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WK Group (Holdings) Limited

泓基集團(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2535)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

INTERIM FINANCIAL HIGHLIGHTS

- Revenue increased by approximately HK\$38.5 million or 28.9%, from approximately HK\$133.2 million for the six months ended 30 June 2023 to approximately HK\$171.7 million for the six months ended 30 June 2024.
- Gross profit increased by approximately HK\$5.6 million or 20.7%, from approximately HK\$27.0 million for the six months ended 30 June 2023 to approximately HK\$32.6 million for the six months ended 30 June 2024.
- The Group recorded a profit attributable to owners of the Company of approximately HK\$13.4 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$9.3 million).
- Basic earnings per share was approximately HK0.81 cents for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK0.62 cents).
- The Board resolved not to recommend the payment of an interim dividend for the period from the Listing Date to 30 June 2024.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of WK Group (Holdings) Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023.

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	6	171,708	133,246
Cost of services		(139,088)	(106,211)
Gross profit		32,620	27,035
Other income	7	3	–
Other gain/(loss), net	7	71	(529)
Administrative expenses		(10,726)	(9,716)
Listing expenses		(4,838)	(4,687)
Reversal of impairment losses on financial assets and contract assets		112	230
Operating profit		17,242	12,333
Finance income	9	380	106
Finance costs	9	(279)	(384)
Finance income/(costs), net		101	(278)
Profit before income tax expense		17,343	12,055
Income tax expense	10	(3,941)	(2,762)
Profit for the period attributable to owners of the Company		13,402	9,293
Earnings per share attributable to owners of the Company			
Basic and diluted (expressed in HK cents per share)	11	HK0.81 cents	HK0.62 cents
Profit for the period		13,402	9,293
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Currency translation differences		341	786
Total comprehensive income for the period attributable to owners of the Company		13,743	10,079

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Assets			
Non-current assets			
Property, plant and equipment		6,966	6,482
Right-of-use assets		4,436	5,484
Deferred tax assets		752	773
Investments in life insurance contracts		5,972	5,901
Deposits		102	–
		<u>18,228</u>	<u>18,640</u>
Current assets			
Trade receivables	<i>13</i>	42,158	43,199
Contract assets	<i>14</i>	133,317	161,569
Other receivables, deposits and prepayments		9,978	12,620
Amounts due from directors		–	759
Amount due from a related company		–	11,627
Short-term bank deposits		45,025	–
Cash and cash equivalents		72,435	8,650
		<u>302,913</u>	<u>238,424</u>
Total assets		<u>321,141</u>	<u>257,064</u>
Equity			
Equity attributable to owners of the Company			
Share capital		20,000	–*
Reserves		215,213	136,233
		<u>235,213</u>	<u>136,233</u>

* *The amount is below HK\$1,000.*

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		<u>285</u>	<u>110</u>
Current liabilities			
Trade and retention payables	<i>15</i>	61,334	83,624
Accruals and other payables		8,813	17,516
Contract liabilities	<i>14</i>	2,725	3,196
Lease liabilities		1,845	2,896
Bank borrowings		6,432	9,886
Current income tax liabilities		<u>4,494</u>	<u>3,603</u>
		<u>85,643</u>	<u>120,721</u>
Total liabilities		<u>85,928</u>	<u>120,831</u>
Total equity and liabilities		<u>321,141</u>	<u>257,064</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL INFORMATION

WK Group (Holdings) Limited (the “**Company**”) was incorporated in the Cayman Islands on 28 June 2023 as an exempted company with limited liability under Companies Act (as revised) of the Cayman Islands. The address of the Company’s registered office is Suite 102, Cannon Place, P.O. Box 712, North Sound Rd., George Town, Grand Cayman KY1-9006, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are engaged in the provision of services for structural steelwork in Hong Kong. The ultimate holding company of the Company is WK (BVI) Limited, a limited liability company incorporated in the British Virgin Islands. The ultimate controlling shareholders of the Group are Mr. Chan Kam Kei, Mr. Chan Kam Kong, Mr. Chan Wing Hong, Ms. Choi Chick Cheong and Ms. Chan Suk Man.

On 8 March 2024, the shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”) by way of share offer (the “**Share Offer**”).

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements (the “**unaudited interim financial statements**”) are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). These unaudited interim financial statements have been prepared under the historical cost convention, except for the investments in life insurance contracts, which have been measured at cash surrender value. These unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended 31 December 2023.

The accounting policies adopted in the preparation of this unaudited interim financial statements are consistent with those adopted in the Company’s annual audited consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) issued by the HKICPA, except for the adoption of the amendments to HKFRSs as disclosed in note 3 below.

These unaudited interim financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated. These unaudited interim financial statements have not been audited or reviewed by the Company’s external auditors, but have been reviewed by the Company’s audit committee.

3. APPLICATION OF AMENDMENTS TO HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the unaudited interim financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following amendments to standards, and interpretation that have been issued, but are not yet effective for the six months ended 30 June 2024 and have not been early adopted by the Group:

		Effective for annual year beginning on or after
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	to be determined
Amendments to HKAS 21	Lack of Exchange ability	1 January 2025

The Group has already commenced an assessment of the impact of these amended standards and interpretation. According to the preliminary assessment made by the directors of the Company now comprising the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these unaudited interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited interim financial information, the critical judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the Company's annual audited consolidated financial statements for the year ended 31 December 2023.

6. REVENUE AND SEGMENT INFORMATION

The executive Directors are identified as the chief operating decision makers (“CODM”) of the Group who review the Group’s internal reporting in order to assess performance and allocate resources.

The Group’s revenue is derived from provision of structural steelwork in Hong Kong and accordingly, there is only one single operating segment for the Group under HKFRS 8.

Revenue

	Six months ended 30 June	
	2024	2023
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Structural steelworks	<u>171,708</u>	<u>133,246</u>

All of the Group’s revenue is recognised over time.

Revenue from major customers

	Six months ended 30 June	
	2024	2023
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Customer 1	79,327	N/A*
Customer 2	25,009	52,231
Customer 3	24,232	19,913
Customer 4	<u>N/A*</u>	<u>26,680</u>

* Represent less than 10% of revenue for the respective period.

All of the Group’s revenue are generated in Hong Kong.

7. OTHER INCOME AND OTHER GAIN/(LOSS), NET

	Six months ended 30 June	
	2024	2023
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Other income:		
– Government grants	<u>3</u>	<u>–</u>
Other gain/(loss), net:		
– Change in value of life insurance contracts	<u>71</u>	<u>(529)</u>
Other income and other gain/(loss), net	<u>74</u>	<u>(529)</u>

8. EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Employee benefit expenses (including Directors' remuneration):		
– Directors' fees	143	–
– Salaries, wages, bonuses and other welfare and allowances	17,471	16,882
– Pension costs – defined contribution plan	815	780
	<u>18,429</u>	<u>17,662</u>
Depreciation of plant and equipment	779	1,036
Depreciation of right-of-use assets	1,867	2,547

9. FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income:		
– Interest income from bank deposits	380	106
Finance costs:		
– Interest expense on bank borrowings	(229)	(218)
– Interest expense on lease liabilities	(50)	(166)
	<u>(279)</u>	<u>(384)</u>
Finance income/(costs), net	<u>101</u>	<u>(278)</u>

10. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2023: 16.5%) of the estimated assessable profits during the six months ended 30 June 2024, except for one entity of the Group that is qualified under the two-tiered profits tax rate regime, under which the first HK\$2.0 million of its assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2023: same).

Provision for Mainland China corporate income tax is calculated at the statutory rate of 25% (six months ended 30 June 2023: 25%) on the assessable income.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately HK\$13,402,000 (six months ended 30 June 2023: approximately HK\$9,293,000), and the weighted average number of ordinary shares of 1,656,164,000 (six months ended 30 June 2023: 1,500,000,000) during the six months ended 30 June 2024.

On 8 March 2024, 1,499,999,999 shares were issued under capitalisation issue. On the same date, 500,000,000 shares were issued by way of Share Offer upon the Company's Listing.

The weighted average number of shares in issue for the six months ended 30 June 2024 and 2023 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of the 1,499,999,999 shares issued under the capitalisation issue on 8 March 2024. Further, 156,164,000 shares, being the effect of the Share Offer calculated using a time-weighting factor, has been included in such weighted average numbers in issue for the six months ended 30 June 2024.

12. DIVIDEND

In January 2024, prior to the Capitalisation Issue and the Listing, the Company declared an interim dividend of approximately HK\$26,586,000, of which approximately HK\$10,000,000 was settled by cash and approximately HK\$16,586,000 was offset against the aggregate amounts due from the Directors and the related company. Other than the above, the Board resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2024.

During the six months ended 30 June 2023 and prior to the Reorganisation, dividends of HK\$20,000,000 were declared and settled by a subsidiary of the Company to its then shareholders.

13. TRADE RECEIVABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade receivables	45,034	46,063
Less: provision for impairment	<u>(2,876)</u>	<u>(2,864)</u>
	<u>42,158</u>	<u>43,199</u>

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 90 days	40,037	43,077
91-180 days	37	376
Over 180 days	<u>4,960</u>	<u>2,610</u>
	<u>45,034</u>	<u>46,063</u>

The credit terms provided to customers mainly range from 30 to 60 days. The Group's trade receivables are denominated in HK\$.

The carrying amounts of trade receivables approximate their fair values.

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

Included in contract assets/(liabilities) are the following:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Contract assets		
Unbilled revenue	61,974	96,060
Retention receivables for structural steelwork	<u>75,378</u>	<u>69,668</u>
Total contract assets	137,352	165,728
Less: provision for impairment	<u>(4,035)</u>	<u>(4,159)</u>
Contract assets, net	<u>133,317</u>	<u>161,569</u>
Contract liabilities	<u>(2,725)</u>	<u>(3,196)</u>

15. TRADE AND RETENTION PAYABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade payables	60,006	77,770
Retention payables	<u>1,328</u>	<u>5,854</u>
	<u>61,334</u>	<u>83,624</u>

The trade and retention payables are mainly denominated in HK\$ and the carrying amounts approximate to their fair values.

The ageing analysis of the trade payables based on invoice date is as follows:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 30 days	25,299	23,730
31-60 days	10,347	28,475
61-90 days	1,471	1,939
More than 90 days	22,889	23,626
	<hr/> 60,006 <hr/>	<hr/> 77,770 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a structural steelwork contractor in Hong Kong, specialising in the supply, fabrication and installation of structural steel for construction projects in Hong Kong. The Group was established in 1999 and have since undertaken structural steelwork in the role of subcontractor. With two production facilities in Dongguan, the PRC, the Group possesses the in-house capacity to process and fabricate structural steel tailored to the specifications of the customers.

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 March 2024 (the “**Listing Date**”) by way of share offer (the “**Share Offer**”) (the “**Listing**”).

With a commendable track record and unwavering dedication to quality, the Group had firmly established itself as a dependable and trusted partner within the construction industry. Boasting a team of skilled professionals who possess extensive expertise and experience in structural engineering and steel fabrication, the Group had successfully executed numerous prestigious projects during the six months ended 30 June 2024. These projects encompass a diverse range of structures, including infrastructure and public facilities, commercial buildings, bridges, and residential buildings. The Group’s proficiency in delivering intricate steel constructions distinguishes it from competitors and instills a sense of confidence in customers regarding the Group’s capabilities. Throughout every stage of a project, from drawings to installation, the Group adheres to rigorous quality control procedures. They diligently source materials from reputable suppliers and employ highly proficient workers to ensure the highest standards of workmanship. By prioritizing quality above all else, the Group has cultivated a strong reputation for consistently delivering structurally sound steelwork. Valuing its customers immensely, the Group nurtures robust relationships founded on trust and collaboration. Actively engaging with customers throughout each project, the Group maintains clear communication and a thorough understanding of their specific requirements. By placing great emphasis on customer satisfaction and fulfilling their commitments, the Group has garnered a loyal customer base, resulting in continuously tender invitations from various main contractors.

As at 30 June 2024, the Group had 25 projects (31 December 2023: 19 projects) on hand with backlog value of approximately HK\$406.6 million (31 December 2023: approximately HK\$550.5 million).

PROSPECTS

In the face of an unstable real estate market, the Group takes a cautious and analytical approach to ensure the company maintains stable financial conditions. There are some strategies employed by the Group: (i) the Group practises strict budget management avoid onerous contracts. The Group carefully assesses the risks and returns of each project, ensuring the sustainability and profitability of projects; (ii) the Group establishes long-term partnerships with suppliers to ensure stable material supply and competitive pricing. This helps mitigate the adverse impact of cost fluctuations on the Group's finances; (iii) the Group focuses on optimizing cash flow management by ensuring prompt collection of receivables and proactively communicating payment terms with customers. At the same time, they exercise careful control over payables to maintain a balanced and liquid financial position; and (iv) the Group closely monitors market trends and real estate dynamics, adjusting strategies accordingly.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately HK\$38.5 million or 28.9%, from approximately HK\$133.2 million for the six months ended 30 June 2023 to approximately HK\$171.7 million for the six months ended 30 June 2024, which was mainly attributable to the increase in revenue derived from the projects with relatively larger scale during the six months ended 30 June 2024, such as (i) a private commercial development located at Causeway Bay with an estimated contract sum of approximately HK\$388.0 million; (ii) a private commercial development located at Central with an estimated contract sum of approximately HK\$55.0 million; and (iii) an infrastructure and public facilities development located at Kai Tak with an estimated contract sum of approximately HK\$62.3 million.

Cost of Services

Cost of services mainly comprised cost of materials, subcontracting fees, direct labour costs, transportation and machinery service fees.

The cost of services increased by approximately HK\$32.9 million or 31.0%, from approximately HK\$106.2 million for the six months ended 30 June 2023 to approximately HK\$139.1 million for the six months ended 30 June 2024. The increase was primarily driven by the increase in the amount of works performed, which was in line with the increase in the revenue.

Gross profit and gross profit margin

Gross profit increased by approximately HK\$5.6 million or 20.7%, from approximately HK\$27.0 million for the six months ended 30 June 2023 to approximately HK\$32.6 million for the six months ended 30 June 2024, which was mainly driven by the increase in revenue as discussed above. Gross profit margin remained stable at approximately 19.0% for the six months ended 30 June 2024 and at approximately 20.3% for the six months ended 30 June 2023.

Other income and other gain/(loss), net

Other income and other net gain/(loss) changed from other loss of approximately HK\$0.5 million for the six months ended 30 June 2023 to other income and gain of approximately HK\$74,000 for the six months ended 30 June 2024, which was mainly due to the change in cash surrender value of life insurance contracts at each balance sheet date.

Administrative expenses

Administrative expenses mainly comprised staff costs, motor vehicles expenses, depreciation and exchange differences.

The administrative expenses increased by approximately HK\$1.0 million or 10.4%, from approximately HK\$9.7 million for the six months ended 30 June 2023 to approximately HK\$10.7 million for the six months ended 30 June 2024. The increase in staff costs and entertainment fee was partially offset by the decrease in exchange losses recognised in relation to the Group's operation in the People's Republic of China ("PRC").

Reversal of impairment losses on financial assets and contract assets

The Group recorded reversal of impairment losses on financial assets and contract assets of approximately HK\$0.1 million for the six months ended 30 June 2024 and approximately HK\$0.2 million for the six months ended 30 June 2023.

Profit for the period

As a result of the foregoing, the profit for the period significantly increased by approximately HK\$4.1 million or 44.2%, from approximately HK\$9.3 million for the six months ended 30 June 2023 to approximately HK\$13.4 million for the six months ended 30 June 2024. The net profit margin remained stable at approximately 7.8% and 7.0% for the six months ended 30 June 2024 and 2023, respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group needs to maintain a solid liquidity for working capital to support the Group's business operations. The principal sources of liquidity are equity capital, cash generated from operations and bank borrowings. As at 30 June 2024, the Group maintained a healthy liquidity position with net current assets balance of approximately HK\$217.3 million (31 December 2023: approximately HK\$117.7 million), Short-term bank deposits of approximately HK\$45.0 million (31 December 2023: nil) and cash and cash equivalents of approximately HK\$72.4 million (31 December 2023: approximately HK\$8.7 million), respectively. The short-term bank deposits and cash and cash equivalents were denominated in Hong Kong dollars and in Renminbi ("RMB"). The Shares were listed on the Main Board of the Stock Exchange on 8 March 2024. There has been no change in the capital structure of the Company since then. As at 30 June 2024, the capital structure of the Company comprised mainly issued share capital and reserves. The Group also deployed bank borrowings as its financial resources.

Bank Borrowings

Bank borrowings as at 30 June 2024 amounted to approximately HK\$6.4 million (31 December 2023: approximately HK\$9.9 million). The bank borrowings were denominated in Hong Kong dollars and bear interest at floating rates.

Gearing Ratio

Gearing ratio is calculated as total borrowings (i.e. bank borrowings and lease liabilities) divided by the total equity as at the respective reporting dates. The gearing ratio decreased from 9.5% as at 31 December 2023 to approximately 3.6% as at 30 June 2024. Such decrease was mainly due to the increase in total equity for the six months ended 30 June 2024.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. bank borrowings, amounts due to directors and lease liabilities, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

The net debt to equity ratio was not applicable as at 30 June 2024 as the Group had net cash position. The net debt to equity ratio was approximately 3.1% as at 31 December 2023.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Capital Expenditures

For the six months ended 30 June 2024, the Group incurred capital expenditures of approximately HK\$1.3 million (six months ended 30 June 2023: approximately HK\$0.8 million).

CONTINGENT LIABILITIES

During the six months ended 30 June 2024 and in the ordinary course of the Group's business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The Board is of the opinion that such claims are covered by insurance and will not result in any material adverse impact on the financial position or results and operations of the Group. No provision has been made in respect of these claims for the six months ended 30 June 2024 (six months ended 30 June 2023: same).

OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

The Directors confirm that as at 30 June 2024, the Group did not have any off-balance sheet arrangements or commitments.

PLEDGE OF ASSETS

As at 30 June 2024, all of the personal guarantees and securities for the Group's bank borrowings had been released.

SIGNIFICANT INVESTMENTS, ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2024, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

FOREIGN EXCHANGE EXPOSURE

The Group's revenue from customers is mainly from Hong Kong while the part of materials purchased in the PRC and the fabrication of structural steel mainly operates in the PRC. Accordingly, the revenue is received in HK\$ while part of costs arising from the Group's operations are generally settled in RMB. As a result, fluctuations in the value of HK\$ against RMB could adversely affect the financial results of the Group. During the six months ended 30 June 2024, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation.

The Group did not use any financial instruments for hedging purposes during the six months ended 30 June 2024 and there was no hedging instruments outstanding as at 30 June 2024. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

FINANCIAL INSTRUMENTS

As at 30 June 2024, the major financial instruments include trade receivables, other receivables and deposits, short-term bank deposits, cash and cash equivalents, trade payables, accruals and other payables, bank borrowings and lease liabilities. The management manages such exposure to ensure appropriate measures are implemented in a timely and effective manner.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 154 employees (31 December 2023: 148 employees) who were directly employed by the Group and based in Hong Kong and the PRC. The Group offers remuneration package to the employees which includes salary and bonuses. Generally, the Group considers employees' salaries based on each of their qualifications, position and seniority. The Group has an annual review system to appraise the performance of the employees, which constitutes the grounds of the decision as to the salary raises, bonuses and promotions. The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

EVENTS AFTER THE REPORTING PERIOD

There have been no other material events from the end of the reporting period to the date of this interim results announcement.

USE OF PROCEEDS

The Shares were successfully listed on the Main Board of the Stock Exchange on 8 March 2024.

The amount of gross proceeds from the Share Offer is HK\$125.0 million and the amount of net proceeds from the Share Offer is approximately HK\$91.0 million after deducting underwriting commissions and the expenses relating to the Share Offer (the “**Net Proceeds**”).

The Net Proceeds will be used in the manner consistent with that as disclosed in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 29 February 2024 (the “**Prospectus**”), the details of which are as outlined below:

Purposes	Intended use of Net Proceeds <i>HK\$ million</i>	Utilised amount of Net Proceeds from the Listing Date to 30 June 2024 <i>HK\$ million</i>	Unutilised amount of Net Proceeds as at 30 June 2024 <i>HK\$ million</i>	Expected timeline for the use of Net Proceeds
Financing the up-front costs of projects	56.0	45.0	11.0	December 2024
Acquiring a piece of land and setting up a new production facility	33.1	–	33.1	December 2025
Expanding and strengthening manpower	1.9	0.5	1.4	December 2024
	<u>91.0</u>	<u>45.5</u>	<u>45.5</u>	

As at the date of this results announcement, there was no change for the intended use of Net Proceeds as disclosed in the Prospectus.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus, as at 30 June 2024, the Group did not have other plans for material investments and capital assets.

DIVIDEND

In January 2024, prior to the Capitalisation Issue and the Listing, the Company declared an interim dividend of approximately HK\$26,586,000, of which approximately HK\$10,000,000 was settled by cash and approximately HK\$16,586,000 was offset against the aggregate amounts due from the Directors and the related company. Other than the above, the Board resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2024.

During the six months ended 30 June 2023 and prior to the Reorganisation, dividends of HK\$20,000,000 were declared and settled by a subsidiary of the Company to its then shareholders.

CORPORATE GOVERNANCE CODE

The Company is committed to ensuring high standards of corporate governance and business practices. The Company’s corporate governance practices are based on the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). During the period from the Listing Date to 30 June 2024, the Company has complied with the applicable code provisions of the CG Code and, where applicable, the recommended best practices of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the required standard for securities transactions by Directors. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code during the period from the Listing Date to 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

No purchase, sale or redemption of the Company’s listed securities was made by the Company or any of its subsidiaries during the period from the Listing Date to 30 June 2024.

SHARE OPTION SCHEME

Written resolutions were passed on 5 February 2024 to adopt the share option scheme (the “**Scheme**”). The principal terms of the Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V of the Prospectus.

No share options have been granted, exercised, cancelled, forfeited or lapsed under the Scheme during the period from the Listing Date to 30 June 2024. The Scheme will remain in force for a period of 10 years after the date of adoption.

MANAGEMENT CONTRACT

No contract, other than a contract of service with any Director or any person in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the six months ended 30 June 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total issued share capital was held by the public during the period from the Listing Date to 30 June 2024.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph D.3.3 of part 2 of the Corporate Governance Code. The primary duties of the audit committee are, among others, to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of the Company and perform other duties and responsibilities assigned by the Board.

The audit committee comprises Mr. Yu Chun Kit, Mr. Cha Ho Wa and Mr. Liu Chi Kwun Albert, all being our independent non-executive Directors. Mr. Yu Chun Kit is the chairperson of our audit committee.

REVIEW OF INTERIM FINANCIAL RESULTS BY AUDIT COMMITTEE

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2024 and the accounting information given in this interim results announcement has not been audited by the Company’s external auditor but has been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such accounting information complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and the interim report are published on the Company's website at www.wing-kei.com.hk and the Stock Exchange's website at www.hkexnews.hk. This interim results announcement of the Company for the six months ended 30 June 2024 will be published on the websites of both the Stock Exchange and the Company in due course in the manner as required by the Listing Rules.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the period.

On behalf of the Board
WK Group (Holdings) Limited
Chan Wing Hong
Chairman and Non-executive Director

Hong Kong, 26 August 2024

As at the date of this announcement, the Board comprises Mr. Chan Kam Kei, Mr. Chan Kam Kong and Ms. Chan Suk Man as executive Directors; Mr. Chan Wing Hong and Ms. Choi Chick Cheong as non-executive Directors; and Mr. Cha Ho Wa, Mr. Yu Chun Kit and Mr. Liu Chi Kwun Albert as independent non-executive Directors.