

Wing Chi Holdings Limited

榮智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6080

Interim Report
2017



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Cheuk Kam (*Chairman*)
Mr. Li Kun Yee
Mr. Li Wai Fong
Mr. Liauw Hung

Independent Non-executive Directors

Mr. Wong Chik Kong
Mr. Chan Chung Kik Lewis
Mr. Lee Kwok Lun

AUDIT COMMITTEE

Mr. Chan Chung Kik Lewis (*Chairman*)
Mr. Wong Chik Kong
Mr. Lee Kwok Lun

NOMINATION COMMITTEE

Mr. Li Cheuk Kam (*Chairman*)
Mr. Chan Chung Kik Lewis
Mr. Wong Chik Kong
Mr. Lee Kwok Lun

REMUNERATION COMMITTEE

Mr. Wong Chik Kong (*Chairman*)
Mr. Chan Chung Kik Lewis
Mr. Lee Kwok Lun
Mr. Li Cheuk Kam

COMPANY SECRETARY

Ms. Li Mei Wai

AUTHORISED REPRESENTATIVES

Mr. Li Cheuk Kam
Ms. Li Mei Wai

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3404A
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTER AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Dakin Capital Limited
Room 2701
Admiralty Centre
Tower 1, 18 Harcourt Road
Admiralty
Hong Kong

PRINCIPAL BANKS

The Bank of East Asia, Limited
Nanyang Commercial Bank, Ltd.

AUDITORS

SHINEWING (HK) CPA Limited
Certified Public Accountants
43rd Floor
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

TC & Co.
Solicitors, Hong Kong
Units 2201-3, 22/F
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

COMPANY'S WEBSITE

www.wingchiholdings.com

STOCK CODE

6080

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Wing Chi Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are a Hong Kong-based subcontractor engaged in foundation and site formation works. The foundation and site formation works provided by the Group represent the projects undertaken by it, the nature of which is broadly classified as ELS works, pile caps construction and site formation works for both public and private sector projects. To a lesser extent, the Group also leased some of its machinery. Lik Shing Engineering Company Limited, the Group’s principal operating subsidiary, is registered under the Construction Industry Council as a registered subcontractor since May 2008.

According to the announcement of the Hong Kong SAR Chief Executive’s 2017 Policy Address, land supply and housing remains to be one of the most important issues in the society. The Directors of the Company (the “**Board**”) believe that the Hong Kong SAR Government will continue to increase land supply for housing/industrial/commercial sites, sites for logistics use, and sites for convention and exhibition facilities. Hence, the Group is confident about the opportunities in the growth of the construction industry in Hong Kong.

During the six months ended 30 September 2017, the Group had been awarded 15 new contracts, with an aggregate original contract sum of approximately HK\$256.0 million and had completed 17 projects with an aggregate original contract sum of approximately HK\$227.0 million.

As at 30 September 2017, the Group had 15 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with a total original contract sum of approximately HK\$411.6 million. Below sets out a list of projects on hand as at 30 September 2017:

Project	Civil work/building work	General particulars of the project
Hong Kong-Zhuhai-Macao Bridge (HY/2013/02)	Civil work	Rebar fixing, formwork, concreting works & drainage
Subsidised Sale Flats Development at Queen’s Hill (20150596)	Civil work	Retaining wall
Hong Kong-Zhuhai-Macao Bridge (HY/2013/03)	Civil work	Road work and drainage
Tai Tong (YLTL524)	Building work	ELS & pile caps
Kin Chuen Street (KCTL495)	Building work	Soil nail and ancillary works
Development of Anderson Road Quarry Site – Site formation and Infrastructure Works (NE/2016/01)	Civil work	Site formation
180–184 Shau Kei Wan Road	Building work	ELS & pile caps
Hong Kong-Zhuhai-Macao Bridge (section between Scenic Hill and Hong Kong Boundary Crossing Facilities) (HY/2011/03)	Civil work	Pipe cutting
48–56 Ki Lung Street	Building work	ELS & pile caps
4 Fuk Tong Road	Building work	ELS & footings
2 Beacon Hill Road	Building work	Backfilling
74 Repulse Bay Road	Building work	Raking shores
N.K.I.L. 6534 Junction of Fuk Wing Street, Camp Street and Fuk Wa Street	Building work	ELS & pile caps
Subsidised Sale Flats Development at Queen’s Hill (20150596)	Building work	Pile caps & basement structures
205–211A Hai Tan Street	Building work	ELS & pile caps

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The revenue from foundation and site formation works of the Group for the six months ended 30 September 2017 amounted to approximately HK\$261.8 million, representing an increase of approximately HK\$89.2 million, or 51.7% compared to approximately HK\$172.6 million for the six months ended 30 September 2016. The increase was primarily due to the commencement of a few sizable projects in the second half of year 2016, which were in full swing during the six months ended 30 September 2017.

The revenue from machinery leasing of the Group for the six months ended 30 September 2017 amounted to approximately HK\$9.6 million, representing an increase of approximately HK\$1.8 million, or 23.1%, compared to approximately HK\$7.8 million for the six months ended 30 September 2016. This amount represented the revenue contributed by the Group's leasing of its machinery to contractors and/or subcontractors under operating leases.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 September 2017 amounted to approximately HK\$29.7 million, representing an increase of approximately HK\$10.9 million, or 58.0%, compared to approximately HK\$18.8 million for the six months ended 30 September 2016. The increase in gross profit was in line with the substantial increase in revenue. The gross profit margin has increased slightly from 10.4% for the six months ended 30 September 2016 to 10.9% for the six months ended 30 September 2017.

The Group prices its services based on various factors, among others, the scope of works and the complexity of the projects. In this regard, the Group's profitability depends on the nature of projects engaged by the Group. On the other hand, the Group prices its leasing machinery based on the procurement cost and the expected profit margin.

Other Income

The other income of the Group for the six months ended 30 September 2017 amounted to approximately HK\$0.8 million, representing a decrease of approximately HK\$0.9 million or 52.9% compared to approximately HK\$1.7 million for the six months ended 30 September 2016. The decrease was primarily due to gain on disposal of plant and equipment of approximately HK\$1.4 million for the six months ended 30 September 2016 with the combined effect of fair value gain on investment property of approximately HK\$0.5 million for the six months ended 30 September 2017.

Administrative Expenses

The administrative expenses of the Group for the six months ended 30 September 2017 amounted to approximately HK\$20.4 million, representing an increase of approximately HK\$14.7 million or 257.9% compared to approximately HK\$5.7 million for the six months ended 30 September 2016. The increase was primarily due to the one-off listing expenses of approximately HK\$13.6 million for the six months ended 30 September 2017.

Finance Costs

The finance costs of the Group for the six months ended 30 September 2017 amounted to approximately HK\$0.3 million, representing a decrease of approximately HK\$0.2 million or 40% compared to approximately HK\$0.5 million for the six months ended 30 September 2016. The decrease was primarily due to the decrease in borrowings and obligations under finance leases to finance the purchase of machineries and motor vehicles during the six months ended 30 September 2017 as compared to the corresponding period in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds received from the listing of the Company (the “**Listing**”).

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of the Stock Exchange on 20 October 2017 and there has been no change in the capital structure of the Group since then.

As at 30 September 2017, the Group had total cash and cash equivalents of approximately HK\$18.8 million (31 March 2017: approximately HK\$21.3 million). The decrease was due to the repayment of amount due to a Director and repayment of borrowings and obligations under a finance lease with personal guarantee.

As at 30 September 2017, the gearing ratio of the Group, calculated by the total debts (defined as the sum of the amounts due to a Director, bank borrowings and obligations under finance leases) divided by the total equity. The gearing ratio of the Group as at 30 September 2017 was approximately 9.8% (31 March 2017: 21.3%), the decrease was primarily due to repayment of borrowings and obligations under finance lease with personal guarantee.

PLEDGE OF ASSETS

As at 30 September 2017, the Group’s plant and equipment with an aggregate net book value of approximately HK\$2.0 million (31 March 2017: HK\$2.4 million) were pledged under finance leases, while investment property of approximately HK\$6.8 million (31 March 2017: HK\$6.3 million) was pledged to secure banking facilities granted to the Group.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Board is of the view that the Group’s foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the six months ended 30 September 2017.

CAPITAL EXPENDITURE

During the six months ended 30 September 2017, the Group invested approximately HK\$1.7 million on acquisition of plant and equipment.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

As at the report date of 30 November 2017 (the “**Report Date**”), the Group had capital commitments of approximately HK\$4.4 million on acquisition of plant and equipment contracted for but not provided in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 September 2017, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the six months ended 30 September 2017, save as disclosed in the prospectus of the Company dated 30 September 2017 (the “**Prospectus**”), the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of any interim dividend for the six months ended 30 September 2017.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2017, the Group employed a total of 182 employees (including Executive Directors), as compared to a total of 230 employees as at 31 March 2017. Total staff costs including Directors' emoluments for the six months ended 30 September 2017 was approximately HK\$32.7 million (six months ended 30 September 2016: approximately HK\$33.3 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the six months ended 30 September 2017, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The net proceeds of the share offer received by the Company in relation to the Listing on 20 October 2017 and full exercise of the over-allotment option on 7 November 2017 were approximately HK\$103.9 million in aggregate, after deducting listing related expenses. The Board considers that these proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed “Future plans and use of proceeds” in the Prospectus. The table below sets out the proposed applications of the net proceeds and usage up to the Report Date:

	Planned use of proceeds HK\$' million	Actual usage up to the Report Date HK\$' million	Unutilised amount as at the Report Date HK\$' million
Acquire new machinery and equipment	40.6	–	40.6
Reserve more capital to satisfy the potential requirement for surety bond	31.3	7.9	23.4
Strengthen the manpower	23.1	–	23.1
General working capital	8.9	8.9	–
	103.9	16.8	87.1

The unutilised amount of the net proceeds have been deposited with licensed banks in Hong Kong.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	271,427	180,403
Cost of sales		(241,710)	(161,594)
Gross profit		29,717	18,809
Other income	4	821	1,682
Administrative expenses		(20,368)	(5,671)
Finance costs	5	(296)	(479)
Profit before taxation		9,874	14,341
Income tax expenses	6	(3,972)	(2,971)
Profit and total comprehensive income for the period attributable to owners of the Company	7	5,902	11,370
Earnings per share:			
Basic and diluted	9	0.9 cents	1.7 cents

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Notes	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	10	20,713	23,914
Investment property		6,750	6,300
		27,463	30,214
Current assets			
Amounts due from customers for contract work		32,164	35,452
Trade and other receivables	11	50,176	31,213
Bank balances and cash		18,763	21,328
		101,103	87,993
Current liabilities			
Amounts due to customers for contract work		8,296	3,416
Trade and other payables	12	27,961	23,507
Amount due to a Director		–	1,059
Borrowings	13	5,992	12,147
Obligations under finance leases — due within one year		650	735
Tax payable		6,867	4,100
		49,766	44,964
Net current assets		51,337	43,029
		78,800	73,243
Capital and reserves			
Share capital	14	–	–
Reserves		76,501	70,599
		76,501	70,599
Non-current liabilities			
Obligations under finance leases — due after one year		874	1,085
Deferred tax liabilities		1,425	1,559
		2,299	2,644
		78,800	73,243

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Share capital HK\$'000	Merger reserve HK\$'000 <i>(Note i)</i>	Retained profits HK\$'000	Total HK\$'000
At 1 April 2017 (Audited)	-	10	70,589	70,599
Profit and total comprehensive income for the period (Unaudited)	-	-	5,902	5,902
At 30 September 2017 (Unaudited)	-	10	76,491	76,501
At 1 April 2016 (Audited)	10	-	47,206	47,216
Profit and total comprehensive income for the period (Unaudited)	-	-	11,370	11,370
At 30 September 2016 (Unaudited)	10	-	58,576	58,586

Note:

- (i) Merger reserve represented the difference between the nominal value of the shares issued by the Company and the amount of issued share capital of the subsidiaries acquired pursuant to the group reorganisation.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operation	7,867	19,867
Income taxes (paid) refund	(1,339)	23
Net cash generated from operating activities	6,528	19,890
Cash flows from investing activities		
Purchase of plant and equipment	(472)	(6,547)
Purchase of investment property	-	(3,990)
Proceeds from disposal of plant and equipment	135	2,660
Government subsidy received	250	178
Net cash used in investing activities	(87)	(7,699)
Cash flows from financing activities		
Repayment of borrowings	(6,155)	(4,808)
Repayment of obligations under finance leases	(1,496)	(2,208)
Repayment to a director	(1,059)	(6,230)
New borrowings raised	-	12,108
Interest paid	(296)	(479)
Net cash used in financing activities	(9,006)	(1,617)
Net (decrease) increase in cash and cash equivalents	(2,565)	10,574
Cash and cash equivalents at 1 April	21,328	10,002
Cash and cash equivalents at 30 September, represented by bank balances and cash	18,763	20,576

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Wing Chi Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 March 2017. Its ultimate holding company and immediate holding company is Colourfield Global Limited (“**Colourfield Global**”), a limited company incorporated in the British Virgin Islands (“**BVI**”). The addresses of the registered office and the principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Room 3404A, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong respectively.

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

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

Pursuant to the reorganisation (the “**Reorganisation**”) as set out in the section headed “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 30 September 2017 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 31 March 2017. The companies now comprising the Group have been under the common control of and beneficially owned by Mr. Li Cheuk Kam (“**Mr. Li**”) (the “**Controlling Shareholder**”) throughout the six months ended 30 September 2017. As there was no change in the Controlling Shareholder before and after the Reorganisation, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated financial statements of the Group have been prepared and presented on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the six months ended 30 September 2016.

Accordingly, the condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows include the results and cash flows of the companies now comprising the Group for the six months ended 30 September 2016 have been prepared as if the current group structure had been in existence throughout the six months ended 30 September 2016.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 September 2017 and 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Listing Rules.

The condensed consolidated interim financial statements have been prepared on the historical cost basis.

The condensed consolidated interim financial statements should be read in conjunction with the accountants’ report included in the Prospectus of the Company dated 30 September 2017 (the “**Accountants’ Report**”).

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s Accountants’ Report for the three years ended 31 March 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

In the current interim period, the Group has adopted, for the first time, the following new standards, amendments and interpretation (“**new HKFRS**”) issued by the HKICPA which are effective for the Group’s financial year beginning after 1 April 2017.

Amendments to HKFRSs	Annual improvement to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above new and revised HKFRSs in the current period had no material impact on the Group’s financial performance and positions for the current period and prior years and/or on the disclosures set out in these condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the revenue from provision of foundation and site formation works and machinery leasing for the six months ended 30 September 2016 and 2017.

Revenue from:	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Foundation and site formation works	261,825	172,639
Machinery leasing	9,602	7,764
	271,427	180,403

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“**CODM**”) (the directors of the Company) in order to allocate resources to segments and to assess their performance.

The Group’s operating activity is attributable to a single operating segment focusing on the provision of foundation and site formation works. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from provision of foundation and site formation works for the purpose of making decisions about resources allocation and performance assessment. The CODM reviews the profit for the period of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Geographical information

The Group’s revenue from external customers by location of the operations is derived solely in Hong Kong (country of domicile). Non-current assets of the Group by location of the assets are all located in Hong Kong. As a result, geographical information has not been presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

4. OTHER INCOME

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposal of plant and equipment	-	1,446
Fair value gain on investment property	450	-
Government subsidy (<i>Note</i>)	250	178
Rental income	121	20
Sundry income	-	38
	821	1,682

Note:

The income is government subsidy received under the "Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles" upon disposal of certain motor vehicles.

5. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
borrowings	197	323
obligations under finance leases	99	156
	296	479

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	4,106	2,480
Deferred taxation	(134)	491
	3,972	2,971

Note: Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the six months ended 30 September 2017 and 2016.

7. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Loss on disposal of plant and equipment	201	–
Depreciation of plant and equipment	4,537	4,241
Loss on revaluation on investment property	–	390
Minimum lease payments paid under operating lease in respect of office premises	428	314
Listing expenses	13,605	–

8. DIVIDEND

No dividend was paid, declared or proposed during the reporting period, nor has any dividend been proposed since the end of the reporting period (six months ended 30 September 2016: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following.

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings:		
— Profit for the period attributable to owners of the Company	5,902	11,370
Number of shares ('000)		
— Weighted average number of ordinary shares for the purpose of basic earnings per share	675,000	675,000

Note:

The weighted average number of ordinary shares for the purpose of basic earnings per share during the six months ended 30 September 2016 and 2017 has assumed 675,000,000 ordinary shares of the Company were in issue during the six months ended 30 September 2016 and 2017 after taking into account the capitalisation issue as detailed in the section headed "Share Capital" in the Prospectus.

Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding for both periods.

10. PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group spent approximately HK\$1,672,000 (six months ended 30 September 2016: approximately HK\$6,547,000) on acquisition of plant and equipment.

During the six months ended 30 September 2017, the Group has disposed of certain plant and equipment with an aggregate carrying values of approximately HK\$336,000 (six months ended 30 September 2016: approximately HK\$1,214,000) for cash proceeds of HK\$135,000 (six months ended 30 September 2016: approximately HK\$2,660,000), resulting a loss on disposal of approximately HK\$201,000 (six months ended 30 September 2016: gain on disposal of approximately HK\$1,446,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

11. TRADE AND OTHER RECEIVABLES

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Trade receivables	24,457	12,505
Retention receivables (<i>note</i>)	18,668	16,202
Prepaid listing expenses	5,251	1,239
Prepayments, deposits and other receivables	1,800	1,267
	50,176	31,213

Notes: Except for the amounts of approximately HK\$9,590,000 as at 30 September 2017 (31 March 2017: HK\$2,005,000), which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. All retention receivables are included under current assets as the Group expects to realise these within its normal operating cycle.

The Group does not hold any collateral over these balances.

The Group allows an average credit period of 15 to 60 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the certified date which approximates the respective revenue recognition dates and invoice dates at the end of each reporting period:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
0 to 30 days	17,951	11,359
31 to 60 days	1,138	–
61 to 180 days	5,034	812
181 to 365 days	–	334
Over 365 days	334	–
	24,457	12,505

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

12. TRADE AND OTHER PAYABLES

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Trade payables	8,046	13,595
Retention payables	4,702	1,931
Accrued expenses and other payables	15,213	7,981
	27,961	23,507

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
0 to 30 days	3,850	10,443
31 to 60 days	4,196	421
61 to 90 days	-	2,731
	8,046	13,595

The average credit period granted is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. BORROWINGS

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Bank borrowings	5,992	12,147
Secured	2,703	6,661
Unsecured	3,289	5,486
	5,992	12,147

During the six months ended 30 September 2017, there is no new borrowing raised by the Group.

During the six months ended 30 September 2017, the Group repaid approximately HK\$3,958,000 and HK\$2,197,000 of secured borrowings bearing average interest of 3.14% and unsecured borrowings bearing average interest of 5.61% respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
On 13 March 2017 (date of incorporation) and 31 March 2017 (Note a)	38,000,000	380
Increase during the period (Note b)	1,962,000,000	19,620
At 30 September 2017	2,000,000,000	20,000
Issued and fully paid		
On 13 March 2017 (date of incorporation) (Note a)	1	–
Issue in consideration for the acquisition of the issued share capital of Infinite Merit Global Limited (“ Infinite Merit ”) (Note c)	999	–
At 31 March 2017 and 30 September 2017	1,000	–

Notes:

- (a) On 13 March 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. At the date of incorporation, one nil-paid ordinary share of HK\$0.01 was allotted and issued.
- (b) Pursuant to the resolution in writing passed by the shareholders of the Company on 21 September 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK\$0.01 each, each of which ranks *pari passu* with the shares then in issue in all aspects.
- (c) On 31 March 2017, the Company acquired the entire issued share capital of Infinite Merit by allotting and issuing 999 ordinary shares of HK\$0.01 each as consideration to Colourfield Global. All shares issued since the date of incorporation of the Company rank *pari passu* with all the existing shares in all respects.

15. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and finance lease companies to secure banking facilities and finance leases granted to the Group:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Machinery and equipment	1,350	407
Motor vehicles	669	1,974
Investment property	6,750	6,300
	8,769	8,681

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

16. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into transactions with related party as follows:

Related party	Nature of transaction	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Easy High Investment Limited (Note)	Rental expenses	-	78

Note:

Mr. Li's spouse, Ms. Chau Man Chun, is the beneficial shareholder and the director of Easy High Investment Limited. Such lease agreement has been terminated on 31 January 2017.

The above transaction was conducted at terms determined on a basis mutually agreed between the Group and the related party.

(b) Banking facilities

A Director of the Company and his spouse have provided unlimited personal guarantee and limited personal guarantee respectively for the grant of banking facilities to the Group as at 30 September 2017 and were subsequently released and replaced by guarantee of the Company upon listing of the Company on 20 October 2017.

(c) Compensation of key management personnel

The remuneration of Directors of the Company and other members of key management personnel during the period was as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term benefits	2,108	902
Post-employment benefits	58	32
	2,166	934

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

17. CONTINGENT LIABILITIES

- (a) As at 30 September 2017, the Group had provided guarantees of approximately HK\$8,000,000 in respect of performance bonds in favour of its clients.

In the opinion of the Directors of the Company, it was not probable that a claim would be made against the Group under the guarantee; therefore, no provision for such guarantee was made in the condensed consolidated financial statements.

- (b) As at 30 September 2017, the Group has been involved in a number of litigations and potential claims against the Group in relation to work-related injuries and criminal litigation.

In the opinion of the Directors of the Company, the litigations and potential claims are not expected to have a material impact on the condensed consolidated financial statements. Accordingly, no provision for such guarantee was made in the condensed consolidated financial statements.

18. MAJOR NON-CASH TRANSACTIONS

- (a) During the six months ended 30 September 2017, the Group entered into finance lease arrangements in respect of machineries with a total capital value at the inception of the leases of approximately HK\$1,200,000 (six months ended 30 September 2016: nil).

- (b) During the six months ended 30 September 2016, the Group financed the acquisition of an investment property with a mortgage loan of approximately HK\$2,400,000 (six months ended 30 September 2017: nil).

19. EVENTS AFTER REPORTING PERIOD

- (a) On 20 October 2017, the Company issued under a share offer 225,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.52 per share raising gross proceeds amounting to HK\$117,000,000. Moreover 674,999,000 ordinary shares of HK\$0.01 each were issued to the Controlling Shareholder by way of capitalisation of approximately HK\$6,749,990 from the share premium account of the Company.

- (b) On 7 November 2017, the Company issued additional 33,750,000 ordinary shares of HK\$0.01 each at a price of HK\$0.52 per share as a result of exercise of the over-allotment option by the underwriter raising gross proceeds amounting to HK\$17,550,000. All shares issued rank pari passu with all the existing shares in all respects. For details, please refer to the announcement of the Company on 7 November 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules were not applicable to the Company for the six months ended 30 September 2017 as the shares of the Company (the “**Shares**”) were only listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 20 October 2017 (the “**Listing Date**”).

Upon the Listing, the Company has complied with the code provisions of the CG Code with the exception of code provision A.2.1, which requires the roles of chairman of the Company (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) should be separate and performed by different individuals. However, in view of the current composition of the Board, the in-depth knowledge of Mr. Li Cheuk Kam in the operations of the Group and his experience in foundation and site formation works, the Board believes it is in the best interests of the Company for Mr. Li Cheuk Kam to assume both the roles of the Chairman and the Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) was not applicable to the Company during the Period as the Shares were only listed on the Stock Exchange on 20 October 2017. The Company has adopted the Model Code as the code of conduct regarding securities transactions of the Directors upon the Listing. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code at all applicable times since the Listing Date to the date of this report.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Since the Shares were listed on the Stock Exchange on 20 October 2017, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the “**SFO**”) as at 30 September 2017.

As at the Report Date, the interests and long positions in the Shares, underlying Shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the Shares as at the Report Date

Name	Capacity/nature	Total number of Shares	Percentage of Shares in issued
Mr. Li Cheuk Kam	Interest in a controlled corporation (Note 1)	675,000,000	72.29%
Ms. Chau Man Chun	Interest of spouse (Note 2)	675,000,000	72.29%
Colourfield Global	Beneficial owner (Note 3)	675,000,000	72.29%

CORPORATE GOVERNANCE AND OTHER INFORMATION

(ii) Long position in the ordinary shares of associated corporation as at the Report Date

Name of Director	Name of associated corporation	Capacity/Nature	Total number of Shares	Percentage of Shares in issued
Mr. Li Cheuk Kam	Colourfield Global	Beneficial owner (Note 3)	5	100%

(iii) Short position

As at 30 September 2017, the Shares were not listed on the Stock Exchange. The respective Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the Group as at 30 September 2017.

As at the Listing date on 20 October 2017, due to the over-allotment option of 33,750,000 Shares described in the Prospectus is not exercised at all, so far as known by the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/nature	Total number of Shares	Percentage of Shares in issued
Mr. Li Cheuk Kam	Interest in a controlled corporation (Note 1)	675,000,000 (L)	75% (L)
		33,750,000 (S)	3.75% (S)
Ms. Chau Man Chun	Interest of spouse (Note 2)	675,000,000 (L)	75% (L)
		33,750,000 (S)	3.75% (S)
Colourfield Global	Beneficial owner (Note 3)	675,000,000 (L)	75% (L)
		33,750,000 (S)	3.75% (S)

On 7 November 2017, the over-allotment option of 33,750,000 shares described in the Prospectus was exercised fully. Save as disclosed above, as at the Report Date, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Notes:

1. The 675,000,000 Shares are held by Colourfield Global Limited ("**Colourfield Global**"). Mr. Li Cheuk Kam beneficially owns 100% of the entire issued share capital of Colourfield Global and is deemed, or taken to be, interested in all the Shares held by Colourfield Global for the purposes of the SFO. Mr. Li Cheuk Kam is the director of Colourfield Global.
2. Ms. Chau Man Chun is the spouse of Mr. Li Cheuk Kam and is deemed or taken to be interested in all the Shares in which Mr. Li Cheuk Kam has, or is deemed to have, an interest for the purposes of the SFO.
3. Mr. Li Cheuk Kam beneficially owns 100% of the entire issued share capital of Colourfield Global, and he is deemed or taken to be interested in all the shares in Colourfield Global for the purposes of the SFO. Mr. Li Cheuk Kam is the director of Colourfield Global.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 21 September 2017. The principal terms of the Share Option Scheme is summarised in Appendix V to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 21 September 2017, and there is no outstanding share option as at 30 September 2017.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES

The Shares were listed on the Stock Exchange on 20 October 2017. Since the Listing Date and up to the Report Date, except for the full exercise of Over-allotment Option on 7 November 2017 by the Company, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities. Details of the full exercise of the over-allotment option are set out in the announcement of the Company dated 7 November 2017.

AUDIT COMMITTEE

The Company established an Audit Committee on 21 September 2017 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group’s financial report system and internal control and risk management procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor.

The Audit Committee consists of three members who are all Independent Non-executive Directors, namely, Mr. Chan Chung Kik Lewis, Mr. Wong Chik Kong and Mr. Lee Kwok Lun. Mr. Chan Chung Kik Lewis is the Chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the Period. The Audit Committee was satisfied that the unaudited condensed consolidated financial statements were prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

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

Hong Kong, 30 November 2017