

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



Wecon Holdings Limited
偉工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1793)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately HK\$105.4 million or approximately 16.4% from approximately HK\$643.8 million for the six months ended 30 September 2020 to approximately HK\$538.4 million for the six months ended 30 September 2021.
- Gross profit slightly decreased by approximately HK\$0.2 million or approximately 0.6% from approximately HK\$34.3 million for the six months ended 30 September 2020 to approximately HK\$34.1 million for the six months ended 30 September 2021.
- Gross profit margin increased from approximately 5.3% for the six months ended 30 September 2020 to approximately 6.3% for the six months ended 30 September 2021.
- Profit attributable to the equity holders of the Company decreased by approximately HK\$4.9 million or approximately 26.5% from approximately HK\$18.5 million for the six months ended 30 September 2020 to approximately HK\$13.6 million for the six months ended 30 September 2021.
- Basic earnings per share for the six months ended 30 September 2021 was approximately HK1.7 cents (six months ended 30 September 2020: approximately HK2.3 cents).
- The Board resolved not to declare any interim dividend to the shareholders for the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Wecon Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2021 (the “**Interim Results**”), together with the comparative figures for the corresponding six months ended 30 September 2020. The Interim Results are unaudited, but have been reviewed by Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” (“**HKSRE 2410**”), issued by the Hong Kong Institute of Certified Public Accountants, whose report on review of the interim financial information is included in the interim report to be sent to the shareholders of the Company. The Interim Results have also been reviewed by the audit committee of the Board (the “**Audit Committee**”).

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

For the six months ended 30 September 2021

		Six months ended	
		30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
REVENUE	4	538,359	643,757
Cost of sales		<u>(504,235)</u>	<u>(609,450)</u>
GROSS PROFIT		34,124	34,307
Other income and gains		4,667	8,901
Administrative and other operating expenses, net		(22,769)	(22,487)
Finance costs	5	<u>(74)</u>	<u>(128)</u>
PROFIT BEFORE TAX	6	15,948	20,593
Income tax	7	<u>(2,372)</u>	<u>(2,064)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>13,576</u>	<u>18,529</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
– Basic and diluted		<u>HK1.7 cents</u>	<u>HK2.3 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2021

		30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		10,067	8,148
Right-of-use assets		5,112	7,584
Financial asset at fair value through profit or loss		2,450	2,150
Prepayments, deposits and other receivables		6,237	5,379
		<u>23,866</u>	<u>23,261</u>
Total non-current assets			
CURRENT ASSETS			
Contract assets and trade receivables	<i>10</i>	355,676	260,376
Prepayments, deposits and other receivables		40,918	21,295
Financial assets at fair value through profit or loss		18,957	17,452
Tax recoverable		5,302	7,997
Pledged deposits		45,563	42,193
Time deposits		23,612	5,109
Cash and bank balances		23,964	120,639
		<u>513,992</u>	<u>475,061</u>
Total current assets			
CURRENT LIABILITIES			
Trade and retention payables	<i>11</i>	214,611	143,758
Other payables and accruals		34,862	68,166
Lease liabilities		2,300	3,344
		<u>251,773</u>	<u>215,268</u>
Total current liabilities			
NET CURRENT ASSETS		<u>262,219</u>	<u>259,793</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>286,085</u>	<u>283,054</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(continued)*

30 September 2021

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	405	728
Lease liabilities	<u>625</u>	<u>1,311</u>
Total non-current liabilities	<u>1,030</u>	<u>2,039</u>
NET ASSETS	<u>285,055</u>	<u>281,015</u>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	8,000	8,000
Reserves	<u>277,055</u>	<u>273,015</u>
Total equity	<u>285,055</u>	<u>281,015</u>

NOTES TO INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 September 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2021.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, *Interest Rate Benchmark Reform – Phase 2*
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

The adoption of the revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

3. OPERATING SEGMENT INFORMATION

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 six months ended 30 September 2021 and 2020 is set out below.

Six months ended 30 September 2021

	Construction contracts (Unaudited) <i>HK\$'000</i>	RMAA (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue			
Revenue from external customers	<u>488,766</u>	<u>49,593</u>	<u>538,359</u>
Segment results	37,238	(3,114)	34,124
Interest income			70
Gain on disposal of financial assets at fair value through profit or loss			734
Dividend income from equity investments at fair value through profit or loss			1,126
Fair value loss on financial assets at fair value through profit or loss, net			(1,876)
Foreign exchange gain			2
Sundry income			2,735
Depreciation (unallocated portion)			(3,392)
Impairment of contract assets, net			(38)
Reversal of impairment of trade receivables, net			12
Finance costs			(74)
Unallocated head office and corporate expenses			<u>(17,475)</u>
Profit before tax			15,948
Income tax expense			<u>(2,372)</u>
Profit for the period			<u><u>13,576</u></u>
Segment assets and liabilities			
Segment assets	343,232	57,335	400,567
Unallocated			<u>137,291</u>
			<u><u>537,858</u></u>
Segment liabilities	212,085	34,720	246,805
Unallocated			<u>5,998</u>
			<u><u>252,803</u></u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment results, assets and liabilities *(continued)*

Six months ended 30 September 2020

	Construction contracts (Unaudited) <i>HK\$'000</i>	RMAA (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue			
Revenue from external customers	<u>567,707</u>	<u>76,050</u>	<u>643,757</u>
Segment results	27,235	7,072	34,307
Interest income			1,229
Government grants			6,328
Fair value gain on financial asset at fair value through profit or loss			200
Sundry income			1,144
Loss on disposal of items of property, plant and equipment			(94)
Depreciation (unallocated portion)			(3,645)
Impairment of contract assets			(136)
Impairment of trade receivables			(2)
Finance costs			(128)
Unallocated head office and corporate expenses			<u>(18,610)</u>
Profit before tax			20,593
Income tax expense			<u>(2,064)</u>
Profit for the period			<u>18,529</u>
 As at 31 March 2021			
	Construction contracts (Audited) <i>HK\$'000</i>	RMAA (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Segment assets and liabilities			
Segment assets	256,799	28,556	285,355
Unallocated			<u>212,967</u>
			<u>498,322</u>
Segment liabilities	188,065	20,376	208,441
Unallocated			<u>8,866</u>
			<u>217,307</u>

4. REVENUE

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

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Construction contracts	488,766	567,707
RMAA	49,593	76,050
	<u>538,359</u>	<u>643,757</u>

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 September 2021

Segments	Construction contracts (Unaudited) HK\$'000	RMAA (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Type of services			
Construction services	488,766	–	488,766
RMAA	–	49,593	49,593
	<u>488,766</u>	<u>49,593</u>	<u>538,359</u>
Total revenue from contracts with customers	<u>488,766</u>	<u>49,593</u>	<u>538,359</u>
Timing of revenue recognition			
Over time	488,766	19,387	508,153
Point in time	–	30,206	30,206
	<u>–</u>	<u>30,206</u>	<u>30,206</u>
Total revenue from contracts with customers	<u>488,766</u>	<u>49,593</u>	<u>538,359</u>

4. REVENUE (continued)

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

For the six months ended 30 September 2020

Segments	Construction contracts (Unaudited) <i>HK\$'000</i>	RMAA (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Type of services			
Construction services	567,707	–	567,707
RMAA	–	76,050	76,050
Total revenue from contracts with customers	<u>567,707</u>	<u>76,050</u>	<u>643,757</u>
Timing of revenue recognition			
Over time	567,707	20,589	588,296
Point in time	–	55,461	55,461
Total revenue from contracts with customers	<u>567,707</u>	<u>76,050</u>	<u>643,757</u>

5. FINANCE COSTS

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

	Six months ended 30 September	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Interest on bank borrowings	30	32
Interest on lease liabilities	44	96
	<u>74</u>	<u>128</u>

6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,020	1,324
Depreciation of right-of-use assets	2,472	2,372
Employee benefit expense (excluding directors' remuneration):*		
Wages and salaries	41,075	40,517
Pension scheme contributions (defined contribution scheme)	1,735	1,709
	42,810	42,226
Lease payments not included in the measurement of lease liabilities	348	331
Other charges in respect of rental premises	105	147
Gain on disposal of financial assets at fair value through profit or loss	(734)	–
Dividend income from equity investments at fair value through profit or loss	(1,126)	–
Fair value loss/(gain) on financial assets at fair value through profit or loss, net**	1,876	(200)
Foreign exchange differences	(2)	–
Impairment of contract assets, net**	38	136
Impairment/(reversal of impairment) of trade receivables, net**	(12)	2
Loss on disposal of items of property, plant and equipment	–	94
Write-back for legal fees and claims**	–	(700)

Note 1: During the six months ended 30 September 2020, government grants of HK\$6,328,000 was included in “Other income and gains”. There is no unfulfilled conditions or contingencies relating to the grants.

* The employee benefit expense included in cost of sales was HK\$33,187,000 (2020: HK\$31,610,000).

** Amounts are included in “Administrative and other operating expenses, net” on the face of interim condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (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 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2020: HK\$2,000,000) of estimated assessable profits of this subsidiary is taxed at 8.25% and the remaining estimated assessable profits are taxed at 16.5%.

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	2,695	1,896
Overprovision in prior years	–	(106)
Deferred tax charged/(credited)	(323)	274
	<hr/>	<hr/>
Total tax charge for the period	<u>2,372</u>	<u>2,064</u>

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity holders of the Company of HK\$13,576,000 (2020: HK\$18,529,000), and the number of ordinary shares of 794,696,000 (2020: 800,000,000).

The weighted average number of ordinary shares used in the calculation for the six months ended 30 September 2021 is the number of ordinary shares in issue during the period as adjusted to reflect the number of shares held under share award plan of 5,304,000 (2020: nil) of the Company.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2021 and 2020.

9. DIVIDENDS

The Board recommended the payment of a final dividend in respect of the financial year ended 31 March 2021 of HK1.2 cents per share, totalling HK\$9,536,000, based on the number of ordinary shares in issue less shares held under share award plan.

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

10. CONTRACT ASSETS AND TRADE RECEIVABLES

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Other contract assets	90,656	61,569
Retention receivables	101,640	90,462
	192,296	152,031
Impairment of contract assets	(392)	(354)
Net contract assets	191,904	151,677
Trade receivables	163,795	108,734
Impairment of trade receivables	(23)	(35)
Net trade receivables	163,772	108,699
	355,676	260,376

Trade receivables represented receivables for contract work. Management generally submits 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 work 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.

An ageing analysis of the trade receivables based on the invoice date and net of provision, is as follows:

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Trade receivables:		
Within 90 days	158,660	108,000
91 to 180 days	1,218	699
181 to 365 days	3,894	–
	163,772	108,699

11. TRADE AND RETENTION PAYABLES

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

	30 September 2021 (Unaudited) <i>HK\$'000</i>	31 March 2021 (Audited) <i>HK\$'000</i>
Trade payables:		
Within 3 months	129,094	72,680
Retention payables	<u>85,517</u>	<u>71,078</u>
	<u>214,611</u>	<u>143,758</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.

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.

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) repair, maintenance, alteration and addition (“**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 the Group’s 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 30 September 2021, the Group had 12 major projects on hand with an awarded contract sum of HK\$10.0 million or above, which include four new projects awarded during the six months ended 30 September 2021.

During the six months ended 30 September 2021, the Group had completed one major project with an awarded contract sum of HK\$10.0 million or above.

PROSPECTS

The outbreak of COVID-19 pandemic (the “**Pandemic**”) at the beginning of 2020 has made the operating environment difficult and has created challenges to various industries in Hong Kong. The negative impact brought by the Pandemic had caused an adverse effect on the Group’s business, which led to a delay in the delivery of raw materials to the construction sites and progress of certain construction projects. However, the Group had taken the necessary measures to maintain its construction works performed within the planned schedule during the outbreak of the Pandemic. As the Pandemic may persist in the foreseeable future, the management of the Group will continuously monitor the development of the Pandemic as well as assess the overall impact on the Group’s business from time to time, and accordingly evaluates the impact on the financial position and performance of the Group. Also, the management of the Group monitors any changes to the law and regulations in compliance with industrial safety and public health policies; and deploys appropriate preventive measures to enhance protection of the Group’s employees by providing healthy and hygienic environment both in the office and at the construction sites.

During the six months ended 30 September 2021, the Group was successfully awarded four sizeable contracts with an aggregate contract sum of approximately HK\$1,229.3 million, one of which was awarded from a new customer. Subsequent to 30 September 2021, the Group was awarded one additional contract with a contract sum of approximately HK\$202.8 million, which was also awarded from a new customer. The Group would continue to diversify its customer base by placing more effort to maintain the Group's reputation, ensuring projects are completed on time with the highest quality and implementing various cost-effective measures to improve its competitiveness. The management of the Group still remains prudently optimistic about the prospects of the construction industry in Hong Kong.

As the world economy enters into a period of profound transformation, the Group would seek evolution through every avenue. The Group believes that the building information modeling services could differentiate the Group from the Group's competitors, through providing creative technical solutions to the Group's customers. Going forward, the Group plans to invest in building construction related services that will enhance the Group's capabilities and provide synergies to the existing business of the Group, while the Group strives to maintain the high quality and workmanship which the Group has been delivering to its customers.

SEGMENT INFORMATION

The Group's reportable and operating segments are (i) building construction services; and (ii) RMAA works services.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately HK\$105.4 million or approximately 16.4% from approximately HK\$643.8 million during the six months ended 30 September 2020 to approximately HK\$538.4 million during the six months ended 30 September 2021.

(i) Building Construction Services

The revenue generated from the building construction services decreased by approximately HK\$78.9 million or approximately 13.9% from approximately HK\$567.7 million during the six months ended 30 September 2020 to approximately HK\$488.8 million during the six months ended 30 September 2021. Such decrease was mainly due to the decrease in revenue as a result of the practical completion of one sizable project during the six months ended 30 September 2021. Such decrease, however, was partially offset by the increase in revenue generated from several sizable projects, which achieved significant progress during the six months ended 30 September 2021.

FINANCIAL REVIEW (continued)

(ii) RMAA Works Services

The revenue generated from the RMAA works services decreased by approximately HK\$26.5 million or approximately 34.8% from approximately HK\$76.1 million during the six months ended 30 September 2020 to approximately HK\$49.6 million during the six months ended 30 September 2021. Such decrease was mainly due to the decrease in revenue generated from one sizable project reaching the completion stage during the six months ended 30 September 2021. Such decrease, however, was partially offset by the increase in revenue generated from two newly awarded sizable projects during the six months ended 30 September 2021.

Cost of Sales

The cost of sales of the Group decreased by approximately HK\$105.3 million or approximately 17.3% from approximately HK\$609.5 million during the six months ended 30 September 2020 to approximately HK\$504.2 million during the six months ended 30 September 2021. Such decrease was mainly driven by the corresponding decrease in revenue. The Group's cost of sales primarily consisted of subcontracting costs, material costs, direct staff costs and site overhead costs.

Gross Profit and Gross Profit Margin

The gross profit of the Group slightly decreased by approximately HK\$0.2 million or approximately 0.6% from approximately HK\$34.3 million during the six months ended 30 September 2020 to approximately HK\$34.1 million during the six months ended 30 September 2021. The Group's gross profit margin was approximately 5.3% and 6.3% during the six months ended 30 September 2020 and 2021, respectively. The gross profit margin of the Group for the six months ended 30 September 2021 increased by approximately 1.0% comparing with that for the six months ended 30 September 2020.

(i) Building Construction Services

The gross profit of building construction services was approximately HK\$37.2 million during the six months ended 30 September 2021, representing an increase of approximately HK\$10.0 million or approximately 36.8% from approximately HK\$27.2 million during the six months ended 30 September 2020. The gross profit margin of building construction services increased from approximately 4.8% during the six months ended 30 September 2020 to approximately 7.6% during the six months ended 30 September 2021. Such increase was primarily attributable to the increase in gross profit of several sizable projects as a result of negotiation of final accounts with subcontractors.

FINANCIAL REVIEW (continued)

(ii) RMAA Works Services

The gross loss of RMAA works services was approximately HK\$3.1 million during the six months ended 30 September 2021, as compared to the gross profit of approximately HK\$7.1 million during the six months ended 30 September 2020. The gross profit/(loss) margin of RMAA works services decreased from approximately 9.3% during the six months ended 30 September 2020 to approximately (6.3)% during the six months ended 30 September 2021. Such decrease was mainly attributable to the decrease in gross profit generated from one sizable project reaching the completion stage during the six months ended 30 September 2021, and the gross loss generated from the two newly awarded sizable projects due to the significant site overhead costs incurred at the initial stage during the six months ended 30 September 2021.

Other Income and Gains

The other income and gains of the Group decreased by approximately HK\$4.2 million or approximately 47.2% from approximately HK\$8.9 million during the six months ended 30 September 2020 to approximately HK\$4.7 million during the six months ended 30 September 2021. Such decrease was primarily due to the recognition of a non-recurring government subsidy under the Employment Support Scheme established by the Government of Hong Kong during the six months ended 30 September 2020 but no such government subsidy was recognised during the six months ended 30 September 2021, which was partially offset by the dividend income from equity investments during the six months ended 30 September 2021.

Administrative and Other Operating Expenses, Net

The administrative and other operating expenses, net slightly increased by approximately HK\$0.3 million or approximately 1.3% from approximately HK\$22.5 million during the six months ended 30 September 2020 to approximately HK\$22.8 million during the six months ended 30 September 2021. Such increase was mainly due to the fair value loss on financial assets at fair value through profit or loss, net, which was partially offset by the decrease in staff cost and professional fees during the six months ended 30 September 2021.

Finance Costs

The finance costs of the Group decreased by approximately HK\$54,000 or approximately 42.2% from approximately HK\$128,000 during the six months ended 30 September 2020 to approximately HK\$74,000 during the six months ended 30 September 2021. Such decrease was mainly due to the decrease in interest expense on lease liabilities.

FINANCIAL REVIEW (continued)

Income Tax

The income tax of the Group increased by approximately HK\$0.3 million or approximately 14.3% from approximately HK\$2.1 million during the six months ended 30 September 2020 to approximately HK\$2.4 million during the six months ended 30 September 2021. The effective tax rate (defined as the income tax divided by profit before tax) was approximately 10.0% and 14.9% during the six months ended 30 September 2020 and 2021, respectively. The increase of the effective tax rate of approximately 4.9% was mainly due to the non-taxable non-recurring government subsidy recognised during the six months ended 30 September 2020 but no such government subsidy was recognised during the six months ended 30 September 2021.

Net Profit

As a result of the foregoing, the net profit during the six months ended 30 September 2021 decreased by approximately HK\$4.9 million or approximately 26.5% from approximately HK\$18.5 million during the six months ended 30 September 2020 to approximately HK\$13.6 million during the six months ended 30 September 2021. The net profit margin during the six months ended 30 September 2020 and 2021 were approximately 2.9% and 2.5%, respectively, representing a decrease of approximately 0.4%. Such decrease was primarily attributable to the non-recurring government subsidy recognised during the six months ended 30 September 2020 but no such government subsidy was recognised during the six months ended 30 September 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group has a total of 223 full-time and 1 part-time employees (as at 30 September 2020: 204 full-time and 1 part-time employees). The Group has developed its human resources policies and procedures to determine the individual remuneration with reference to factors such as performance, qualification, merits, responsibilities of each individual and market conditions. 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 and share options and share awards which may be granted to eligible employees. The total staff costs (excluding Directors' remuneration) incurred by the Group during the six months ended 30 September 2021 and 2020 was approximately HK\$42.8 million and HK\$42.2 million, respectively.

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

During the six months ended 30 September 2021, other than the shareholding in the subsidiaries of the Company, there were no significant investments held by the Company. There were no material acquisitions or disposals of subsidiaries and associated companies by the Group during the six months ended 30 September 2021.

CAPITAL COMMITMENTS

As at 30 September 2021, the Group did not have any significant capital commitments (as at 31 March 2021: nil).

CONTINGENT LIABILITIES

As at 30 September 2021, the Group provided unlimited guarantees in favour of certain banks and an insurance company in support of the issue of performance bonds to the Group's subsidiaries with an aggregate amount of approximately HK\$65.9 million (as at 31 March 2021: approximately HK\$119.1 million). Certain of these performance bonds granted were secured by pledged deposit of approximately HK\$31.2 million as at 30 September 2021 (as at 31 March 2021: approximately HK\$34.2 million). Other than those disclosed above, the Group had no other material contingent liabilities as at 30 September 2021.

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, such that the Group is not necessary to arrange any foreign currency hedging policy and the Group has not entered into any instrument for hedging purpose during the six months ended 30 September 2021.

GEARING RATIO

As at 30 September 2021, the gearing ratio of the Group (defined as the lease liabilities divided by total equity) was approximately 1.0% (as at 31 March 2021: approximately 1.7%).

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 30 September 2021, the Group had pledged deposits, time deposits and cash and bank balances of approximately HK\$93.1 million (as at 31 March 2021: approximately HK\$167.9 million). The gearing ratio of the Group as at 30 September 2021 (defined as the lease liabilities divided by total equity) was approximately 1.0% (as at 31 March 2021: approximately 1.7%). As at 30 September 2021, the current ratio of the Group was approximately 2.0 times (as at 31 March 2021: approximately 2.2 times).

The Group generally finances its operation by internally generated resources and banking facilities provided by certain banks in Hong Kong. The Directors believe that the Group has sufficient working capital for the Group's current commitments and future requirements.

During the six months ended 30 September 2021, there has been no change in the capital structure of the Company.

DEBTS AND CHARGE ON ASSETS

As at 30 September 2021, the Group has no outstanding bank borrowings (as at 31 March 2021: nil). The lease liabilities of the Group amounted to approximately HK\$2.9 million as at 30 September 2021 (as at 31 March 2021: approximately HK\$4.7 million).

As at 30 September 2021, the banking facilities of the Group were secured by (i) the Group's pledged deposits of approximately HK\$45.6 million (as at 31 March 2021: approximately HK\$42.2 million); and (ii) corporate guarantee executed by the Group.

The Group's 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. Although the Group had no outstanding bank borrowings as at 30 September 2021, the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

USE OF PROCEEDS

The shares of the Company (the “**Share(s)**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 February 2019 (the “**Listing Date**”). The net proceeds from the share offer (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 “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 January 2019 (the “**Prospectus**”).

The particulars of the Net Proceeds utilised during the six months ended 30 September 2021 are as follows:

	Planned use of Net Proceeds in total <i>HK\$ million</i>	Actual use of Net Proceeds during the six months ended 30 September 2021 <i>HK\$ million</i>	Remaining balance of Net Proceeds as at 30 September 2021 <i>HK\$ million</i>	Expected timeline for the use of the remaining balance of Net Proceeds
Strengthen the capacity in undertaking more building construction and RMAA works projects in Hong Kong	66.7	–	–	N/A
Strengthen the manpower	14.4	2.4	4.4	31 March 2022
Upgrade and renovation of office	3.6	0.4	0.7	30 June 2022
Develop engineering and technological innovation	2.9	–	0.4	31 March 2022
General working capital	5.9	–	–	N/A
	<u>93.5</u>	<u>2.8</u>	<u>5.5</u>	

As at 30 September 2021, the Group has not yet fully utilised the Net Proceeds allocated for strengthening manpower, upgrading and renovating office and developing engineering and technological innovation. The delay in utilisation of the Net Proceeds in the abovementioned areas were due to (i) the difficulty in recruiting suitable candidates for the positions which were created as planned; and (ii) the delay in development of the Group’s technological innovation. The Group plans to utilise the remaining balance of the Net Proceeds allocated to the abovementioned areas during the coming six months ending 31 March 2022.

The Group will continue to apply the Net Proceeds in accordance with the disclosure in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

SHARE OPTIONS SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 21 January 2019. No share option has been granted, exercised, expired, cancelled or lapsed under the Share Option Scheme since its adoption date and up to the date of this announcement.

SHARE AWARD PLAN

The Board adopted a share award plan (the “**Share Award Plan**”) on 31 July 2020 (the “**Adoption Date**”), under which any employee of the Group and its invested entities who contributes to the Group or its invested entities (the “**Eligible Participants**”) will be entitled to participate. The purposes of the Share Award Plan are:

- i. to recognise and reward the contribution of the Eligible Participants to the growth and development of the Group;
- ii. to give incentives to the Eligible Participants in order to retain them for the continual operation and development of the Group; and
- iii. to attract suitable personnel for further development of the Group.

The Group has set up a trust (the “**Share Award Plan Trust**”) for the purpose of administering the Share Award Plan. The Share Award Plan Trust will acquire the Shares from the Stock Exchange, with a maximum amount of funds allocated by the Board, and will hold such Shares until they are vested. Unless early terminated by the Board, the Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date.

Under the rules constituting the Share Award Plan, the maximum number of Shares which can be subscribed for and/or purchased under the Share Award Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date (i.e. 80,000,000 Shares). The maximum number of Shares which may be awarded to an Eligible Participant shall not in aggregate exceed 1% of the issued shares of the Company as at the Adoption Date. The Board may from time to time, at its discretion, determine the vesting date(s), any condition(s) or performance target(s) when granting the share award to the Eligible Participants.

On 23 December 2020, the Company allocated HK\$1,000,000 to the Share Award Plan Trust, and approximately HK\$996,000 was utilised to purchase 5,304,000 Shares. Up to the date of this announcement, these 5,304,000 shares are held by the trustee for the benefit of the Eligible Participants under the Share Award Plan Trust. No share award has been granted or vested under the Share Award Plan since its Adoption Date and up to 30 September 2021.

For further details of the Share Award Plan, please refer to the Company’s announcement dated 31 July 2020.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend to the shareholders of the Company for the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the six months ended 30 September 2021.

EVENTS AFTER THE REPORTING PERIOD

There have been no other significant events occurred after 30 September 2021 and up to the date to this announcement which require disclosure.

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 reviewing and enhancing the Group's corporate governance practices and procedures for the best interest of the Company's shareholders.

During the six months ended 30 September 2021 and up to the date of this announcement, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code ("**CG Code**") in Appendix 14 to the Listing Rules except the deviation stipulated below.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer (the "**CEO**") should be separated and should not be performed by the same individual. Since the Listing Date and up to the date of this announcement, Mr. Tsang Ka Yip ("**Mr. KY Tsang**") has been the chairman of the Board and the CEO of the Company. Given the nature and extent of the Group's operations and Mr. KY Tsang's in-depth knowledge and experience in the industry in which the Group operates and his familiarity with the operations of the 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 at the same time.

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 to each of the Directors and all Directors have confirmed that they have fully complied with the required standards set out in the Model Code during the six months ended 30 September 2021.

AUDIT COMMITTEE REVIEW

The interim condensed consolidated financial information of the Group during the six months ended 30 September 2021 has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at “www.hkexnews.hk” and on the website of the Company at “www.wecon.com.hk”. The interim report of the Company for the six months ended 30 September 2021 will be despatched to the shareholders and published on the above websites according to the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our shareholders, customers, subcontractors and suppliers for their continuous confidence and support. I would also like to take this opportunity to express my sincere thanks to our management and staff members for their hard work and loyalty to the Group.

By order of the Board
Wecon Holdings Limited
Tsang Ka Yip
Chairman and
Chief Executive Officer

Hong Kong, 26 November 2021

As at the date of this announcement, the executive Directors are Mr. Tsang Ka Yip (Chairman), Mr. Tsang Tsz Him Philip and 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.