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**Wecon Holdings Limited**  
**偉工控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1793)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**FINANCIAL HIGHLIGHTS**

- Revenue slightly decreased by approximately 0.02% from approximately HK\$980.8 million for the year ended 31 March 2018 to approximately HK\$980.6 million for the year ended 31 March 2019.
- Gross profit increased by approximately 17.1% from approximately HK\$77.3 million for the year ended 31 March 2018 to approximately HK\$90.5 million for the year ended 31 March 2019.
- Gross profit margin increased from approximately 7.9% for the year ended 31 March 2018 to approximately 9.2% for the year ended 31 March 2019.
- Profit attributable to the equity holders of the Company for the year ended 31 March 2019 decreased by approximately HK\$4.2 million or 10.1% from approximately HK\$41.4 million for the year ended 31 March 2018 to approximately HK\$37.2 million for the year ended 31 March 2019. Setting aside the listing expenses, the adjusted net profit for the year ended 31 March 2019 was approximately HK\$50.3 million.
- Basic earnings per share was approximately HK6.0 cents for the year ended 31 March 2019 and approximately HK6.9 cents for the year ended 31 March 2018.
- The board has proposed a final dividend of HK1.4 cents per share in respect of the year ended 31 March 2019, subject to approval of the Company's shareholders at the 2019 AGM.

The board (the “**Board**”) of directors (the “**Directors**”) of Wecon Holdings Limited (the “**Company**”) is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2019, together with the comparative figures for the corresponding year ended 31 March 2018.

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

*For the year ended 31 March*

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>REVENUE</b>	<b>4</b>	<b>980,589</b>	980,828
Cost of sales		<u>(890,081)</u>	<u>(903,536)</u>
Gross profit		<b>90,508</b>	77,292
Other income and gains	<b>4</b>	<b>4,091</b>	5,849
Loss on disposal of other financial assets at amortised cost		–	(317)
Administrative expenses		<b>(47,365)</b>	(32,277)
Finance costs	<b>5</b>	<u><b>(600)</b></u>	<u>(244)</u>
<b>PROFIT BEFORE TAX</b>	<b>6</b>	<b>46,634</b>	50,303
Income tax	<b>7</b>	<u><b>(9,406)</b></u>	<u>(8,896)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<u><b>37,228</b></u>	<u>41,407</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>8</b>		
– Basic and diluted		<u><b>HK6.0 cents</b></u>	<u>HK6.9 cents</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	Notes	2019 HK\$'000	2018 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,831	4,117
Prepayments, deposits and other receivables		<u>3,492</u>	<u>1,502</u>
<b>Total non-current assets</b>		<u>10,323</u>	<u>5,619</u>
<b>CURRENT ASSETS</b>			
Contract assets and trade receivables	10	246,019	195,271
Prepayments, deposits and other receivables		49,912	50,096
Pledged deposits		20,513	26,349
Time deposits		144,888	13,748
Cash and bank balances		<u>29,423</u>	<u>46,649</u>
<b>Total current assets</b>		<u>490,755</u>	<u>332,113</u>
<b>CURRENT LIABILITIES</b>			
Trade and retention payables	11	118,895	120,409
Other payables and accruals		124,023	62,566
Loan from a related company		–	8,500
Interest-bearing bank borrowing		10,000	–
Finance lease payables		461	–
Tax payable		<u>7,793</u>	<u>5,500</u>
<b>Total current liabilities</b>		<u>261,172</u>	<u>196,975</u>
<b>NET CURRENT ASSETS</b>		<u>229,583</u>	<u>135,138</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>239,906</u>	<u>140,757</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		632	476
Finance lease payables		<u>598</u>	<u>–</u>
<b>Total non-current liabilities</b>		<u>1,230</u>	<u>476</u>
<b>Net assets</b>		<u><u>238,676</u></u>	<u><u>140,281</u></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	12	8,000	–*
Reserves		<u>230,676</u>	<u>140,281</u>
<b>Total equity</b>		<u><u>238,676</u></u>	<u><u>140,281</u></u>

\* Less than HK\$500

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 1. GENERAL INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 23 March 2018. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 1801-1802, 18/F., Tung Hip Commercial Building, 244-252 Des Voeux Road Central, Hong Kong.

During the year, the Company made an offer to the public for subscription of its new shares (the “**Share Offer**”) in connection with the listing of the Company’s shares (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Dealing of the Company’s shares on the Stock Exchange commenced on 27 February 2019 (the “**Listing Date**”).

The Company is an investment holding company. During the year, the Group’s subsidiaries were principally engaged in the provision of building construction and repair, maintenance, alteration and addition services.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Triple Arch Limited, which is incorporated in the British Virgin Islands (the “**BVI**”).

### 2.1 BASIS OF PRESENTATION

In preparation for the listing of the Company’s shares on the Stock Exchange, the Company underwent a group reorganisation (the “**Reorganisation**”), further details of which are set out in the Company’s prospectus dated 30 January 2019 (the “**Prospectus**”). Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 21 December 2018, which were under the common control of the same controlling shareholder both before and after the Reorganisation. Accordingly, these financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the financial periods presented.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 March 2019 and 2018 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2018 has been prepared to present the assets and liabilities of all companies now comprising the Group using the existing book values from the controlling shareholder’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All intragroup transactions and balances have been eliminated on combination.

## **2.2 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

All HKFRSs effective for the accounting period commencing from 1 April 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements since 1 April 2015.

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the principles of merger accounting.

The merger method of accounting involves incorporating the financial statements items of the combined entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party. The net assets of the combining entities or business are combined using the existing book values from the controlling party’s perspective. The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or business first came under common control, where there is a shorter period, regardless of the date of the common control combination.

The acquisition of subsidiaries other than those under common control is accounted for using the acquisition method.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

- (a) Construction contracts; and
- (b) Repair, maintenance, alteration and addition (“**RMAA**”)

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax.

The adjusted profit before tax is measured consistently with the Group’s profit before tax except that dividend income from other financial assets at fair value through profit or loss, interest income, fair value loss from the Group’s other financial assets at fair value through profit or loss, rental income, sundry income, loss on disposal of items of property, plant and equipment, loss on disposal of other financial assets, depreciation, including unallocated portion, exchange gain/loss, finance costs and unallocated head office and corporate expenses, are excluded from such measurement.

Segment assets exclude property, plant and equipment, pledged deposits, time deposits and cash and bank balances and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude a loan from a related company, an interest-bearing bank borrowing, finance lease payables, tax payable and deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

## Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's key management personnel for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2019 and 2018 is set out below.

### Year ended 31 March 2019

	Construction contracts 2019 HK\$'000	RMAA 2019 HK\$'000	Total 2019 HK\$'000
<b>Segment revenue</b>			
Revenue from external customers	<u>787,552</u>	<u>193,037</u>	<u>980,589</u>
<b>Segment results</b>	<b>67,888</b>	<b>22,620</b>	<b>90,508</b>
Interest income			2,584
Rental income			6
Sundry income			1,501
Loss on disposal of items of property, plant and equipment			(63)
Depreciation, including unallocated portion			(1,181)
Exchange loss			(1,533)
Finance costs			(600)
Unallocated head office and corporate expenses			<u>(44,588)</u>
Profit before tax			46,634
Income tax expense			<u>(9,406)</u>
Profit for the year			<u><u>37,228</u></u>
<b>Segment assets and liabilities</b>			
Segment assets	232,924	64,960	297,884
Unallocated			<u>203,194</u>
			<u><u>501,078</u></u>
Segment liabilities	212,580	27,253	239,833
Unallocated			<u>22,569</u>
			<u><u>262,402</u></u>



Year ended 31 March 2018

	Construction contracts 2018 HK\$'000	RMAA 2018 HK\$'000	Total 2018 HK\$'000
<b>Segment revenue</b>			
Revenue from external customers	<u>817,664</u>	<u>163,164</u>	<u>980,828</u>
<b>Segment results</b>	52,274	25,018	77,292
Dividend income			656
Interest income			2,897
Fair value loss on other financial assets at fair value through profit or loss			(502)
Rental income			24
Sundry income			574
Loss on disposal of items of property, plant and equipment			(64)
Loss on disposal of other financial assets at amortised cost			(317)
Depreciation, including unallocated portion			(1,030)
Exchange gain			1,698
Finance costs			(244)
Unallocated head office and corporate expenses			<u>(30,681)</u>
Profit before tax			50,303
Income tax expense			<u>(8,896)</u>
Profit for the year			<u><u>41,407</u></u>
<b>Segment assets and liabilities</b>			
Segment assets	183,150	62,649	245,799
Unallocated			<u>91,933</u>
			<u><u>337,732</u></u>
Segment liabilities	167,412	14,555	181,967
Unallocated			<u>15,484</u>
			<u><u>197,451</u></u>

## Geographical information

Since over 90% of the Group's revenue was generated from the sales in Hong Kong and over 90% of the Group's identifiable non-current assets were located in Hong Kong, no geographical information in accordance with HKFRS 8 *Operating Segments* is presented.

## Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the year, is set out below:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	306,033	N/A*
Customer B	177,759	287,593
Customer C	156,711	145,677
Customer D	N/A*	183,728
Customer E	N/A*	167,331
Customer F	N/A*	108,174

\* The corresponding revenues from these customers are not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the years ended 31 March 2019 and 2018.

## 4. REVENUE AND OTHER INCOME AND GAINS

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
Construction contracts	787,552	817,664
RMAA	193,037	163,164
	<u>980,589</u>	<u>980,828</u>

## Revenue from contracts with customers

### (i) *Disaggregated revenue information*

For the year ended 31 March 2019

Segments	Construction contracts HK\$'000	RMAA HK\$'000	Total HK\$'000
<b>Type of services</b>			
Construction services	787,552	–	787,552
RMAA	–	193,037	193,037
Total revenue from contracts with customers	<u>787,552</u>	<u>193,037</u>	<u>980,589</u>
<b>Timing of revenue recognition</b>			
Over time	787,552	22,746	810,298
Point in time	–	170,291	170,291
Total revenue from contracts with customers	<u>787,552</u>	<u>193,037</u>	<u>980,589</u>

For the year ended 31 March 2018

Segments	Construction contracts HK\$'000	RMAA HK\$'000	Total HK\$'000
<b>Type of services</b>			
Construction services	817,664	–	817,664
RMAA	–	163,164	163,164
Total revenue from contracts with customers	<u>817,664</u>	<u>163,164</u>	<u>980,828</u>
<b>Timing of revenue recognition</b>			
Over time	817,664	18,430	836,094
Point in time	–	144,734	144,734
Total revenue from contracts with customers	<u>817,664</u>	<u>163,164</u>	<u>980,828</u>

**(ii) Performance obligations**

For the construction contracts and RMAA services using output method, the construction and refurbishment of buildings is a single performance obligation that the Group satisfies over time. The construction period varies from 1.5 years to 3 years. As at 31 March 2019, the aggregate amount of the transaction price allocated to the remaining obligation was HK\$2,212,730,000 (2018: HK\$957,958,000), and the Group will recognise this revenue in future when or as the buildings are completed, which are expected to occur over the next 12 to 36 months.

For the RMAA services under term contracts, the performance obligation is satisfied upon the transfer of control of the asset. The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less.

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Other income and gains</b>		
Dividend income from other financial assets at fair value through profit or loss	–	656
Exchange gain	–	1,698
Interest income from other financial assets at amortised cost	–	399
Interest income arising from loans to subcontractors and bank deposits	<b>2,584</b>	2,498
Rental income	<b>6</b>	24
Sundry income	<b>1,501</b>	574
	<b>4,091</b>	5,849

**5. FINANCE COSTS**

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

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Interest on bank borrowings	<b>568</b>	244
Interest on finance leases	<b>32</b>	–
	<b>600</b>	244

## 6. PROFIT BEFORE TAX

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

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Depreciation	<b>1,181</b>	1,030
Auditor's remuneration	<b>1,300</b>	403
Employee benefit expense (excluding directors' remuneration):*		
Wages and salaries	<b>73,264</b>	58,807
Pension scheme contributions (defined contribution scheme)	<u><b>2,828</b></u>	<u>2,034</u>
	<u><b>76,092</b></u>	<u>60,841</u>
Employee benefit expense included in contract assets	<u>–</u>	<u>(575)</u>
	<u><b>76,092</b></u>	<u>60,266</u>
Minimum lease payments under operating leases	<b>3,625</b>	3,906
Loss on disposal of items of property, plant and equipment	<b>63</b>	64
Loss on disposal of other financial assets at amortised cost	–	317
Foreign exchange differences, net	<b>1,533</b>	(1,698)
Fair value loss on other financial assets at fair value through profit or loss	–	502
Dividend income from other financial assets at fair value through profit or loss	–	(656)
Listing expenses	<u><b>13,134</b></u>	<u>4,561</u>

\* The employee benefit expense included in cost of sales was HK\$59,675,000 (2018: HK\$49,273,000).

## 7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 8.25% for the first HK\$2,000,000 of estimated assessable profits for one of the Group's Hong Kong subsidiaries and 16.5% for the remaining of the estimated assessable profits for the year ended 31 March 2019 (2018: at a standard rate of 16.5%)

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Current – Hong Kong		
Charge for the year	<b>9,604</b>	8,758
(Overprovision)/underprovision in prior years	<b>(354)</b>	119
Deferred	<u><b>156</b></u>	<u>19</u>
Total tax charge for the year	<u><b>9,406</b></u>	<u>8,896</u>

## **8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK\$37,228,000 (2018: HK\$41,407,000), and the weighted average number of ordinary shares of 618,082,192 (2018: 600,000,000) in issue during the year, on the assumption that the capitalisation issue and the Reorganisation in connection with the listing of the Company had been completed on 1 April 2017.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 March 2019 included 100 ordinary shares of the Company issued on the date of incorporation, 5 ordinary shares of the Company issued upon the completion of the Reorganisation and 599,999,895 ordinary shares issued pursuant to the capitalisation issue, on the assumptions that all these shares had been in issue throughout the year ended 31 March 2019, and the weighted average number of 200,000,000 ordinary shares issued in connection with the listing of the ordinary shares of the Company on the Stock Exchange.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 March 2018 was based on 600,000,000 ordinary shares, representing the number of ordinary shares of the Company immediately after the capitalisation issue, as if all these shares had been in issue throughout the year ended 31 March 2018.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2019 and 2018.

## **9. DIVIDENDS**

During the year ended 31 March 2019 and before the completion of the Reorganisation, certain subsidiaries of the Group declared interim dividends of HK\$50,000,000 to their then shareholders. Such interim dividends were paid during the year ended 31 March 2019. Investors who became the shareholders of the Company after the Listing were not entitled to such interim dividends.

Final dividend of HK1.4 cents per share, in an aggregate amount of HK\$11,200,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 10. CONTRACT ASSETS AND TRADE RECEIVABLES

	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Other contract assets	<b>10,900</b>	3,642
Retention receivables	<b>63,583</b>	60,267
Trade receivables	<u><b>171,536</b></u>	<u>131,362</u>
	<u><b>246,019</b></u>	<u>195,271</u>

Trade receivables represented receivables for contract work. Management generally submit interim payment applications to customers on a monthly basis containing a statement setting out management's estimation of the valuation of the works completed in the preceding month. Upon receiving the interim payment application, the architect or the consultant of the customer will verify such valuation of works completed and issue an interim payment certificate within 30 days. Within 30 days after the issuance of the interim payment certificate, the customer will make payment to the Group based on the certified amount stipulated in such certificate, deducting any retention money in accordance with the contract.

There is a certain concentration of credit risk. The balances of the total trade receivables from the five largest trade receivables balances at 31 March 2019 and 2018 represented 82.5% and 85.8% of total trade receivables, respectively, while 44.3% and 30.3% of the total trade receivables were due from the largest customer, respectively. Trade receivables are non-interest-bearing.

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

	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Trade receivables:		
Within 90 days	<b>169,278</b>	127,703
91 to 180 days	<b>1,493</b>	1,587
181 to 360 days	<b>172</b>	1,903
Over 360 days	<u><b>593</b></u>	<u>169</u>
	<u><b>171,536</b></u>	<u>131,362</u>



## 11. TRADE AND RETENTION PAYABLES

An ageing analysis of the trade and retention payables as at the end of reporting period, based on the invoice date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables:		
Within 3 months	64,424	71,902
4 to 6 months	1	—
Over 6 months	<u>18</u>	<u>18</u>
	<u>64,443</u>	<u>71,920</u>
Retention payables	<u>54,452</u>	<u>48,489</u>
	<u><u>118,895</u></u>	<u><u>120,409</u></u>

Retention payables were normally settled within terms ranging from one to two years.

Trade and retention payables are non-interest-bearing. The payment terms of trade payables are stipulated in the relevant contracts with credit periods of 30 days in general.

## 12. SHARE CAPITAL

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Authorised:		
5,000,000,000 (2018: 38,000,000) shares of HK\$0.01 each	<u><u>50,000</u></u>	<u><u>380</u></u>
Issued and fully paid:		
800,000,000 (2018: 100) shares of HK\$0.01 each	<u><u>8,000</u></u>	<u><u>—*</u></u>

\* Less than HK\$500

The movements in the Company' share capital during the period from 23 March 2018 (date of incorporation) to 31 March 2019 were as follows:

	<i>Notes</i>	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>Nominal value of ordinary shares HK\$'000</b>
Authorised:			
At 23 March 2018 (date of incorporation), 31 March 2018 and 1 April 2018	(a)	38,000,000	380
Increase in authorised share capital on 21 January 2019	(b)(i)	<u>4,962,000,000</u>	<u>49,620</u>
At 31 March 2019		<u><u>5,000,000,000</u></u>	<u><u>50,000</u></u>
Issued and fully paid:			
At 23 March 2018 (date of incorporation), 31 March 2018 and 1 April 2018	(a)	100	—
Issue of new shares pursuant to the Reorganisation	(b)(ii)	5	—
Capitalisation issue of shares	(c)	599,999,895	6,000
Issue of new shares pursuant to the Share Offer	(d)	<u>200,000,000</u>	<u>2,000</u>
At 31 March 2019		<u><u>800,000,000</u></u>	<u><u>8,000</u></u>

*Notes:*

- (a) The Company was incorporated on 23 March 2018 with initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of a par value of HK\$0.01 each. On the date of incorporation, one subscriber share was allotted and issued to the nominee subscriber and 99 ordinary shares of HK\$0.01 each were allotted and issued by the Company on the same date.
- (b)
  - (i) On 21 January 2019, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$50,000,000 divided into 5,000,000,000 shares by the creation of additional 4,962,000,000 shares.
  - (ii) On 21 December 2018, the Company allotted and issued 5 ordinary shares of HK\$0.01 each to settle the consideration for the acquisition of the entire issued share capital of subsidiaries now comprising the Group.
- (c) Pursuant to the authority given by the resolutions of the then sole shareholder of the Company on 21 January 2019, an aggregate amount of HK\$6,000,000 standing to the credit of the share premium of the Company was approved to be capitalised and applied in paying in full at par of 599,999,895 ordinary shares of HK\$0.01 each for allotment and issue on 27 February 2019.
- (d) On 26 February 2019, 200,000,000 ordinary shares of HK\$0.01 each were issued under the share offering in connection with the listing of the shares of the Company on the Stock Exchange at a subscription price of HK\$0.625 per share. Among the proceeds from the issue of new shares, before issuance expenses of HK\$13,833,000, amounted to HK\$125,000,000, HK\$2,000,000 and HK\$123,000,000 were credited to issued share capital and share premium of the Company, respectively. Dealings on the Stock Exchange commenced on 27 February 2019.

## BUSINESS REVIEW

The Group is a long-established main contractor in Hong Kong and principally engaged in the provision of (i) building construction services and (ii) RMAA works services. The Group provides building construction services to customers in both the private and public sectors. The building construction services provided by the Group primarily consist of building works for new buildings, including residential, commercial and industrial buildings, while our RMAA works services include the general upkeep, maintenance, improvement, refurbishment, alteration and addition of existing facilities and components of buildings and their surroundings.

As at 31 March 2019, the Group had 9 major projects on hand and each with an awarded contract sum of HK\$10.0 million or more which including projects in progress and projects that are yet to commence.

During the year ended 31 March 2019, we had completed 3 major projects with an awarded contract sum of HK\$10.0 million or more for each project.

## PROSPECTS

The shares of the Company (the “**Share(s)**”) were successfully listed on the Main Board of the Stock Exchange on 27 February 2019. The Directors believe that the Listing would enhance the Group’s profile and bring a positive effect on the Group’s business opportunities in the market. Moreover, the net proceeds from the Share Offer (the “**Net Proceeds**”) would provide the Group with the capital necessary for carrying out its long term development plan and support the growth of the Group.

Meanwhile, the Directors believe that the Group is facing the keen competition in the building construction and RMAA market in Hong Kong, the conservative approach to the certification and approval for works valuation by the customers and the continuous increase in the direct labour and material costs undoubtedly increase the overall operational risks of the Group.

Looking forward, as supported by the policy implemented by the Government of Hong Kong in infrastructure development and increase in housing supply, the Directors still remain prudently optimistic about the prospects of the building construction and RMAA industry in Hong Kong and will closely monitor the progress of our Group’s projects.

## FINANCIAL REVIEW

### Revenue

The total revenue of the Group slightly decreased by approximately HK\$0.2 million or approximately 0.02% from approximately HK\$980.8 million for the year ended 31 March 2018 to approximately HK\$980.6 million for the year ended 31 March 2019.

## **Building Construction Services**

The revenue generated from the building construction services decreased by approximately HK\$30.1 million or approximately 3.7% from approximately HK\$817.7 million for the year ended 31 March 2018 to approximately HK\$787.6 million for the year ended 31 March 2019, which was mainly due to the achievement of significant progress and practical completion for the major projects on hand during the year ended 31 March 2018.

## **RMAA Works Services**

The revenue generated from the RMAA works services increased by approximately HK\$29.9 million or approximately 18.3% from approximately HK\$163.1 million for the year ended 31 March 2018 to approximately HK\$193.0 million for the year ended 31 March 2019, which was mainly due to the increase in revenue generated from a sizable project during the year ended 31 March 2019.

## **Cost of Sales**

The Group's cost of sales primarily consisted of subcontracting costs, material costs, direct staff costs and site overhead. The cost of sales of the Group decreased by approximately HK\$13.4 million or approximately 1.5% from approximately HK\$903.5 million for the year ended 31 March 2018 to approximately HK\$890.1 million for the year ended 31 March 2019. Such decrease was attributable to the decrease in subcontracting costs which was partially offset by the increase in material costs, direct staff costs and site overhead during the year.

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

The gross profit of the Group increased from approximately HK\$77.3 million for the year ended 31 March 2018 to approximately HK\$90.5 million for the year ended 31 March 2019. The Group's gross profit margin was approximately 7.9% and 9.2% for the years ended 31 March 2018 and 2019, respectively. The gross profit margin of the Group increased by approximately 1.3% by comparing that for the year ended 31 March 2018 against the year ended 31 March 2019.

## **Building Construction Services**

The gross profit of building construction services was approximately HK\$67.9 million for the year ended 31 March 2019, representing an increase of approximately HK\$15.6 million from approximately HK\$52.3 million for the year ended 31 March 2018. The gross profit margin increased from approximately 6.4% for the year ended 31 March 2018 to approximately 8.6% for the year ended 31 March 2019 which was primarily attributable to a significant portion of revenue contributed by the industry building development project which had a relatively higher gross profit margin.

## **RMAA Works Services**

The gross profit of RMAA works services was approximately HK\$22.6 million for the year ended 31 March 2019, representing a decrease of approximately HK\$2.4 million from approximately HK\$25.0 million for the year ended 31 March 2018. The gross profit margin declined from approximately 15.3% for the year ended 31 March 2018 to approximately 11.7% for the year ended 31 March 2019 which was mainly attributable to a significant portion of revenue contributed by one sizable project which had a relatively lower gross profit margin, as a result of the higher subcontracting cost for gases and electrical installation.

## **Other Income and Gains**

The other income and gains of the Group decreased by approximately HK\$1.7 million, from approximately HK\$5.8 million for year ended 31 March 2018 to approximately HK\$4.1 million for year ended 31 March 2019. The decrease was primarily due to the decrease of (i) dividend income; (ii) interest income from other financial assets at amortised cost; and (iii) exchange gain.

## **Administrative Expenses**

The administrative expenses increased by approximately HK\$15.1 million, or representing approximately 46.7%, from approximately HK\$32.3 million for the year ended 31 March 2018 to approximately HK\$47.4 million for year ended 31 March 2019. The increase was mainly due to the increase of (i) listing expenses; (ii) staff cost; and (iii) exchange loss.

## **Finance Costs**

The finance costs increased by approximately HK\$356,000, from approximately HK\$244,000 for the year ended 31 March 2018 to approximately HK\$600,000 for the year ended 31 March 2019. The increase was mainly due to the increase in the (i) interest expense on bank borrowings; and (ii) interest expense on finance leases.

## **Income Tax Expenses**

The income tax expenses increased by approximately HK\$0.5 million, or representing approximately 5.6%, from approximately HK\$8.9 million for the year ended 31 March 2018 to approximately HK\$9.4 million for the year ended 31 March 2019. The increase was primarily attributable to an increase in income generated from building construction services. The effective tax rate was approximately 17.7% and 20.2% for the years ended 31 March 2018 and 2019, respectively. The increase of approximately 2.5% was mainly due to the increase in the non-deductible tax item of listing expenses.

## **Net Profit and Adjusted Net Profit**

As a result of the foregoing, the profit for the year of our Group decreased by approximately HK\$4.2 million, or approximately 10.1%, from approximately HK\$41.4 million for the year ended 31 March 2018 to approximately HK\$37.2 million for the year ended 31 March 2019. Setting aside the listing expenses amounted to approximately HK\$13.1 million and approximately HK\$4.6 million for the year ended 31 March 2019 and 2018, respectively, the Group's adjusted net profit for the year ended 31 March 2019 was approximately HK\$50.3 million as compared to approximately HK\$46.0 million for the year ended 31 March 2018. The adjusted net profit margin (excluding the listing expenses) for the years ended 31 March 2018 and 2019 were approximately 4.7% and 5.1%, respectively, representing a slightly increase of approximately 0.4%.

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

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

As at 31 March 2019, the Group had pledged bank deposits, time deposits and cash and bank balances of approximately HK\$194.8 million (2018: approximately HK\$86.7 million). The gearing ratio of the Group as at 31 March 2019 (defined as the total of bank borrowings, bank overdrafts and obligation under a finance lease divided by total equity) was approximately 4.6% (2018: Nil). As at 31 March 2019, the current ratio of the Group was approximately 1.9 times (2018: approximately 1.7 times).

The financial resources presently available to the Group include bank borrowings and the Net Proceeds, our Directors believe that the Group have sufficient working capital for our future requirements.

On the date of incorporation of the Company, the Company had an issued share capital of HK\$0.01 divided into one Share and on the same date, the Company further allotted and issued 99 Shares. On 21 January 2019, the authorised issued share capital of the Company increased from HK\$380,000 divided into 38,000,000 Shares to HK\$50,000,000 divided into 5,000,000,000 Shares. On 21 December 2018, five Shares were issued for the Reorganisation. On 26 February 2019, 200,000,000 Shares were allotted and issued under the Share Offer (as defined in the Prospectus) and 599,999,895 Shares were allotted and issued pursuant to the Capitalisation Issue (as defined in the Prospectus). Upon the Listing of the Company, the Company had an issued share capital of HK\$8,000,000 divided into 800,000,000 Shares.

The Company's shares were successfully listed on the Stock Exchange on 27 February 2019. There has been no change in the capital structure of the Group since then.

## **GEARING RATIO**

As at 31 March 2019, the gearing ratio of the Group, which is calculated by dividing total of bank borrowings, bank overdrafts and obligation under a finance lease with the total equity of the Group, was approximately 4.6% (2018: Nil)

## **CAPITAL COMMITMENTS**

As at 31 March 2019, the Group has capital commitments in respect of purchase of computer hardware and software, which had been contracted but not provided for in the consolidated financial statements, in the total amount of approximately HK\$1.3 million. Such amount includes approximately HK\$1.1 million which would be settled through Net Proceeds.

## **CONTINGENT LIABILITIES**

The Group provided unlimited guarantees to certain banks in respect of performance bonds of the Group's subsidiaries with an aggregate amount of approximately HK\$24.9 million (2018: approximately HK\$55.6 million) as at 31 March 2019. Certain of these performance bonds granted were secured by a time deposit amounting to approximately HK\$5 million (2018: approximately HK\$11.3 million) as at 31 March 2019.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2019, our Group has a total of 181 full-time employees (2018: 141). The Group has developed its human resources policies and procedures to determine the individual remuneration with reference to factors such as performance, merits, responsibilities of each individual, market conditions, etc. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits including provident fund contributions, medical insurance coverage, annual leave, options which may be granted under the share option scheme adopted by the Company on 21 January 2019. The total staff costs (excluding directors' remuneration) incurred by the Group during the year ended 31 March 2019 was approximately HK\$76.1 million (2018: approximately HK\$60.8 million).



## USE OF PROCEEDS

The Shares were successfully listed on the Stock Exchange on 27 February 2019. The Net Proceeds, after deducting related underwriting commission and listing expenses, of approximately HK\$93.5 million were and will be utilised in accordance with the section headed of “Future Plans and Use of Proceeds” in the Prospectus.

The Net Proceeds from the Listing Date to 31 March 2019 were utilised as follows:

	<b>Planned use of proceeds <i>HK\$ million</i></b>	<b>Actual use of proceeds from Listing date to 31 March 2019 <i>HK\$ million</i></b>	<b>Remaining balance <i>HK\$ million</i></b>
Strengthen the capacity in undertaking more building construction and RMAA works projects in Hong Kong	66.7	5.2	61.5
Strengthen the manpower	14.4	—*	14.4
Upgrade and renovation of office	3.6	—	3.6
Develop engineering and technological innovation	2.9	—	2.9
General working capital	<u>5.9</u>	<u>2.0</u>	<u>3.9</u>
	<u><u>93.5</u></u>	<u><u>7.2</u></u>	<u><u>86.3</u></u>

\* Represents the amount less than HK\$0.1 million

## DEBTS AND CHARGE ON ASSETS

The total interest-bearing bank borrowings of the Group, including a bank borrowing and finance lease payables, amounted to approximately HK\$11.1 million as at 31 March 2019 (2018: Nil). As at 31 March 2019, the banking facilities of the Group were secured by (i) the Group’s pledged bank deposits; and (ii) corporate guarantee executed by the Group.

Borrowings were denominated in Hong Kong dollar and interests on borrowings were mainly charged at floating rate. The Group currently does not have any interest rate hedging policy while the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

## **FOREIGN EXCHANGE EXPOSURE**

The Group has a minimal exposure to foreign currency risk as most of its business transactions and assets and liabilities are principally denominated in Hong Kong dollar. As such, the Directors believe that the Group's risk in foreign exchange is insignificant so the Group is not necessary to arrange any foreign currency hedging policy currently.

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

The Company was incorporated in the Cayman Islands on 23 March 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Group completed the Reorganisation in preparation for the listing of the Shares on the Stock Exchange pursuant to which the Company became the holding company of the Group. For further information in relation to the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, there were no significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 March 2019.

## **PROPOSED FINAL DIVIDEND**

At the meeting held on 26 June 2019, the Board proposed a final dividend of HK1.4 cents per Share in respect of the year ended 31 March 2019. This proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## **ANNUAL GENERAL MEETING**

The annual general meeting (the "**2019 AGM**") of the Company for the year ended 31 March 2019 is scheduled to be held on Thursday, 29 August 2019. A notice convening the 2019 AGM will be issued and despatched to the shareholders according to the applicable law, the articles of association of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

## **CLOSURE OF REGISTER OF MEMBERS**

To ascertain the identity of the shareholders of the Company who will be entitled to attend and vote at the 2019 AGM, the Register of Members of the Company will be closed from Monday, 26 August 2019 to Thursday, 29 August 2019, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2019 AGM of the Company, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at its office situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) for registration not later than 4:30 pm on Friday, 23 August 2019.

To ascertain the entitlement of the final dividend of the shareholders of the Company, the Register of Members of the Company will be closed from Wednesday, 4 September 2019 to Thursday, 5 September 2019, during which period no transfer of shares will be effected, and, subject to the approval of the shareholders at the 2019 AGM approving the payment of the final dividend, the final dividend is expected to be paid on Monday, 30 September 2019. In order to qualify for the final dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Tuesday, 3 September 2019.

## **EVENTS AFTER THE REPORTING PERIOD**

There have been no other significant events occurring after 31 March 2019 and up to the date to this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period between the Listing Date and 31 March 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its Shares.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standard of corporate governance as the Board recognises the importance of sound corporate governance to the long term and continuing success of the Group. The corporate governance principles of the Group emphasise transparency, accountability and independence. The Board commits to continuously review and enhance the Group's corporate governance practices and procedures for the best interest of the Company's shareholders.

During the period from the Listing Date to 31 March 2019, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules except the deviation stipulated below.

Code Provision A.2.1 stipulates that the roles of chairman (the “**Chairman**”) and chief executive officer (the “**CEO**”) should be separated and should not be performed by the same individual. Since the Listing Date up to the date of this announcement, Mr. Tsang Ka Yip (“**Mr. KY Tsang**”) is the Chairman of the Board and the CEO of the Company. As the nature and extent of our Group's operations and Mr. KY Tsang's in-depth knowledge and experience in the industry in which we operate and his familiarity with the operations of our Group, the Board believes that it is the most beneficial to the Group and the shareholders as a whole to have Mr. KY Tsang acting as the Chairman of the Board and CEO of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. The Company has made specific enquiries of each of the Director and all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the period from the Listing Date to 31 March 2019 in response to the specific enquiry by the Company.

## **AUDIT COMMITTEE REVIEW**

The audit committee of the Company (the “**Audit Committee**”) was established on 21 January 2019 with specific written terms of reference which clearly deals with its authority and duties.

The Audit Committee is mainly responsible for (a) maintaining the relationship with the Company’s auditor; (b) reviewing the Company’s financial information; (c) overseeing the Company’s financial reporting system, risk management and internal control systems; and (d) overseeing the Company’s continuing connected transactions. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange’s website at “[www.hkexnews.hk](http://www.hkexnews.hk)” and the Company’s website at “[www.wecon.com.hk](http://www.wecon.com.hk)”.

The Audit Committee is made up of three independent non-executive Directors including Mr. Sze Kwok Wing Nigel (Chairman), Dr. Lau Chi Keung and Mr. Chan Tim Yiu Raymond. The composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules.

The consolidated financial statements of the Group for the year ended 31 March 2019 have been reviewed by the Audit Committee.

## **SCOPE OF WORK OF THE COMPANY’S AUDITOR**

The figures in respect of the Group’s consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Company’s auditor, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by the Company’s auditor 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 the Company’s auditor on the preliminary announcement.

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

This annual results announcement is published on the website of the Stock Exchange at “[www.hkexnews.hk](http://www.hkexnews.hk)” and on the website of the Company at “[www.wecon.com.hk](http://www.wecon.com.hk)”. The annual report of the Company for the year ended 31 March 2019 will be despatched to the shareholders and published on the above websites according to the Listing Rules.

## APPRECIATION

The Board would like to thank our management team and all our staff members for their effort and significant contribution to the Group during the past year. In addition, the Board would like to express our heartfelt gratitude to our shareholders, institutional investors, customers, bankers, suppliers, subcontractors and business partners for their continuous support to and confidence in the Group.

By order of the Board  
**Wecon Holdings Limited**  
**Tsang Ka Yip**  
*Chairman and Executive Director*

Hong Kong, 26 June 2019

*As at the date of this announcement, the executive Directors are Mr. Tsang Ka Yip (Chairman), Mr. Tsang Tsz Him Philip, Mr. Tsang Tsz Kit Jerry; and the independent non-executive Directors are Mr. Chan Tim Yiu Raymond, Dr. Lau Chi Keung and Mr. Sze Kwok Wing Nigel.*