

TARGET

Intelligence Report

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WING CHI HOLDINGS LTD: IT MIGHT HAVE LOOKED GOOD, AT FIRST GLANCE, BUT TAKE A CLOSER LOOK

For all intents and purposes, it does appear that Management of Wing Chi Holdings Ltd (榮智控股有限公司) (Code: 6080, Main Board, The Stock Exchange of Hongkong Ltd) could well be on the cusp of a roll – following three Financial Years of having had to suffer the trials and tribulations of the pandemic, branded, today, with the nomenclature: COVID-19.

However, ‘One swallow does not make a summer, neither does one fine day; similarly, one day, or a brief time of happiness, does not make a person entirely happy’, in the immortal and extant words of Aristotle (384 B.C. – 322 B.C.).

On or about Friday, November 25, 2022, Management of Wing Chi Holdings Ltd informed its shareholders, at Page One of the 2022 Interim Results in respect of the six months ended 30 September 2022 of the following:

FINANCIAL HIGHLIGHTS

- ‘1. Revenue was approximately HK\$273.0 million for the six months ended 30 September 2022, representing an increase of approximately 30.4% as compared to that for the same period in 2021.*
- ‘2. Gross profit was approximately HK\$19.9 million for the six months ended 30 September 2022, representing an increase of approximately 59.2% as compared to that for the same period in 2021.*
- ‘3. Gross profit margin for the six months ended 30 September 2022 was approximately 7.3%, as compared to that of approximately 6.0% for the same period in 2021.*
- ‘4. Profit attributable to owners of the Company was approximately HK\$8.9 million for the six months ended 30 September 2022 as compared to that of approximately HK\$1.3 million for the same period in 2021. The improvement in net profit attributable to owners of the*

Company was mainly attributable to the improvement of gross profit and the receipts of subsidy from the Employment Support Scheme during the six months ended 30 September 2022.

‘5. Earnings per share amounted to approximately HK\$1.0 cents for the six months ended 30 September 2022 as compared to that of approximately HK\$0.1 cents for the same period in 2021.

‘6. The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022.’

(More about the 2022 Interim Results/Interim Report of Wing Chi Holdings Ltd later on in this Report.)

The 2022 Annual Report Of Wing Chi Holdings Ltd

In the **Hongkong Special Administrative Region (HKSAR)** of the **People’s Republic of China (PRC)**, on or about Wednesday, July 20, 2022, Senior Management of Wing Chi Holdings Ltd published and disseminated its 2022 Annual Report with regard to the Financial Year, ended March 31, 2022.

At Page Three of this Report, Mr Li Cheuk Kam (李灼金), the Chairman of the Board of Directors as well as being an Executive Director of the Company, had this to say to his shareholders and prospective investors, amongst other things:

‘The Group is a Hong Kong based subcontractor principally engaged in foundation and site formation works. For the year ended 31 March 2022, the Group recorded revenue of approximately HK\$421.1 million, representing a slight increase of approximately 2.3% as compared to that of approximately HK\$411.8 million for the year ended 31 March 2021. The Group recorded a significant increase in the profit attributable to shareholders of the Company (the “Shareholders”) for the year ended 31 March 2022 of approximately HK\$4.4 million as compared to that loss attributable to shareholders of the Company of approximately HK\$46.4 million for the year ended 31 March 2021. Moreover, the gross profit margin of the Group for the year ended 31 March 2022 has improved substantially mainly due to the successful implementation of tight cost control measures on existing projects and the fact that most of the loss projects have been completed in the last years. Therefore, the profit margin of our project works has improved significantly.

‘According to the 2022–23 Land Sales Programme, the Hong Kong SAR Government planned to sell 13 residential sites and 4 commercial sites which can be developed into approximately 8,250 residential units and 300,000 square meters of gross floor area respectively, suggesting that the demand for site formation and foundation works in the public and the private sectors remain important and in demand. In addition, there are many public construction plans in Hong Kong such as the private development/redevelopment projects and the 430,000 units of estimated

supply of housing in the long term housing target for the ten-year period from 2021–22 to 2030–2031 suggested by the Transport and Housing Bureau in December 2020. In view of this, the Directors remain positive for the construction industry. The Group will continue to monitor the market closely and respond to changes in market conditions. The Group will continue to improve its competitiveness in the market by continuing to provide quality work to the customers.

‘In view of the outbreak of the COVID-19 pandemic, economic uncertainty and challenging market with keen competition in the foundation and site formation market still affecting the development of the construction industry, the Group will continue to try its best to implement tight cost control measures on the existing projects, improve the efficiency of workflow throughout the construction process, and strengthen the effectiveness of project management. The Group will also continue to actively devote its efforts to facilitate the prevention and control of further spreading of the COVID-19 pandemic in its premises and construction sites and to ensure the health and safety of its employees...’.

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