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WING CHI HOLDINGS LIMITED

榮智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6080)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The board of directors (the “**Board**”) of Wing Chi Holdings Limited (the “**Company**”) is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2021 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$411.8 million for the year ended 31 March 2021, representing an increase of approximately 26.1% as compared with the same for the year ended 31 March 2020.
2. Gross loss was approximately HK\$29.6 million for the year ended 31 March 2021, as compared to gross profit of approximately HK\$7.3 million with the same for the year ended 31 March 2020.
3. Gross loss margin for the year ended 31 March 2021 was approximately 7.2%, as compared to gross profit margin of approximately 2.2% with the same for the year ended 31 March 2020.
4. Loss attributable to owners of the Company was approximately HK\$46.4 million for the year ended 31 March 2021 as compared to loss attributable to owners of the Company of approximately HK\$13.7 million with the same for the year ended 31 March 2020. The increase in net loss attributable to owners of the Company was principally attributable to the gross loss during the year ended 31 March 2021.
5. Loss per share amounted to approximately HK5.0 cents for the year ended 31 March 2021, as compared to loss per share amounted to approximately HK1.5 cents for the year ended 31 March 2020.
6. The Board does not recommend the payment of final dividend for the year.

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

For the year ended 31 March 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Revenue	3	411,845	326,498
Cost of sales		(441,413)	<u>(319,227)</u>
Gross (loss) profit		(29,568)	7,271
Other income and gains	4	5,559	697
Administrative expenses		(21,798)	(21,141)
Finance costs	5	(451)	<u>(199)</u>
Loss before taxation		(46,258)	(13,372)
Income tax expense	6	(97)	<u>(350)</u>
Loss and total comprehensive expense for the year	7	(46,355)	<u>(13,722)</u>
Loss per share:			
Basic and diluted	9	(5.0) cents	<u>(1.5) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Plant and equipment		29,444	32,635
Investment property		7,700	7,300
Right-of-use assets		9,601	4,370
Deposits paid for acquisition of plant and equipment		1,714	–
		48,459	44,305
Current assets			
Contract assets	<i>10</i>	104,162	97,386
Trade and other receivables	<i>11</i>	25,781	8,810
Tax recoverable		632	513
Restricted bank deposits		–	6,889
Bank balances		38,756	41,741
		169,331	155,339
Current liabilities			
Trade and other payables	<i>12</i>	93,460	33,202
Lease liabilities		3,399	1,626
Bank borrowings		1,736	1,883
		98,595	36,711
Net current assets		70,736	118,628
Total assets less current liabilities		119,195	162,933
Non-current liabilities			
Deferred tax liabilities		2,978	2,957
Lease liabilities		3,282	686
		6,260	3,643
Net assets		112,935	159,290
Capital and reserves			
Share capital	<i>13</i>	9,338	9,338
Reserves		103,597	149,952
		112,935	159,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION

Wing Chi Holdings Limited (“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 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 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 referred to as the “**Group**”).

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to Hong Kong Accounting Standard (“ HKAS ”) 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year 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 consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and Related Amendments ⁵
Amendments to HKFRS 3	Reference to Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ⁴
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ³
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁶
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁵

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 June 2020

⁴ Effective for annual periods beginning on or after 1 January 2022.

⁵ Effective for annual periods beginning on or after 1 January 2023.

⁶ Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
— Provision of foundation and site formation works	399,615	313,892
Revenue from other sources		
— Rental income from machineries leasing	12,230	12,606
	<u>411,845</u>	<u>326,498</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Timing of revenue recognition		
Over time	<u>399,615</u>	<u>313,892</u>
Total revenue from contracts with customers	<u><u>399,615</u></u>	<u><u>313,892</u></u>

Transaction price allocated to the remaining performance obligations

As at 31 March 2021, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$428,238,000 (2020: HK\$305,573,000). The amount represents revenue expected to be recognised in the future from construction contracts. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 1 to 21 months (2020: 2 to 18 months).

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 and machineries leasing. 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 and machineries leasing 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.

Information about major customers

Revenues from external customers contributing over 10% of the total revenue of the Group of the corresponding year are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	133,844	52,866
Customer B	73,695	N/A*
Customer C	72,549	140,634
Customer D	64,639	N/A*
Customer E	N/A*	87,212
	<u><u> </u></u>	<u><u> </u></u>

* The corresponding revenue did not contribute over 10% of total revenue of the Group.

4. OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	14	49
Fair value gain on investment property	400	–
Rental income	224	228
Government grants (<i>Note</i>)	4,902	410
Sundry income	19	10
	<u>5,559</u>	<u>697</u>

Note:

During the year ended 31 March 2021, approximately HK\$4,122,000 and HK\$140,000 (2020: nil and nil) are 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 (the “**government**”) respectively as part of the relief measures on COVID-19 pandemic, while approximately HK\$640,000 (2020: nil) are cash subsidies from Construction Innovation and Technology Fund granted by the government as the support of new technology adoption in construction. The Group has complied with all attached conditions during the year ended 31 March 2021 and 2020 and recognised the amounts in profit or loss in “other income and gains”.

During the year ended 31 March 2020, government grants of approximately HK\$410,000 (2021: nil) were received under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” upon disposal of certain motor vehicles and the Construction Industry Anti-epidemic Fund provided by the Government.

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on:		
— bank borrowings	45	51
— lease liabilities	406	148
	<u>451</u>	<u>199</u>

6. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current year taxation		
Hong Kong Profits Tax	76	193
Deferred taxation	21	157
	<u>97</u>	<u>350</u>

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands or the BVI for the year ended 31 March 2021 (2020: nil).

Under the two-tiered profits tax rates regime, the first HK\$2 millions of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 millions will be taxed at 16.5%. For the years ended 31 March 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%.

7. LOSS FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments	1,816	2,189
Staff costs (excluding directors' and chief executive's emoluments)		
— Salaries, wages, allowances and other benefits	99,489	67,644
— Contributions to retirement benefits scheme	3,145	2,273
Total staff costs	102,634	69,917
Impairment loss recognised on trade receivables	267	4
(Reversal of) impairment loss recognised on contract assets	(158)	1,024
Auditor's remuneration	850	850
Depreciation of plant and equipment	11,591	11,150
Depreciation of right-of-use assets	2,600	2,273
Loss on disposal of plant and equipment	441	10
Fair value (gain) loss on investment property	(400)	300

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

9. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss:		
— Loss for the year attributable to the owners of the Company	(46,355)	(13,722)
Number of shares		
— Weighted average number of ordinary shares for the purpose of basic loss per share	933,750,000	933,750,000

Diluted loss per share

Diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2021 and 2020.

10. CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysed as current:		
Unbilled revenue of construction contracts (<i>note a</i>)	70,590	70,797
Loss allowance	<u>(282)</u>	<u>–</u>
	<u>70,308</u>	<u>70,797</u>
Retention receivables of construction contracts (<i>note b</i>)	34,438	27,613
Loss allowance	<u>(584)</u>	<u>(1,024)</u>
	<u>33,854</u>	<u>26,589</u>
Total contract assets	<u><u>104,162</u></u>	<u><u>97,386</u></u>

Notes:

- (a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers. The balance of unbilled revenue of construction contracts is expected to be recovered within one year.
- (b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. Included in retention receivables of construction contracts of approximately HK\$4,572,000 (2020: HK\$1,673,000) is expected to be recovered after more than one year.

The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Receivables at amortised cost comprise:		
Trade receivables (<i>Note</i>)	24,490	8,553
Loss allowance	(610)	(343)
	23,880	8,210
Other receivables	1,118	254
Prepayments and deposits	783	346
	25,781	8,810

Note:

As at 31 March 2021, gross amount of approximately HK\$19,318,000 (2020: HK\$3,994,000) included in the trade receivables arose from the provision of foundation and site formation works in accordance with HKFRS 15.

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, net of accumulated loss allowance, presented based on the certified date which approximates the respective revenue recognition dates at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	20,093	4,018
31 to 60 days	1,805	3,478
61 to 180 days	1,851	413
181 to 365 days	–	301
Over 365 days	131	–
	23,880	8,210

12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	67,971	13,586
Retention payables	9,315	12,728
Accrued expenses and other payables	16,174	6,888
	93,460	33,202

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by suppliers and subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30 to 90 days in 2021 (2020: 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 90 days	67,971	13,586

13. SHARE CAPITAL

	Number of shares		Share capital	
	2021	2020	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each				
Authorised				
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid				
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	933,750,000	933,750,000	9,338	9,338

Note:

All shares issued rank pari passu with all the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW 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 (“**ELS**”) works and (ii) 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.

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 focus in acting as a subcontractor but also aim to act as a foundation main contractor in future. The Group’s principal operating subsidiary, Lik Shing Engineering Company Limited, has registered under the Construction Industry Council as a registered subcontractor and has registered under the Buildings Department as a registered specialist contractor in foundation works category since May 2008 and December 2019 respectively.

During the year ended 31 March 2021, the Group faced various problems which include substantial loss being incurred in some construction projects, the adverse impact from the outbreak of the novel coronavirus (“**COVID-19**”) which has weakened the macro-economy and increased the difficulty on the Group’s negotiation with its customers on the construction workdones of the completed projects. In addition, severe competition in the foundation and site formation market caused by the suppression of contract prices in both the public and the private sectors is another problem the Group has faced during the year ended 31 March 2021. The profit margin of our project works has been seriously affected which in turn affected the performance of the Group.

The Directors consider that the uncertainty in the economy of Hong Kong is apparent, and the growth in the overall income of the industry has slowed down. In light of the negative impact on the operation of the Group, 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 continue to 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 year ended 31 March 2021, the Group had been awarded 31 new contracts, with an aggregate original contract sum of approximately HK\$528.2 million and had completed 29 projects with an aggregate original contract sum of approximately HK\$256.1 million. As at 31 March 2021, the Group had 30 projects on hand which include projects in progress as well as projects that have been awarded to us but not yet commenced. As at 31 March 2021, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately HK\$428.2 million (2020: approximately HK\$305.6 million). This amount represents the revenue from construction contracts that is expected to be recognised in the future.

Revenue

The revenue from the foundation and site formation works of the Group for the year ended 31 March 2021 amounted to approximately HK\$399.6 million, representing an increase of approximately HK\$85.7 million, or 27.3% as compared to that of approximately HK\$313.9 million for the year ended 31 March 2020. Such increase was primarily due to the fact that more large size foundation and site formation works which include the Lung Cheung Road project and Kai Tak Development projects have been conducted during the year ended 31 March 2021.

The revenue from machinery leasing for the year ended 31 March 2021 amounted to approximately HK\$12.2 million, representing a decrease of approximately HK\$0.4 million, or 3.2% as compared to that of approximately HK\$12.6 million for the year ended 31 March 2020. This amount represents the revenue derived from the leasing of the Group's machinery to contractors and/or subcontractors under operating leases. There was no significant variance on machinery leasing during the year.

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

The gross loss of the Group for the year ended 31 March 2021 amounted to approximately HK\$29.6 million, as compared to a gross profit of approximately HK\$7.3 million for the year ended 31 March 2020. The gross loss margin of the Group during the year ended 31 March 2021 was approximately 7.2%, compared to the gross profit margin of approximately 2.2% for the year ended 31 March 2020.

The decline in the gross profit margin was mainly due to (1) substantial loss being incurred in some of the foundation and site formation works due to (a) the need to employ additional resources to deal with the unforeseen ground conditions and site constraints in the construction projects, (b) delay in the handover of certain works area and change of construction methods by clients which in turn impaired construction efficiency; (2) the adverse impact resulting from the outbreak of the COVID-19 which caused (a) the deterioration of the macro-economy and the increase of the difficulty in the Group's negotiation with its customers on the construction workdone of the completed projects and (b) the delay in site progress which increased the cost to maintain the requisite site workforce and other machinery and equipment; and (3) severe competition in the foundation and site formation market following (a) the suppression of contract prices in both the public and the private sectors and (b) the overall weakness of the economy.

Due to the fierce competition in the market, some newly awarded contracts of the Group will have lower profit margin, but the Group will continue to improve its competitive strengths and closely monitor the cost of services.

Other Income

The other income of the Group for the year ended 31 March 2021 amounted to approximately HK\$5.6 million, representing an increase of approximately HK\$4.9 million or 700.0% as compared to that of approximately HK\$0.7 million for the year ended 31 March 2020. The significant increase was primarily due to the receipt of approximately HK\$4.1 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 (the “Government”) respectively as part of the relief measures on the COVID-19 pandemic (31 March 2020: nil). Moreover, approximately HK\$0.6 million cash subsidies has been granted by the Construction Innovation and Technology Fund set up by the Government to support the adoption of new technology in the construction industry (31 March 2020: nil).

Administrative Expenses

The administrative expenses of the Group for the year ended 31 March 2021 amounted to approximately HK\$21.8 million, representing a slight increase of approximately HK\$0.7 million or 3.3% as compared to that of approximately HK\$21.1 million for the year ended 31 March 2020. The administrative expenses mainly comprised of professional expenses, salaries costs and depreciation expenses.

Finance Costs

The finance costs of the Group for the year ended 31 March 2021 amounted to approximately HK\$0.5 million, representing an increase of approximately HK\$0.3 million or 150.0% as compared to that of approximately HK\$0.2 million for the year ended 31 March 2020. The increase was primarily due to the increase in lease liabilities during the year ended 31 March 2021 as compared to that for the corresponding period in 2020.

Income Tax Expenses

The income tax expenses of the Group for the year ended 31 March 2021 amounted to approximately HK\$0.1 million, representing a decrease of approximately HK\$0.3 million or 75.0% as compared to that of approximately HK\$0.4 million for the year ended 31 March 2020. The decrease was mainly due to the significant decrease in assessable profits of Hong Kong Profits Tax during the year ended 31 March 2021. The income tax expense represents the net effect on the movement of deferred tax expenses and Hong Kong income tax expense during the year ended 31 March 2021.

Loss attributable to owners of the Company

The Group reported a net loss attributable to owners of approximately HK\$46.4 million for the year ended 31 March 2021 as compared to that of approximately HK\$13.7 million for the year ended 31 March 2020. The increase in net loss attributable to owners of the Company was mainly attributable to the gross loss during the year.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

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

As at 31 March 2021, the Group had total assets of approximately HK\$217.8 million (2020: approximately HK\$199.6 million), of which current assets amounted to approximately HK\$169.3 million (2020: approximately HK\$155.3 million).

As at 31 March 2021, the Group had total liabilities of approximately HK\$104.9 million (2020: approximately HK\$40.4 million), of which current liabilities amounted to approximately HK\$98.6 million as at 31 March 2021 (2020: approximately HK\$36.7 million). As at 31 March 2021, the Group had total equity attributable to owners of the Company amounted to approximately HK\$112.9 million (2020: approximately HK\$159.3 million).

As at 31 March 2021, the Group had total bank balances and cash of approximately HK\$38.8 million (2020: approximately HK\$41.7 million). The decrease in bank balances and cash was mainly due to the application of approximately HK\$2.9 million by the Group in its operation and investing and financing activities.

As at 31 March 2021, the Group had total debts of approximately HK\$8.4 million which include lease liabilities and bank borrowings (2020: approximately: HK\$4.2 million) denominated in Hong Kong dollars. The gearing ratio of the Group, calculated by the total debts (defined as the sum of the lease liabilities and bank borrowings) divided by the total equity is approximately 7.5% (2020: approximately 2.6%).

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

PLEDGE OF ASSETS

As at 31 March 2021, the Group's right-of-use assets with an aggregate net book value of approximately HK\$9.0 million (2020: approximately HK\$3.4 million) were pledged under finance leases, while an investment property of approximately HK\$7.7 million (31 March 2020: approximately HK\$7.3 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 year ended 31 March 2021.

CAPITAL EXPENDITURE

During the year ended 31 March 2021, the Group invested approximately HK\$20.2 million (31 March 2020: approximately HK\$15.3 million) on acquisition of machineries and equipment, motor vehicles and computer equipment. Capital expenditure was principally funded by finance leases and internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 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.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 7 June 2021, an indirect wholly-owned subsidiary of the Company entered into the provisional agreement for sale and purchase with the purchaser and the agent to sell the property at the consideration of HK\$7,250,000. Details of the transaction has been disclosed in the announcement of the Company dated 7 June 2021.

Save as disclosed as above, there is no material subsequent events undertaken by the Company or by the Group after 31 March 2021 and up to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2021, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 March 2021, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group employed a total of 319 employees (including Executive Directors, Non-executive Director and Independent Non-executive Directors), as compared to a total of 166 employees as at 31 March 2020. The significant increase in the number of employees was mainly due to the fact that we have conducted projects which are labour intensive as at 31 March 2021. Total staff costs which include Directors’ emoluments for the year ended 31 March 2021 was approximately HK\$104.5 million (year ended 31 March 2020: approximately HK\$72.1 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.

The emoluments of the Directors of the Company are decided by the Board after recommendation from the Remuneration Committee of the Company, having considered the factors such as the Group’s financial performance and the individual performance of the Directors, etc.

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

During the year ended 31 March 2021, 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The net proceeds of the share offer received by the Company in relation to the listing of the shares of the Company (the “**Shares**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 20 October 2017 (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 Board consider that these proceeds are intended to be applied in accordance with the proposed application 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 31 March 2021:

	Planned use of net proceeds from the Listing HK\$’ million	Actual usage from the Listing as at 31 March 2021 HK\$’ million	Unutilised amount of net proceeds as at 31 March 2021 HK\$’ million
Acquire new machinery and equipment	40.6	40.6	–
Reserve more capital to satisfy the potential requirement for surety bond	31.3	25.7	5.6
Strengthen the manpower	23.1	23.1	–
General working capital	8.9	8.9	–
	<u>103.9</u>	<u>98.3</u>	<u>5.6</u>

The planned use of proceeds as stated in the Prospectus was based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group’s business and industry.

The unutilised amounts of the net proceeds from the Listing will be applied in the manner consistent with that mentioned in the Prospectus. The unutilised amount had been deposited with licensed banks in Hong Kong.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend to Shareholders of the Company for the year ended 31 March 2021.

FUTURE PROSPECTS

The global economic downturn due to the outbreak of the COVID-19 had affected business confidence. The foundation and site formation market in Hong Kong continues to be highly competitive due to the presence of a large number of competitors. In response to this situation, the Group had to lower the tender prices to maintain its market position and to diversify the client base to secure sufficient project winning. The Group will continue to focus on improving cost control measures on projects, strengthening project managements teams and increasing our production efficiency. Nevertheless, the Hong Kong Government remain focus on Hong Kong's land supply for private and residential housing and commercial buildings. Therefore, the Group is confident that the construction industry in Hong Kong will remain positive in the future.

CORPORATE GOVERNANCE PRACTICES

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 period from 1 April 2020 to 31 March 2021 (the “**Reporting Period**”) 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. 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 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

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 of the Company.

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.

ANNUAL GENERAL MEETING (“AGM”)

The 2021 AGM of the Company will be held on Friday, 20 August 2021. The notice of the 2021 AGM of the Company will be published and despatched to the Shareholders of the Company in the manner as required by the Listing Rules and the articles of association of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The 2021 AGM of the Company has been scheduled to be held on Friday, 20 August 2021. For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 13 August 2021 to Friday, 20 August 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12 August 2021.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES

As at 31 March 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (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 Company’s annual results for the year ended 31 March 2021 have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made. The Audit Committee has met the external auditor of the Company, SHINEWING (HK) CPA Limited (“**SHINEWING**”), and reviewed the Group’s results for the year ended 31 March 2021.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, SHINEWING, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by SHINEWING on the preliminary announcement.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the upcoming AGM, will be despatched to the shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2021 ANNUAL REPORT

The annual results announcement is published on the Company's website at <http://www.wingchiholdings.com> and the website of the Stock Exchange at www.hkexnews.hk.

The 2021 annual report of the Company for the year ended 31 March 2021 will be despatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 25 June 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.