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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 INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

**FINANCIAL HIGHLIGHTS**

- Revenue decreased by approximately HK\$87.0 million or approximately 16.2% from approximately HK\$538.4 million for the six months ended 30 September 2021 to approximately HK\$451.4 million for the six months ended 30 September 2022.
- Gross profit decreased by approximately HK\$13.4 million or approximately 39.3% from approximately HK\$34.1 million for the six months ended 30 September 2021 to approximately HK\$20.7 million for the six months ended 30 September 2022.
- Gross profit margin decreased from approximately 6.3% for the six months ended 30 September 2021 to approximately 4.6% for the six months ended 30 September 2022.
- Profit attributable to the equity holders of the Company decreased by approximately HK\$11.0 million or approximately 80.9% from approximately HK\$13.6 million for the six months ended 30 September 2021 to approximately HK\$2.6 million for the six months ended 30 September 2022.
- Basic earnings per share for the six months ended 30 September 2022 was approximately HK0.3 cents (six months ended 30 September 2021: approximately HK1.7 cents).
- The Board resolved not to declare any interim dividend to the shareholders for the six months ended 30 September 2022 (six months ended 30 September 2021: 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 2022 (the “**Interim Results**”), together with the comparative figures for the corresponding six months ended 30 September 2021. 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”, issued by the Hong Kong Institute of Certified Public Accountants, whose report on review of the interim financial information will be 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 2022*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	2021
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>REVENUE</b>	4	<b>451,400</b>	538,359
Cost of sales		<u>(430,655)</u>	<u>(504,235)</u>
<b>GROSS PROFIT</b>		<b>20,745</b>	34,124
Other income and gains		<b>5,840</b>	4,667
Administrative and other operating expenses, net		<b>(24,182)</b>	(22,769)
Finance costs	5	<u><b>(81)</b></u>	<u>(74)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>2,322</b>	15,948
Income tax credit/(expense)	7	<u><b>249</b></u>	<u>(2,372)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<u><b>2,571</b></u>	<u>13,576</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	8		
– Basic and diluted		<u><b>HK0.3 cents</b></u>	<u>HK1.7 cents</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2022

		<b>30 September 2022 (Unaudited) HK\$'000</b>	31 March 2022 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>10,255</b>	10,272
Right-of-use assets		<b>7,664</b>	8,315
Financial assets at fair value through profit or loss		<b>13,368</b>	4,200
Prepayments, deposits and other receivables		<b>5,565</b>	5,921
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>36,852</b>	28,708
<b>CURRENT ASSETS</b>			
Contract assets and trade receivables	<i>10</i>	<b>295,572</b>	323,001
Prepayments, deposits and other receivables		<b>51,178</b>	42,251
Financial assets at fair value through profit or loss		<b>12,903</b>	15,581
Pledged deposits		<b>34,190</b>	34,190
Time deposits		<b>26,149</b>	23,616
Cash and bank balances		<b>24,574</b>	64,884
		<hr/>	<hr/>
<b>Total current assets</b>		<b>444,566</b>	503,523
<b>CURRENT LIABILITIES</b>			
Trade and retention payables	<i>11</i>	<b>162,063</b>	185,006
Other payables and accruals		<b>33,031</b>	52,430
Lease liabilities		<b>3,704</b>	3,740
Tax payable		<b>515</b>	368
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>199,313</b>	241,544
<b>NET CURRENT ASSETS</b>		<hr/> <b>245,253</b>	<hr/> 261,979
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>282,105</b>	<hr/> 290,687

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

30 September 2022

	<b>30 September 2022 (Unaudited) HK\$'000</b>	31 March 2022 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	450	846
Lease liabilities	<u>2,932</u>	<u>4,153</u>
<b>Total non-current liabilities</b>	<u>3,382</u>	<u>4,999</u>
<b>NET ASSETS</b>	<u>278,723</u>	<u>285,688</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued capital	8,000	8,000
Reserves	<u>270,723</u>	<u>277,688</u>
<b>Total equity</b>	<u>278,723</u>	<u>285,688</u>

## NOTES TO INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 September 2022

### 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2022 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 2022.

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 2022, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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 2022 and 2021 is set out below.

#### Six months ended 30 September 2022

	<b>Construction contracts (Unaudited) HK\$'000</b>	<b>RMAA (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
<b>Segment revenue</b>			
Revenue from external customers	<u>314,992</u>	<u>136,408</u>	<u>451,400</u>
<b>Segment results</b>	<b>13,720</b>	<b>7,025</b>	<b>20,745</b>
Interest income			449
Government grants			2,293
Gain on disposal of financial assets at fair value through profit or loss			62
Dividend income from equity investments at fair value through profit or loss			1,108
Fair value loss on financial assets at fair value through profit or loss, net			(2,853)
Sundry income			1,928
Depreciation (unallocated portion)			(3,713)
Impairment of contract assets, net			(47)
Reversal of impairment of trade receivables, net			9
Finance costs			(81)
Unallocated head office and corporate expenses			<u>(17,578)</u>
Profit before tax			2,322
Income tax credit			<u>249</u>
Profit for the period			<u><u>2,571</u></u>
<b>Segment assets and liabilities</b>			
Segment assets	281,582	67,113	348,695
Unallocated			<u>132,723</u>
			<u><u>481,418</u></u>
Segment liabilities	161,058	32,489	193,547
Unallocated			<u>9,148</u>
			<u><u>202,695</u></u>

### 3. OPERATING SEGMENT INFORMATION *(continued)*

#### Segment results, assets and liabilities *(continued)*

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>
<b>Segment revenue</b>			
Revenue from external customers	<u>488,766</u>	<u>49,593</u>	<u>538,359</u>
<b>Segment results</b>			
Interest income	37,238	(3,114)	34,124
Gain on disposal of financial assets at fair value through profit or loss			70
Dividend income from equity investments at fair value through profit or loss			734
Fair value loss on financial assets at fair value through profit or loss, net			1,126
Sundry income			(1,876)
Depreciation (unallocated portion)			2,737
Impairment of contract assets, net			(3,392)
Reversal of impairment of trade receivables, net			(38)
Finance costs			12
Unallocated head office and corporate expenses			(74)
			<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>

As at 31 March 2022

	Construction contracts (Audited) <i>HK\$'000</i>	RMAA (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
<b>Segment assets and liabilities</b>			
Segment assets	306,607	63,077	369,684
Unallocated			<u>162,547</u>
			<u><u>532,231</u></u>
Segment liabilities	204,766	30,835	235,601
Unallocated			<u>10,942</u>
			<u><u>246,543</u></u>

#### 4. REVENUE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers</b>		
Construction contracts	<b>314,992</b>	488,766
Repair, maintenance, alteration and addition ("RMAA")	<b>136,408</b>	49,593
	<b><u>451,400</u></b>	<b><u>538,359</u></b>

#### Revenue from contracts with customers

#### *Disaggregated revenue information*

For the six months ended 30 September 2022

<b>Segments</b>	<b>Construction contracts (Unaudited) HK\$'000</b>	<b>RMAA (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
<b>Type of services</b>			
Building construction services	<b>314,992</b>	–	<b>314,992</b>
RMAA works services	<b>–</b>	<b>136,408</b>	<b>136,408</b>
	<b><u>314,992</u></b>	<b><u>136,408</u></b>	<b><u>451,400</u></b>
Total revenue from contracts with customers	<b><u>314,992</u></b>	<b><u>136,408</u></b>	<b><u>451,400</u></b>

#### 4. REVENUE (continued)

##### Revenue from contracts with customers (continued)

##### Disaggregated revenue information (continued)

For the six months ended 30 September 2021

Segments	Construction contracts (Unaudited) <i>HK\$'000</i>	RMAA (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
<b>Type of services</b>			
Building construction services	488,766	–	488,766
RMAA works services	–	49,593	49,593
Total revenue from contracts with customers	<u>488,766</u>	<u>49,593</u>	<u>538,359</u>

The Group's revenue from contracts with customers was recognised over time for the six months ended 30 September 2022 and 2021.

#### 5. FINANCE COSTS

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

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Interest on bank borrowings	–	30
Interest on lease liabilities	<u>81</u>	<u>44</u>
	<u><b>81</b></u>	<u><b>74</b></u>

## 6. PROFIT BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation of property, plant and equipment	<b>1,051</b>	1,020
Depreciation of right-of-use assets	<b>2,848</b>	2,472
Lease payments not included in the measurement of lease liabilities	<b>133</b>	348
Other charges in respect of rental premises	<b>125</b>	105
Employee benefit expense (excluding directors' remuneration):*		
Wages and salaries	<b>43,387</b>	41,075
Pension scheme contributions (defined contribution scheme)	<b>1,572</b>	1,735
	<b>44,959</b>	42,810
Gain on disposal of financial assets at fair value through profit or loss	<b>(62)</b>	(734)
Dividend income from equity investments at fair value through profit or loss	<b>(1,108)</b>	(1,126)
Fair value loss on financial assets at fair value through profit or loss, net**	<b>2,853</b>	1,876
Government grants <sup>#</sup>	<b>(2,293)</b>	–
Impairment of contract assets, net**	<b>47</b>	38
Reversal of impairment of trade receivables, net**	<b>(9)</b>	(12)

<sup>#</sup> Government grants included in “Other income and gains” on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income mainly represented receipt under the Employment Support Scheme from the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or contingencies related to the grants.

<sup>\*</sup> The employee benefit expense included in cost of sales was HK\$36,346,000 (2021: HK\$33,187,000).

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

## 7. INCOME TAX

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	147	2,695
Deferred	<u>(396)</u>	<u>(323)</u>
Total tax charge/(credit) for the period	<u><u>(249)</u></u>	<u><u>2,372</u></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\$2,571,000 (2021: HK\$13,576,000), and the weighted average number of ordinary shares of 794,696,000 (2021: 794,696,000) in issue during the period.

The weighted average number of ordinary shares used in the calculation for the six months ended 30 September 2022 and 2021 is the number adjusted to reflect the 5,304,000 ordinary shares held by the trustee under the share award plan of the Company.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2022 and 2021.

## 9. DIVIDENDS

The payment of a final dividend in respect of the financial year ended 31 March 2022 of HK1.2 cents per share, totalling HK\$9,536,000, was based on the number of ordinary shares in issue less ordinary shares held by the trustee under the share award plan of the Company.

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

## 10. CONTRACT ASSETS AND TRADE RECEIVABLES

	<b>30 September 2022 (Unaudited) HK\$'000</b>	31 March 2022 (Audited) HK\$'000
Other contract assets	103,782	62,947
Retention receivables	<u>97,949</u>	<u>97,719</u>
	<b>201,731</b>	160,666
Less: Impairment	<u>(463)</u>	<u>(416)</u>
Net contract assets	<u>201,268</u>	160,250
Trade receivables	94,316	162,772
Less: Impairment	<u>(12)</u>	<u>(21)</u>
Net trade receivables	<u>94,304</u>	<u>162,751</u>
Total	<u><u>295,572</u></u>	<u><u>323,001</u></u>

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

	<b>30 September 2022 (Unaudited) HK\$'000</b>	31 March 2022 (Audited) HK\$'000
Within 90 days	92,352	159,374
91 to 180 days	189	1,696
181 to 365 days	879	624
Over 365 days	<u>884</u>	<u>1,057</u>
	<u><b>94,304</b></u>	<u>162,751</u>

## 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:

	<b>30 September 2022 (Unaudited) HK\$'000</b>	31 March 2022 (Audited) HK\$'000
Trade payables:		
Within 3 months	74,818	100,586
Retention payables	<u>87,245</u>	<u>84,420</u>
	<u><b>162,063</b></u>	<u>185,006</u>

## 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. The shares of the Company (the “**Share(s)**”) are listed on the Main Board of the Stock Exchange.

## 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 2022, the Group had eight major projects on hand with an awarded contract sum of HK\$10.0 million or above, which include projects in progress and projects that are yet to commence.

During the six months ended 30 September 2022, the Group completed five major projects 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 delivery of raw materials to the construction sites and progress of certain construction projects due to quarantine measures. However, the Group had taken necessary measures to maintain its construction works during the outbreak of the Pandemic according to the planned schedule. 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 evaluate the impact on the financial position and performance of the Group. Also, the management of the Group will remain vigilant about any changes to the law and regulations in compliance with industrial safety and public health policies; and deploy 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.

## **PROSPECTS** *(continued)*

In July 2022, Wecon Construction & Engineering Limited (“**Wecon Construction**”), an indirect wholly-owned subsidiary of the Company, was admitted to Group C on probation under the “Buildings” category on the List of Approved Contractors for Public Works (the “**Group C**”) maintained by the Works Branch of the Development Bureau of the Government of Hong Kong SAR, upon which Wecon Construction as the main contractor will be eligible to tender for Group C contract of contract value exceeding HK\$400 million from the Architectural Services Department (“**ASD**”), subject to the probationary condition that Wecon Construction cannot undertake more than two Group C contracts nor undertake a total outstanding contract value exceeding the Group C probationary limit of HK\$1.5 billion at any one time. The management of the Group believes that admission to the Group C will allow the Group to tender for more construction projects from ASD in terms of quantity as well as contract value, and will demonstrate the capability of the Group in undertaking construction projects of larger scale and larger contract sum.

Subsequent to 30 September 2022, the Group was successfully awarded two sizeable contracts for re-development projects from a new customer with an aggregate contract sum of approximately HK\$1 billion, under which the Group will act as main contractor to provide building construction services. The Group will continue to diversify its customer base by placing more effort in promoting 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\$87.0 million or approximately 16.2% from approximately HK\$538.4 million for the six months ended 30 September 2021 to approximately HK\$451.4 million for the six months ended 30 September 2022.

#### **(i) Building Construction Services**

The revenue generated from the building construction services decreased by approximately HK\$173.8 million or approximately 35.6% from approximately HK\$488.8 million for the six months ended 30 September 2021 to approximately HK\$315.0 million for the six months ended 30 September 2022. Such decrease was mainly due to decrease in revenue generated from several major projects as a result of the practical completion of those projects during the six months ended 30 September 2022. Such decrease, however, was partially offset by increase in revenue generated from other major projects, which achieved significant progress during the six months ended 30 September 2022.

#### **(ii) RMAA Works Services**

The revenue generated from the RMAA works services substantially increased by approximately HK\$86.8 million or approximately 175.0% from approximately HK\$49.6 million for the six months ended 30 September 2021 to approximately HK\$136.4 million for the six months ended 30 September 2022. Such increase was primarily attributable to increase in revenue generated from two major projects awarded during the six months ended 30 September 2021, which achieved significant progress during the six months ended 30 September 2022.

### **Cost of Sales**

The cost of sales of the Group decreased by approximately HK\$73.5 million or approximately 14.6% from approximately HK\$504.2 million for the six months ended 30 September 2021 to approximately HK\$430.7 million for the six months ended 30 September 2022. 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 decreased by approximately HK\$13.4 million or approximately 39.3% from approximately HK\$34.1 million for the six months ended 30 September 2021 to approximately HK\$20.7 million for the six months ended 30 September 2022. The gross profit margin of the Group was approximately 4.6% and 6.3% for the six months ended 30 September 2022 and 2021, respectively, representing a decrease of approximately 1.7 percentage points.

## **FINANCIAL REVIEW (continued)**

### **(i) Building Construction Services**

The gross profit of building construction services decreased by approximately HK\$23.5 million or approximately 63.2% from approximately HK\$37.2 million for the six months ended 30 September 2021 to approximately HK\$13.7 million for the six months ended 30 September 2022. The gross profit margin of building construction services decreased from approximately 7.6% for the six months ended 30 September 2021 to approximately 4.4% for the six months ended 30 September 2022. Such decrease was primarily attributable to higher gross profit margin generated from several major projects during the six months ended 30 September 2021 as a result of negotiation of final accounts with subcontractors, which led to a decrease in subcontracting costs.

### **(ii) RMAA Works Services**

The gross profit of RMAA works services was approximately HK\$7.0 million for the six months ended 30 September 2022, as compared to the gross loss of approximately HK\$3.1 million for the six months ended 30 September 2021. The gross profit margin of RMAA works services changed from gross loss margin of approximately 6.3% for the six months ended 30 September 2021 to gross profit margin of approximately 5.1% for the six months ended 30 September 2022. The turnaround from gross loss to gross profit of RMAA works services was primarily attributable to the commencement of revenue generating stage of two major projects during the six months ended 30 September 2022, as compared to the significant site overhead costs incurred at the initial stage of the two major projects during the six months ended 30 September 2021.

### **Other Income and Gains**

The other income and gains of the Group increased by approximately HK\$1.1 million or approximately 23.4% from approximately HK\$4.7 million for the six months ended 30 September 2021 to approximately HK\$5.8 million for the six months ended 30 September 2022. Such increase was primarily attributable to a non-recurring government subsidy under the Employment Support Scheme established by the Government of Hong Kong SAR recognised during the six months ended 30 September 2022.

### **Administrative and Other Operating Expenses, Net**

The administrative and other operating expenses, net of the Group increased by approximately HK\$1.4 million or approximately 6.1% from approximately HK\$22.8 million for the six months ended 30 September 2021 to approximately HK\$24.2 million for the six months ended 30 September 2022. Such increase was primarily attributable to increase in fair value loss on financial assets at fair value through profit or loss, net.

## **FINANCIAL REVIEW (continued)**

### **Finance Costs**

The finance costs of the Group increased by approximately HK\$7,000 or approximately 9.5% from approximately HK\$74,000 for the six months ended 30 September 2021 to approximately HK\$81,000 for the six months ended 30 September 2022. Such increase was primarily attributable to the increase in interest expense on lease liabilities.

### **Income Tax**

The income tax credit of the Group was approximately HK\$0.2 million for the six months ended 30 September 2022, as compared to the income tax expense of approximately HK\$2.4 million for the six months ended 30 September 2021. The effective tax rate (defined as the income tax divided by profit before tax) was approximately (10.7)% and 14.9% for the six months ended 30 September 2022 and 2021, respectively. The decrease of the effective tax rate was primarily attributable to the non-taxable non-recurring government subsidy recognised during the six months ended 30 September 2022.

### **Net Profit**

As a result of the foregoing, the net profit of the Group decreased by approximately HK\$11.0 million or approximately 80.9% from approximately HK\$13.6 million for the six months ended 30 September 2021 to approximately HK\$2.6 million for the six months ended 30 September 2022. The net profit margin was approximately 0.6% and 2.5% for the six months ended 30 September 2022 and 2021, respectively, representing a decrease of approximately 1.9 percentage points. Such decrease was primarily attributable to the decrease in gross profit margin for the six months ended 30 September 2022.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2022, the Group has a total of 213 full-time and one part-time employees (as at 30 September 2021: 223 full-time and one 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. The Group offers induction and other ad hoc training to employees according to the job nature and position of individual employee. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include 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) of the Group were approximately HK\$45.0 million and HK\$42.8 million for the six months ended 30 September 2022 and 2021, respectively.

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

During the six months ended 30 September 2022, 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 2022.

## **CAPITAL COMMITMENTS**

As at 30 September 2022, the Group had no significant capital commitments (as at 31 March 2022: nil).

## **CONTINGENT LIABILITIES**

As at 30 September 2022, 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\$53.9 million (as at 31 March 2022: approximately HK\$77.9 million). As at 30 September 2022, certain of these performance bonds granted were secured by pledged deposits of approximately HK\$7.3 million (as at 31 March 2022: approximately HK\$26.2 million). Other than those disclosed above, the Group had no other material contingent liabilities as at 30 September 2022.

## **FOREIGN EXCHANGE EXPOSURE**

The Group has a minimal exposure to foreign currency risk as most of its business transactions, 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 it is not necessary for the Group to arrange any foreign currency hedging policy and the Group has not entered into any instrument for hedging purposes during the six months ended 30 September 2022.

## **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 2022, the Group had pledged deposits, time deposits and cash and bank balances of approximately HK\$84.9 million (as at 31 March 2022: approximately HK\$122.7 million). As at 30 September 2022, the current ratio of the Group was approximately 2.2 times (as at 31 March 2022: approximately 2.1 times).

The Group generally finances its operation by internally generated resources and banking facilities provided by certain banks and an insurance company 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 2022, there has been no change in the capital structure of the Company.

### **DEBTS AND CHARGE ON ASSETS**

As at 30 September 2022, the Group has no outstanding bank borrowings (as at 31 March 2022: nil). As at 30 September 2022, the lease liabilities of the Group amounted to approximately HK\$6.6 million (as at 31 March 2022: approximately HK\$7.9 million).

As at 30 September 2022, the banking facilities of the Group were secured by (i) the Group's pledged deposits of approximately HK\$34.2 million (as at 31 March 2022: approximately HK\$34.2 million); (ii) the Group's life insurance policy of approximately HK\$10.1 million (as at 31 March 2022: nil); and (iii) 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 2022, the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

### **GEARING RATIO**

As at 30 September 2022, the gearing ratio of the Group (defined as the lease liabilities divided by total equity) was approximately 2.4% (as at 31 March 2022: approximately 2.8%).

## USE OF PROCEEDS

The Shares were successfully listed on the Main Board of 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 have been fully utilised in accordance with the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 January 2019 as at 30 September 2022. The particulars of the Net Proceeds utilised during the six months ended 30 September 2022 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 2022 <i>HK\$ million</i>	Remaining balance of Net Proceeds as at 30 September 2022 <i>HK\$ million</i>
Strengthen the capacity in undertaking more building construction and RMAA works projects in Hong Kong	66.7	–	–
Strengthen the manpower	14.4	1.9	–
Upgrade and renovation of office	3.6	0.2	–
Develop engineering and technological innovation	2.9	0.4	–
General working capital	5.9	–	–
	<u>93.5</u>	<u>2.5</u>	<u>–</u>

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

As at 30 September 2022 and up to the date of this announcement, the 5,304,000 Shares held by the trustee under the Share Award Plan have not yet been granted to any Eligible Participants. No share award has been granted, vested, cancelled or lapsed under the Share Award Plan since its Adoption Date and up to 30 September 2022.

## **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 2022 (six months ended 30 September 2021: 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 2022.

## **EVENTS AFTER THE REPORTING PERIOD**

There have been no significant events occurred after 30 September 2022 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 shareholders of the Company.

During the six months ended 30 September 2022 and up to the date of this announcement, the Company has complied with all 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 C.2.1 of the CG Code 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 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 most beneficial to the Group and the shareholders of the Company as a whole to have Mr. KY Tsang acting as the Chairman of the Board and the 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**”) as 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 2022.

## **AUDIT COMMITTEE REVIEW**

The interim condensed consolidated financial information of the Group for the six months ended 30 September 2022 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 2022 will be despatched to the shareholders and published on the above websites according to the Listing Rules.

## **APPRECIATION**

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. The Board would also like to take this opportunity to express our sincere thanks to our management team and all our staff members for their effort and significant contribution to the Group.

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

Hong Kong, 25 November 2022

*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.*