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	<i>Notes</i>	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Plant and equipment	<i>11</i>	31,157	29,444
Investment property	<i>12</i>	–	7,700
Right-of-use assets	<i>13</i>	8,677	9,601
Deposits paid for acquisition of plant and equipment		54	1,714
		<u>39,888</u>	<u>48,459</u>
Current assets			
Contract assets		83,062	104,162
Trade and other receivables	<i>14</i>	11,969	25,781
Tax recoverable		211	632
Bank balances		33,590	38,756
		<u>128,832</u>	<u>169,331</u>
Asset classified as held-for-sale	<i>15</i>	7,250	–
		<u>136,082</u>	<u>169,331</u>
Current liabilities			
Trade and other payables	<i>16</i>	50,327	93,460
Lease liabilities	<i>13</i>	3,516	3,399
Bank borrowing		–	1,736
		<u>53,843</u>	<u>98,595</u>
Liabilities associated with asset classified as held-for-sale	<i>15</i>	2,386	–
		<u>56,229</u>	<u>98,595</u>
Net current assets		<u>79,853</u>	<u>70,736</u>
Total assets less current liabilities		<u>119,741</u>	<u>119,195</u>
Non-current liabilities			
Deferred tax liabilities		3,351	2,978
Lease liabilities	<i>13</i>	2,130	3,282
		<u>5,481</u>	<u>6,260</u>
Net assets		<u>114,260</u>	<u>112,935</u>
Capital and reserves			
Share capital	<i>17</i>	9,338	9,338
Reserves		104,922	103,597
		<u>114,260</u>	<u>112,935</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger Reserve <i>(Note)</i> <i>HK\$'000</i> <i>(Note)</i>	Retained profits (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2021 (Audited)	9,338	115,593	10	(12,006)	112,935
Profit and total comprehensive income for the period (Unaudited)	—	—	—	1,325	1,325
At 30 September 2021 (Unaudited)	<u>9,338</u>	<u>115,593</u>	<u>10</u>	<u>(10,681)</u>	<u>114,260</u>
At 1 April 2020 (Audited)	9,338	115,593	10	34,349	159,290
Loss and total comprehensive expense for the period (Unaudited)	—	—	—	(27,508)	(27,508)
At 30 September 2020 (Unaudited)	<u>9,338</u>	<u>115,593</u>	<u>10</u>	<u>6,841</u>	<u>131,782</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 STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash from (used in) operation	699	(3,347)
Income taxes refund (paid)	404	(195)
	<hr/>	<hr/>
Net cash from (used in) operating activities	1,103	(3,542)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of plant and equipment	(8,363)	(6,559)
Deposits paid for acquisition of plant and equipment	–	(284)
Deposit received from disposal of investment property	725	–
Proceeds from disposal of plant and equipment	2,670	3,194
Government grants received	–	140
Interest received	–	14
	<hr/>	<hr/>
Net cash used in investing activities	(4,968)	(3,495)
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of bank borrowing	(3,075)	(73)
Repayment of lease liabilities	(1,035)	(1,930)
Interest paid for lease liabilities	(160)	(165)
Interest paid for bank borrowing	(31)	(23)
New bank borrowing raised	3,000	–
	<hr/>	<hr/>
Net cash used in financing activities	(1,301)	(2,191)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(5,166)	(9,228)
Cash and cash equivalents at 1 April	38,756	41,741
	<hr/>	<hr/>
Cash and cash equivalents at 30 September, represented by bank balances	33,590	32,513
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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. The 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 Windward 3 Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Room 3010, 30/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong respectively.

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

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company and its subsidiaries (hereinafter collectively refer to as the “**Group**”).

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2021 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 2021 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning April 1, 2021.

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2

The application of the amendments to 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/or on the disclosures set out in these condensed consolidated financial statements.

4. 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 Group's revenue for the period is as follows:

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
— Provision of foundation and site formation works	204,080	173,843
Revenue from other sources		
— Machineries leasing	5,306	8,158
	209,386	182,001

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

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time	204,080	173,843
Total revenue from contracts with customers	204,080	173,843

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 financial performance 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.

5. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	–	14
Gain on disposal of plant and equipment	1,011	–
Rental income	100	113
Government grants (<i>Note</i>)	–	1,988
	<u>1,111</u>	<u>2,115</u>

Note:

During the six months ended 30 September 2020, approximately HK\$1,848,000 and HK\$140,000 (2021: nil and nil) were cash subsidies from the Employment Support Scheme (“ESS”) and One-off Subsidy for Transport Trades under Anti-epidemic Fund granted by the Government of Hong Kong Special Administrative Region respectively as part of the relief measures on the COVID-19 pandemic.

6. FINANCE COSTS

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
— bank borrowing	31	23
— lease liabilities	160	165
	<u>191</u>	<u>188</u>

7. INCOME TAX (EXPENSE) CREDIT

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current year taxation		
Hong Kong Profits Tax	(17)	(46)
Deferred taxation	<u>(373)</u>	<u>65</u>
	<u>(390)</u>	<u>19</u>

Note:

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the six months ended 30 September 2021 and 2020, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
(Reversal of) impairment loss recognised on trade receivables	(85)	153
Impairment loss recognised on contract assets	328	2,450
Loss on disposal of plant and equipment	–	715
Loss on written off of plant and equipment	8	–
Depreciation of plant and equipment	6,229	5,340
Depreciation of right-of-use assets	1,338	1,363
Fair value loss on investment property	<u>450</u>	<u>200</u>

9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2021, nor has any dividend been proposed since the end of the last reporting period (30 September 2020: nil).

10. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit (loss):		
— Profit (loss) for the period attributable to the owners of the Company	<u>1,325</u>	<u>(27,508)</u>
Number of shares ('000)		
— Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>933,750</u>	<u>933,750</u>

Diluted earnings (loss) per share

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2021 and 2020.

11. PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group spent approximately HK\$8,363,000 (six months ended 30 September 2020: approximately HK\$6,559,000) on acquisition of plant and equipment.

During the six months ended 30 September 2021, the Group has disposed of certain plant and equipment with an aggregate carrying values of approximately HK\$1,659,000 (six months ended 30 September 2020: HK\$3,909,000) for cash proceeds of approximately HK\$2,670,000 (six months ended 30 September 2020: HK\$3,194,000), resulting a gain on disposal of approximately HK\$1,011,000 (loss on disposal during the six months ended 30 September 2020: HK\$715,000).

12. INVESTMENT PROPERTY

HK\$'000

FAIR VALUE

At 1 April 2020 (Audited)	7,300
Increase in fair value recognised in profit or loss	<u>400</u>
At 31 March 2021 (Audited)	7,700
Decrease in fair value recognised in profit or loss	(450)
Transfer to asset classified as held-for-sale (<i>Note 15</i>)	<u>(7,250)</u>
At 30 September 2021 (Unaudited)	<u><u>–</u></u>

The fair value of the Group's investment property as at 31 March 2021 have been arrived at on the basis of a valuation carried out on that date by Ascent Partners Valuation Service Limited, independent qualified professional valuers not connected with the Group. Ascent Partners Valuation Service Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. Details of valuation techniques and assumptions are discussed below. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the property, the highest and best use of the property is its current use.

The Group's investment property has been pledged to secure banking facilities granted to the Group.

During the six months ended 30 September 2021, the Group entered into a provisional agreement with an independent third party for the disposal of the investment property. The investment property was transferred to asset classified as held-for-sale with cash consideration of HK\$7,250,000. The decrease in fair value recognised in profit or loss of HK\$450,000 is recognised in profit or loss that is attributable to the change in unrealised loss relating to the transfer to asset classified as held-for-sale.

An analysis of the Group's investment property that is measured subsequent to initial recognition at fair value grouped into fair value hierarchy level 2 based on the degree to which the inputs to fair value measurement is observable and the information about how the fair value is determined (in particular, the valuation technique and key inputs used) is as follows:

	Fair value hierarchy	Fair value as at 30 September 2021	Fair value as at 31 March 2021	Valuation technique and key inputs
Investment Property	Level 2	nil	HK\$7,700,000	Market Comparison Approach — by reference to recent selling price of comparable properties on a price per square feet basis using market data which is publicly available and adjust to reflect the conditions and locations of the property.

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

As at 30 September 2021, the total carrying amounts of right-of-use assets were approximately HK\$8,677,000, of which HK\$335,000, HK\$1,146,000 and HK\$7,196,000 (31 March 2021: HK\$559,000, HK\$900,000 and HK\$8,142,000) were the premises, motor vehicles and machineries, respectively.

During the six months ended 30 September 2021, the Group entered into a lease arrangement for motor vehicle. On lease commencement, the Group recognised right-of-use assets of approximately HK\$1,285,000 (31 March 2021: HK\$9,469,000).

During the six months ended 30 September 2021, the Group transferred the leased motor vehicle of approximately HK\$871,000 (31 March 2021: leased machineries of approximately HK\$1,638,000) from right-of-use assets to plant and equipment upon the end of lease terms.

(ii) Lease liabilities

As at 30 September 2021, the carrying amount of lease liabilities was approximately HK\$5,646,000 (31 March 2021: HK\$6,681,000).

During the six months ended 30 September 2021, the Group entered into a new lease arrangement for machinery and recognised lease liabilities of approximately HK\$1,285,000 (31 March 2021: HK\$9,469,000).

(iii) Amounts recognised in profit and loss

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation on right-of-use assets		
— Premises	223	223
— Machineries	947	960
— Motor vehicles	168	180
Interest expense on lease liabilities	160	165

(iv) Others

For the six months ended 30 September 2021, the total cash outflow for leases was approximately HK\$1,195,000 (six months ended 30 September 2020: HK\$2,095,000).

14. TRADE AND OTHER RECEIVABLES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables	10,989	24,490
Loss allowance	<u>(525)</u>	<u>(610)</u>
	10,464	23,880
Other receivables	1,135	1,118
Prepayments and deposits	<u>370</u>	<u>783</u>
	<u>11,969</u>	<u>25,781</u>

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 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	9,778	20,093
31 to 60 days	229	1,805
61 to 180 days	457	1,851
Over 365 days	<u>–</u>	<u>131</u>
	<u>10,464</u>	<u>23,880</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (“ECL”). The ECL on trade receivables are estimated using a provision matrix by reference to historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate, at the reporting date.

As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customers, the loss allowance based on past due status is not further distinguished between the group’s different customer bases.

The movement in the allowance for impairment of trade receivables is set out below:

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
At the beginning of the period/year	610	343
(Decrease) increase during the period/year	<u>(85)</u>	<u>267</u>
At the end of the period/year	<u>525</u>	<u>610</u>

For deposits and other receivables, the Group measures the loss allowance at an amount equal to 12-month ECL since the credit risk is considered to be low and there is no significant increase in credit risk during the year. The loss allowance is insignificant to the Company as at 30 September 2021 and 31 March 2021.

15. ASSET CLASSIFIED AS HELD-FOR-SALE AND LIABILITIES ASSOCIATED WITH ASSET CLASSIFIED AS HELD-FOR-SALE

During the year ended 31 March 2017, the Group entered into a mortgage agreement with a bank to finance the purchase of the investment property. The bank borrowing is measured as financial liability at amortised cost. The carrying amount of the bank borrowing as at 30 September 2021 was approximately HK\$1,661,000.

On 7 June 2021, the Group entered into a provisional agreement with an independent third party for the disposal of the investment property at a cash consideration of HK\$7,250,000, HK\$725,000 was received as a deposit of the sale. The transaction was subsequently completed on 4 October 2021.

Accordingly, as at 30 September 2021, the investment property was classified as asset classified as held-for-sale, the deposit received was classified as liabilities associated with asset classified as held-for-sale.

	At 30 September 2021 HK\$'000 (Unaudited)
Asset	
Investment property	<u>7,250</u>
Total asset classified as held-for-sale	<u>7,250</u>
Liabilities	
Deposit received	725
Bank borrowing	<u>1,661</u>
Total liabilities associated with asset classified as held-for-sale	<u>2,386</u>
Net asset classified as held-for-sale	<u>4,864</u>

16. TRADE AND OTHER PAYABLES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables	28,877	67,971
Retention payables	11,343	9,315
Accrued expenses and other payables	10,107	16,174
	<u>50,327</u>	<u>93,460</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 90 days (31 March 2021: 30 to 90 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 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 90 days	22,531	67,971
Over 120 days	6,346	–
	<u>28,877</u>	<u>67,971</u>

17. SHARE CAPITAL

	Number of Shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised		
At 30 September 2021 and 31 March 2021	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid		
At 30 September 2021 and 31 March 2021	<u>933,750,000</u>	<u>9,338</u>

Note:

There were no changes in the issued capital of the Company since 1 April 2021 to the period up to 30 September 2021.

18. CONTINGENT LIABILITIES

At 30 September 2021 and 31 March 2021, the Group has been involved in a number of litigations and potential claims against the Group in relation to work-related injuries and civil 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 (31 March 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Wing Chi Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2021 (the “**Reporting Period**”) together with the unaudited comparatives figures for the corresponding period ended 30 September 2020.

BUSINESS AND OUTLOOK

The Company is an investment holding company. The principal activities of its subsidiaries include foundation and site formation works for both the public and the private sectors in Hong Kong. The foundation and site formation works provided by the Group can be broadly classified as (i) excavation and lateral support works and (ii) pile caps construction and site formation works for both public and private sector projects. To a lesser extent, the Group also lease some of its machineries.

Apart from acting as a subcontractor in foundation and site formation works, the Group has actively sought to enlarge its scope of work in the construction industry. The Group not only focuses on acting as a subcontractor but also aims to act as a foundation main contractor in the future. The Group’s principal operating subsidiary, Lik Shing Engineering Company Limited, has registered with the Construction Industry Council and the Buildings Department as a registered subcontractor and as a registered specialist contractor in the foundation works category since May 2008 and December 2019 respectively.

During the Reporting Period, the economy has gradually improved in Hong Kong. The Hong Kong Special Administrative Region Government continues to invest in infrastructure and housing development to boost the economy which increases the potential development opportunities in the construction industry. However, the COVID-19 pandemic, economic uncertainty and challenging market with keen competition in the foundation and site formation market still affect the development of the construction industry. The Group will continue to improve its competitiveness in the market by continuing to provide quality works to the customers and closely monitor the cost of services and market trends.

During the Reporting Period, the Group’s performance has improved significantly. The Group will continue to try its best to implement tight cost control measures on the existing projects, improve the efficiency of work-flow throughout the construction process, and strengthen the effectiveness of project management. The Group will also actively devote its efforts to facilitate the prevention and control of further spreading of the COVID-19 pandemic in its premises and construction sites and to ensure the health and safety of its employees.

FINANCIAL REVIEW

During the Reporting Period, the Group had been awarded 7 new contracts, with an aggregate original contract sum of approximately HK\$103.2 million and had completed 15 projects with an aggregate original contract sum of approximately HK\$255.7 million. As at 30 September 2021, the Group had 22 projects on hand which include projects in progress as well as projects that have been awarded to us but not yet commenced. As at 30 September 2021, the aggregate amount of transaction price allocated to the unsatisfied/partially unsatisfied performance obligations is approximately HK\$367.9 million (30 September 2020: approximately HK\$316.6 million). This amount represents the revenue from construction contracts that is expected to be recognised in the future.

Revenue

The revenue from foundation and site formation works of the Group for the Reporting Period amounted to approximately HK\$204.1 million, representing an increase of approximately HK\$30.3 million, or 17.4% as compared to that of approximately HK\$173.8 million for the six months ended 30 September 2020. The increase was primarily due to the fact that more large size foundation and site formation works have been completed, hence more revenue were recognised during the Reporting Period.

The Group's revenue from machinery leasing for the Reporting Period amounted to approximately HK\$5.3 million, representing a decrease of approximately HK\$2.9 million, or 35.4% as compared to that of approximately HK\$8.2 million for the six months ended 30 September 2020. The decrease was primarily due to the fact that the Group has utilised its machinery on its construction projects instead of leasing them to contractors and/or subcontractors under operating leases.

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

The gross profit of the Group for the Reporting Period amounted to approximately HK\$12.5 million as compared to a gross loss of approximately HK\$17.6 million for the six months ended 30 September 2020. The gross profit margin of the Group during the Reporting Period was approximately 6.0%, as compared to the gross loss margin of approximately 9.7% for the six months ended 30 September 2020.

The significant improvement in the gross profit margin was mainly due to the successful implementation of tight cost control measures on existing projects which improved the efficiency of work-flow throughout the construction process and reduced the amount of subcontract works granted by the Group.

During the Reporting Period, the economy had gradually improved which has enhanced the bargaining power of the Group when negotiating with its customers on the construction contract prices and construction workdones of the completed projects. The Group will continue to improve its competitive strengths and closely monitor the cost of services.

Other Income and Gains

The other income of the Group for the Reporting Period amounted to approximately HK\$1.1 million, representing a decrease of approximately HK\$1.0 million or 47.6% as compared to that of approximately HK\$2.1 million for the six months ended 30 September 2020. The decrease was primarily due to the receipt of approximately HK\$1.8 million and HK\$0.1 million cash subsidies from the Employment Support Scheme (“ESS”) and the one-off Subsidy for Transport Trades under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region Government respectively as part of the relief measures on the COVID-19 pandemic during the six months ended 30 September 2020 (30 September 2021: nil). The amount of other income during the Reporting Period mainly represents the income generated from the disposal of plant and equipment of approximately HK\$1.0 million.

Administrative Expenses

The administrative expenses of the Group for the Reporting Period amounted to approximately HK\$11.7 million, with no significant changes as compared to that of approximately HK\$11.8 million for the six months ended 30 September 2020. The administrative expenses mainly comprised of professional expenses, salaries costs, repair and maintenance costs and depreciation expenses.

Finance Costs

The finance costs of the Group amounted to approximately HK\$0.2 million for both the Reporting Period and for the six months ended 30 September 2020. There are no significant changes in the borrowings and lease liabilities on financing the purchase of machineries and motor vehicles during the Reporting Period and for the corresponding period in 2020.

Income Tax (Expense)/Credit

The income tax expense of the Group for the Reporting Period amounted to approximately HK\$0.4 million, as compared to a tax credit of approximately HK\$0.02 million for the six months ended 30 September 2020. The income tax (expense)/credit mainly represents the net effect on the movement of deferred tax expenses and Hong Kong income tax expenses during the Reporting Period.

Profit/(Loss) attributable to Owners of the Company

The net profit attributable to owners of the Company amounted to approximately HK\$1.3 million for the Reporting Period, as compared to the net loss attributable to owners of the Company of approximately HK\$27.5 million for the six months ended 30 September 2020. The improvement in net profit attributable to owners of the Company was mainly attributable to the generation of gross profit 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 2021.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group has funded its liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings and cash inflows from operating activities.

As at 30 September 2021, the Group had total assets of approximately HK\$176.0 million (31 March 2021: approximately HK\$217.8 million), of which current assets amounted to approximately HK\$136.1 million (31 March 2021: approximately HK\$169.3 million).

As at 30 September 2021, the Group had total liabilities of approximately HK\$61.7 million (31 March 2021: approximately HK\$104.9 million), of which current liabilities amounted to approximately HK\$56.2 million as at 30 September 2021 (31 March 2021: approximately HK\$98.6 million).

As at 30 September 2021, the Group had total equity attributable to owners of the Company amounted to approximately HK\$114.3 million (31 March 2021: approximately HK\$112.9 million).

As at 30 September 2021, the Group had total bank balances and cash of approximately HK\$33.6 million (31 March 2021: approximately HK\$38.8 million). The decrease was mainly due to the use of an aggregate net cash of approximately HK\$5.2 million in operation, investing and financing activities.

As at 30 September 2021, the Group had total debt of approximately HK\$7.3 million which included lease liabilities and bank borrowings included in liabilities associated with asset classified as held-for-sale (31 March 2021: approximately: HK\$8.4 million) denominated in Hong Kong dollars. As at 30 September 2021, such bank borrowings are carried at floating interest rates of 2.5% below the prime rate (31 March 2021: 2.5% below the prime rate). The gearing ratio of the Group, calculated by the total debts (defined as the sum of the lease liabilities and bank borrowings included in liabilities associated with asset classified as held-for-sale) divided by the total equity is approximately 6.4% (31 March 2021: approximately 7.5%).

PLEDGE OF ASSETS

As at 30 September 2021, the Group's right-of-use assets with an aggregate net book value of approximately HK\$8.3 million (31 March 2021: approximately HK\$9.0 million) were pledged under finance leases, while asset classified as held-for-sale of approximately HK\$7.3 million (31 March 2021: investment property of approximately HK\$7.7 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 are 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\$10.0 million (31 March 2021: approximately HK\$20.2 million) on acquisition of machineries and equipment, motor vehicles, computer equipment and right-of-use assets. Capital expenditure was principally funded by finance leases, internal resources and proceeds from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 20 October 2017 (the “**Listing**”).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2021, the Group had capital commitments of approximately HK\$0.1 million on acquisition of plant and equipment contracted for but not yet accounted for in the financial statements.

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

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

The Group does not have other plans for material investments and capital assets during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group employed a total of 219 employees (including Executive Directors, Non-executive Director and Independent Non-executive Directors), as compared to a total of 205 employees as at 30 September 2020. There are no significant changes in the number of employees during the Reporting Period and for the corresponding period in 2020.

Total staff costs which included Directors' emoluments for the Reporting Period was approximately HK\$63.1 million (six months ended 30 September 2020: approximately HK\$41.3 million). The increase in staff costs was mainly due to the fact that more employees were employed in construction works as a result of the reduction of the amount of subcontract works granted by the Group during the Reporting Period.

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 an annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in this announcement.

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 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 "Net Proceeds"). The Board considers that these Net Proceeds have been applied in accordance with the proposed applications set out in the paragraph headed "Future plans and use of proceeds" in the Prospectus dated 30 September 2017 published by the Company (the "Prospectus") and the announcement of the Company dated on 9 August 2021. The following table sets out the applications and the revised allocation for the use of Net Proceeds and usage as at 30 September 2021:

Use of Net Proceeds	Original planned use of Net Proceeds <i>HK\$' million</i>	Revised allocation for use of Net Proceeds <i>HK\$' million</i>	Actual usage from the Listing as at 31 March 2021 <i>HK\$' million</i>	Actual usage during the Reporting Period <i>HK\$' million</i>	Actual usage up to 30 September 2021 <i>HK\$' million</i>	Unutilised amount of Net Proceeds as at 30 September 2021 <i>HK\$' million</i>
Acquire new machinery and equipment	40.6	46.2	40.6	5.6	46.2	-
Reserve more capital to satisfy the potential requirement for surety bond	31.3	25.7	25.7	-	25.7	-
Strengthen the manpower	23.1	23.1	23.1	-	23.1	-
General working capital	8.9	8.9	8.9	-	8.9	-
Total	<u>103.9</u>	<u>103.9</u>	<u>98.3</u>	<u>5.6</u>	<u>103.9</u>	<u>-</u>

The Net Proceeds raised by the Group have been fully utilised as at 30 September 2021 in the manner consistent with that mentioned in the Prospectus and the announcement of the Company dated on 9 August 2021.

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 dated 30 September 2017 published by the Company. 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 2021.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES

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

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTOR UNDER RULES 13.51B(1) OF THE LISTING RULES

As disclosed in the 2021 Annual Report of the Company, Mr. Chan Chung Kik, Lewis, an Independent Non-executive Director of the Company, has resigned as an independent non-executive director of (i) Hong Kong Aerospace Technology Group Limited (formerly known as “**Eternity Technology Holdings Limited**”), a company listed on the Main Board of the Stock Exchange (Stock Code: 1725) with effect from 16 July 2021; and (ii) Peking University Resources (Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 618) with effect from 30 September 2021.

Saved as disclosed in this announcement, there is no change in the information of each Directors that is required to be disclosed under Rules 13.51B(1) of the Listing Rules, since the publication of annual report for the year ended 31 March 2021.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 7 June 2021, an indirect wholly-owned subsidiary of the Company has entered into a provisional agreement with an independent third party for the sale of the property situated at Unit No. 12 on 10th Floor and a share of the undivided shares allocated to the lavatory and lift lobby and corridor on 10th Floor, One Midtown, No. 11 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong at a consideration of HK\$7,250,000. Details of the sale has been disclosed in the announcement of the Company dated 7 June 2021. The sale has been completed on 4 October 2021.

Save as disclosed as above, there is no material subsequent events undertaken by the Company or by the Group 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 financial statements for the Reporting Period. The Audit Committee is satisfied that the unaudited condensed consolidated financial statements for the Reporting Period 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, 26 November 2021

As at the date of this announcement, the Executive Directors are Mr. Li Cheuk Kam and Mr. Li Wai Fong; 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.