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GC Construction Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1489)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

INTERIM RESULTS HIGHLIGHTS

- Revenue increased from approximately HK\$253.4 million for the six months ended 30 September 2021 to approximately HK\$262.7 million for the six months ended 30 September 2022, representing an increase of approximately HK\$9.3 million or 3.7%.
- Gross profit increased from approximately HK\$30.6 million for the six months ended 30 September 2021 to approximately HK\$32.0 million for the six months ended 30 September 2022, representing an increase of approximately HK\$1.4 million or 4.4%.
- The Group recorded a profit and total comprehensive income for the period attributable to owners of the Company of approximately HK\$36.3 million for the six months ended 30 September 2022 (six months ended 30 September 2021: approximately HK\$16.8 million).
- Basic earnings per share attributable to owners of the Company was approximately HK\$0.048 for the six months ended 30 September 2022 (six months ended 30 September 2021: approximately HK\$0.022).
- The Board has resolved not to recommend the declaration of an interim dividend for the six months ended 30 September 2022 and 2021.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of GC Construction 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 September 2022, together with the comparative unaudited figures for the corresponding period in 2021.

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	<i>Notes</i>	Six months ended 30 September	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	6	262,707	253,419
Cost of services		(230,736)	(222,802)
Gross profit		31,971	30,617
Other income	7	18,582	383
Administrative expenses		(6,629)	(5,485)
Listing expenses		(3,166)	(4,449)
Impairment losses on trade receivables and contract assets		(211)	(367)
Operating profit	8	40,547	20,699
Finance income	9	–	1
Finance costs	9	(208)	(103)
Finance costs, net		(208)	(102)
Profit before income tax expense		40,339	20,597
Income tax expense	10	(4,029)	(3,825)
Profit and total comprehensive income for the period attributable to owners of the Company		36,310	16,772
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>expressed in HK\$ per share</i>)	11	0.048	0.022

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF
FINANCIAL POSITION**
AS AT 30 SEPTEMBER 2022

		30 September 2022	31 March 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Plant and equipment	13	1,805	1,702
Right-of-use assets		601	820
Deposits	14	173	173
		<u>2,579</u>	<u>2,695</u>
Current assets			
Trade receivables	14	56,913	27,183
Contract assets	15	150,187	130,272
Other receivables, deposits and prepayments	14	14,137	11,039
Amount due from immediate holding company		–	437
Cash and cash equivalents	16	25,357	27,546
		<u>246,594</u>	<u>196,477</u>
Total assets		<u>249,173</u>	<u>199,172</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	390	390
Capital reserve	17	–*	–*
Reserves		178,376	142,066
Total equity		<u>178,766</u>	<u>142,456</u>

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

		30 September	31 March
		2022	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		89	353
Deferred tax liabilities		196	174
		<u>285</u>	<u>527</u>
Current liabilities			
Trade payables	18	23,531	28,707
Accruals and other payables	18	24,107	14,656
Amount due to a director		–	10,741
Contract liabilities	15	2,123	887
Lease liabilities		522	510
Bank borrowings	19	15,144	–
Current income tax liabilities		4,695	688
		<u>70,122</u>	<u>56,189</u>
Total liabilities		<u>70,407</u>	<u>56,716</u>
Total equity and liabilities		<u>249,173</u>	<u>199,172</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

1. GENERAL INFORMATION

GC Construction Holdings Limited (formerly known as Chan Kiu Engineering Holdings Limited) (the “**Company**”) was incorporated in the Cayman Islands on 28 April 2020 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 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, 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 wet trades works to public or private residential and commercial properties in Hong Kong. The ultimate holding company of the Company is Evolve Billion Limited. The ultimate controlling shareholders of the Group are Mr. Chan Kiu Sum and Mr. Chan Wing Ping.

On 10 October 2022, 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 condensed consolidated interim 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 disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and the Hong Kong Companies Ordinance. 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 Group’s annual financial statements for the year ended 31 March 2022.

The accounting policies and the basis of preparation adopted in the preparation of this unaudited condensed interim financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the amendments to HKFRSs as disclosed in note 3 below.

These unaudited condensed consolidated 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 condensed consolidated 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 April 2022 for the preparation of the Group's unaudited condensed consolidated financial statements:

		Effective for annual periods beginning on or after
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before intended use	1 April 2022
Annual improvements project AG 5 (revised)	Annual Improvements to HKFRSs 2018–2020 Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 April 2022 1 April 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 April 2022
HKAS 3 (Amendments)	Reference to the Conceptual Framework	1 April 2022

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 new standards, amendments to standards, and interpretation that have been issued, but have not been effective for the six months ended 30 September 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 April 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 April 2023
HKFRS 17	Insurance Contracts	1 April 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policy	1 April 2023
HKAS 8 (Amendments)	Definition of Accounting Estimate	1 April 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 April 2023
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 April 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company anticipate that the above new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of such standards. The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. Currently it has been considered that the adoption of them is unlikely to have a material impact on the Group's results of operations and financial position.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unaudited condensed consolidated 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 this unaudited condensed consolidated 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 Group's annual financial statements for the year ended 31 March 2022.

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 wet trades works in Hong Kong and accordingly, there is only one single operating segment for the Group under HKFRS 8.

(a) Revenue

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Wet trades work	262,707	253,419

All of the Group's revenue is recognised over time for the reporting period.

(b) Revenue from major customers

Revenue individually generated from the following customer contributed more than 10% of the total revenue of the Group:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer 1	72,810	34,035
Customer 2	56,786	89,141
Customer 3	30,429	N/A*
Customer 4	N/A*	39,358
Customer 5	N/A*	28,097

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

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

7. OTHER INCOME

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Youth Employment and Training Programme (<i>Note a</i>)	269	383
Employment Support Scheme (<i>Note b</i>)	18,305	–
Other	8	–
	<u>18,582</u>	<u>383</u>

Notes:

- (a) Amount represents wage subsidy granted under Youth Employment and Training Programme (“YETP”). Funds are granted to the Group for employing trainees under the YETP. The Group is entitled to HK\$1,500 salary allowance per month for each trainee employed.
- (b) Amount represents wage subsidy granted under Employment Support Scheme under the Anti-Epidemic Fund. Subsidies are offered to employers who have employed employees and paid MPF for them. Wage subsidies were granted to the Group for the use of paying wages and MPF of employees from May 2022 to July 2022.

8. EXPENSES BY NATURE

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' remuneration)		
– Salaries, wages, bonuses and other welfare and allowances	17,960	14,841
– Pension costs – defined contribution plan	583	560
	<u>18,543</u>	<u>15,401</u>
Depreciation of plant and equipment	453	424
Depreciation of right-of-use assets	221	246
Gain on disposal on plant and equipment	8	–

Employee benefit expenses (including directors' remuneration) included in cost of services were approximately HK\$14,503,000 (six months ended 30 September 2021: approximately HK\$11,744,000) for the six months ended 30 September 2022.

9. FINANCE COSTS, NET

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income:		
– Interest income from bank deposits	–	1
Finance costs:		
– Interest expense on borrowings	(193)	(97)
– Interest expense on lease liabilities	(15)	(6)
	<u>(208)</u>	<u>(103)</u>
Finance costs, net	<u>(208)</u>	<u>(102)</u>

10. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax	4,007	3,994
Deferred income tax	22	(169)
	<u>4,029</u>	<u>3,825</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and two subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Chan Kiu Construction Decoration Engineering Limited (“**Chan Kiu**”) and Ying Wai (Chan Kiu) Construction Engineering Co., Limited (“**Ying Wai**”) are subject to Hong Kong profits tax. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the reporting periods, except for Chan Kiu 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%.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2022 and 2021.

In determining the weighted average number of shares in issue during the six months ended 30 September 2022 and 2021, 711,000,000 Shares issued pursuant to the Capitalisation Issue (as defined in note 17(a)) were deemed to have been issued on 1 April 2021 as if the Company has been incorporated by then.

	Six months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>36,310</u>	<u>16,772</u>
Weighted average number of ordinary shares in issue	<u>750,000,000</u>	<u>750,000,000</u>
Basic and diluted earnings per share (<i>in HK\$</i>)	<u>0.048</u>	<u>0.022</u>

Diluted earnings per share for the six months ended 30 September 2022 and 2021 were the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the reporting periods.

12. DIVIDEND

The Board has resolved not to recommend the declaration of an interim dividend for the six months ended 30 September 2022 and 2021.

13. PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group incurred capital expenditure of approximately HK\$0.8 million (six months ended 30 September 2021: approximately HK\$0.5 million). Item of a motor vehicle with zero net book value was disposed of during the six months ended 30 September 2022, resulting in a gain on disposal of approximately HK\$8,000.

14. TRADE AND OTHER RECEIVABLES

(a) Trade receivables

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivables	57,254	27,349
Less: provision for impairment	<u>(341)</u>	<u>(166)</u>
Trade receivables, net	<u>56,913</u>	<u>27,183</u>

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within 30 days	49,167	21,788
31–60 days	5,399	3,757
Over 60 days	<u>2,688</u>	<u>1,804</u>
	<u>57,254</u>	<u>27,349</u>

The credit terms provided to our customers range from 14 days to 60 days. The Group's trade receivables are denominated in HK\$.

(b) Other receivables, deposits and prepayments

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Prepayments for wet trades works	67	62
Prepayments for listing expenses	7,750	6,448
Other prepayments	120	334
Other receivables	4,513	2,738
Deposits	<u>1,860</u>	<u>1,630</u>
	14,310	11,212
Less: Non-current deposits	<u>(173)</u>	<u>(173)</u>
Current portion	<u>14,137</u>	<u>11,039</u>

The Group's other receivables and deposits are denominated in HK\$. None of the other receivables and deposits was impaired.

The carrying amounts of trade and other receivables approximate to their fair values. The maximum exposure to credit risk at the end of each reporting period is carrying amount of each class of trade and other receivables mentioned above.

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Contract assets		
Unbilled revenue	87,693	72,802
Retention receivables for wet trades works	<u>62,744</u>	<u>57,684</u>
Total contract assets	150,437	130,486
Less: provision for impairment	<u>(250)</u>	<u>(214)</u>
Contract assets, net	<u>150,187</u>	<u>130,272</u>
Contract liabilities	<u>(2,123)</u>	<u>(887)</u>

16. CASH AND CASH EQUIVALENTS

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Cash and cash equivalents	<u>25,357</u>	<u>27,546</u>
Maximum exposure to credit risk	<u>25,341</u>	<u>27,522</u>

Note: Interest rates of pledged short-term bank deposits are approximately 0.13% and 0.11% per annum as at 30 September 2022 and 31 March 2022, respectively.

All cash and cash equivalents are denominated in HK\$.

17. SHARE CAPITAL, CAPITAL RESERVE AND RESERVES

(a) Share capital

	Number of ordinary shares	Equivalent nominal value of ordinary share HK\$'000
Authorised:		
10,000,000,000 shares of HK\$0.01 each		
Balance at 1 April 2021 and 31 March 2022	50,000,000	500
Increase in authorised share capital (<i>note 1</i>)	<u>9,950,000,000</u>	<u>99,500</u>
Balance at 30 September 2022	<u>10,000,000,000</u>	<u>100,000</u>
Issued:		
39,000,000 shares of HK\$0.01 each		
Balance at 1 April 2021, 31 March 2022 and 30 September 2022	<u>39,000,000</u>	<u>390</u>

Notes:

1. Pursuant to the resolutions of the shareholder passed on 13 September 2022, the authorised share capital of the Company was increased from HK\$500,000 to HK\$100,000,000 by the creation of additional 9,950,000,000 Shares with par value of HK\$0.01 each.
2. Pursuant to the resolutions of the shareholder passed on 13 September 2022, the Company allotted and issued a total of 711,000,000 Shares, credited as fully paid at par, to Evolve Billion Limited on 10 October 2022 by way of capitalisation of the sum of HK\$7,110,000 standing to the credit of the share premium account of the Company (the “**Capitalisation Issue**”).
3. In connection with the Listing, 250,000,000 new Shares of HK\$0.01 each were issued at a price of HK\$0.5 per Share for a total cash consideration, before underwriting commission and expenses relating to the Share Offer, of HK\$125,000,000. Dealings in the Shares on the Stock Exchange commenced on 10 October 2022.

(b) Capital reserve

The capital reserve of the Group represented combined share capital of the companies now comprising the Group upon the completion of the reorganisation.

18. TRADE AND OTHER PAYABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade payables	<u>23,531</u>	<u>28,707</u>
Accruals and other payables		
– Accruals for subcontractors’ labour cost	14,541	6,976
– Accrued staff cost	2,627	2,378
– Accruals for listing expenses	6,532	4,852
– Provision for a litigation case	335	335
– Other accruals and payables	<u>72</u>	<u>115</u>
	<u>24,107</u>	<u>14,656</u>
	<u>47,638</u>	<u>43,363</u>

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

As at 30 September 2022 and 31 March 2022, the ageing analysis of the trade payables based on invoice date is as follows:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within 30 days	<u>23,531</u>	<u>28,707</u>

19. BANK BORROWINGS

	30 September 2022	31 March 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current, secured		
– Tax loans	<u>15,144</u>	<u>–</u>

The tax loans are denominated in HK\$ and bear interest at floating rates that are market dependent.

Tax loan facilities are secured by personal guarantees from Mr. Chan Kiu Sum and the legal charge over a property owned by Mr. Chan Kiu Sum.

The above guarantees are released upon the Listing.

20. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the reporting period, the following transactions were carried out with related parties:

		Six months ended 30 September	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
	Relationship with the Group	(Unaudited)	(Unaudited)
Salaries and pension costs paid to:			
Ms. Chan Chui Ying	Daughter of Mr. Chan Kiu Sum	265	250
Mr. Chan Chun Wai	Son of Mr. Chan Wing Ping	<u>266</u>	<u>218</u>

The transactions were conducted in the normal course of business at prices and terms as agreed between the Group and the related parties.

(b) Key management compensation

Key management includes the directors of the Group. The compensation paid or payable to key management for employee services, is as follows:

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	1,788	1,515
Pension costs – defined contribution plan	<u>18</u>	<u>18</u>
	<u>1,806</u>	<u>1,533</u>

21. CONTINGENT LIABILITY

The Group did not have any material contingent liabilities as at 30 September 2022 and 31 March 2022.

22. EVENTS AFTER THE REPORTING PERIOD

In connection with the Listing, 250,000,000 Shares of HK\$0.01 each were issued at a price of HK\$0.5 per Share for a total cash consideration of HK\$125,000,000, before deducting underwriting fees, commissions and expenses relating to the Share Offer. In addition, in conjunction with the Listing, 711,000,000 Shares were issued by way of capitalisation. Dealing of the shares of the Company on the Stock Exchange commenced on 10 October 2022.

Save as disclosed above, there have been no other material events from the end of the reporting period to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 10 October 2022 (the “**Listing Date**”) by way of share offer (the “**Share Offer**”). The Group is a wet trades contractor in Hong Kong. The wet trades works performed by the Group mainly included plastering, tile laying, brick laying, floor screeding and marble works.

Although Hong Kong has recorded the fifth wave of outbreak of COVID-19 which resulted in certain adverse impact to the Group’s business, the Group made good use of its competitive strengths during the six months ended 30 September 2022 to seize market opportunities and thus minimise the adverse impact on the operation and financial performance of the Group. The Group’s established track record in the wet trades industry in Hong Kong and the long-term relationship with some major customers had allowed the Group in getting wet trades works tender invitations continuously. The stable relationships with some major subcontractors of the Group had ensured a stable labour supply to perform the wet trades works. The experienced and dedicated management team and the stringent quality control and environmental impact control made the workers performed wet trades works under the safety environment.

The revenue increased from approximately HK\$253.4 million for the six months ended 30 September 2021 to approximately HK\$262.7 million for the six months ended 30 September 2022, representing an increase of approximately HK\$9.3 million or 3.7%. The increase in revenue was mainly driven by the increase in the amount of works performed by the Group in some of its ongoing sizeable projects, including (1) a commercial project in Hong Kong International Airport, which contributed approximately HK\$69.0 million to the revenue during the six months ended 30 September 2022; (2) a project of a sport park in Kai Tak, which contributed approximately HK\$30.4 million to the revenue during the six months ended 30 September 2022; and (3) a project of a community isolation and treatment facility, which contributed approximately HK\$27.7 million to the revenue during the six months ended 30 September 2022.

As at 30 September 2022, the Group had 45 projects (31 March 2022: 39 projects) on hand with backlog value of approximately HK\$620.5 million (31 March 2022: approximately HK\$758.1 million). The Group has stable and steady backlog value and the executive Directors believe that the financial performance of the Group will remain stable in the coming year.

PROSPECTS

Driven by (i) the construction of North East New Territories New Development Areas (NDAs) in Kwu Tung North, Fanling North and Ping Che which is expected to accommodate more than 50,000 household residential units in both public and private sectors; (ii) the housing supply target for the 10-year period from 2022–23 to 2031–32 of 430,000 units according to the Long Term Housing Strategy issued in 2021; and (iii) the continuous investment by The Government of the Hong Kong Special Administrative Region in infrastructure on average in the next few years, as proposed by the Chief Executive in the 2022 Policy Address, the gross value of wet trades works is expected to maintain a steady growth. The executive Directors believe that the Group will focus on deploying the resources towards competing for additional and more sizeable wet trades works projects in Hong Kong.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately HK\$253.4 million for the six months ended 30 September 2021 to approximately HK\$262.7 million for the six months ended 30 September 2022, representing an increase of approximately HK\$9.3 million or 3.7%. The increase in revenue was mainly driven by the increase in the amount of works performed by the Group in some of our ongoing sizeable projects, including (1) a commercial project in Hong Kong International Airport, which contributed approximately HK\$69.0 million to the revenue during the six months ended 30 September 2022; (2) a project of a sport park in Kai Tak, which contributed approximately HK\$30.4 million to the revenue during the six months ended 30 September 2022; and (3) a project of a community isolation and treatment facility, which contributed approximately HK\$27.7 million to the revenue during the six months ended 30 September 2022.

Cost of Services

The cost of services mainly comprised subcontracting fees, cost of materials and toolings and direct labour costs.

The cost of services increased from approximately HK\$222.8 million for the six months ended 30 September 2021 to approximately HK\$230.7 million for the six months ended 30 September 2022, representing an increase of approximately HK\$7.9 million or 3.6%. The increase in cost of services was generally in line with the increase in revenue.

Gross Profit and Gross Profit Margin

The gross profit increased from approximately HK\$30.6 million for the six months ended 30 September 2021 to approximately HK\$32.0 million for the six months ended 30 September 2022, representing an increase of approximately HK\$1.4 million or 4.4%. The increase in gross profit was primarily attributable to the less-than proportionate increase in cost of services as compared to the increase in revenue for the six months ended 30 September 2022.

The gross profit margin remained relatively stable at approximately 12.2% and 12.1% for the six months ended 30 September 2022 and 2021, respectively.

Other Income

The other income increased from approximately HK\$0.4 million for the six months ended 30 September 2021 to approximately HK\$18.6 million for the six months ended 30 September 2022, representing an increase of approximately HK\$18.2 million. Such increase was primarily attributable to the government grant from the Employment Support Scheme under the Anti-Epidemic Fund, which amounted to approximately HK\$18.3 million for the six months ended 30 September 2022, while our Group did not receive such government grant for the six months ended 30 September 2021.

Administrative Expenses

The administrative expenses increased from approximately HK\$5.5 million for the six months ended 30 September 2021 to approximately HK\$6.6 million for the six months ended 30 September 2022, representing an increase of approximately HK\$1.1 million or 20.9%. Such increase was mainly due to the increase in staff cost and entertainment expenses.

Finance Costs, Net

The net finance costs increased from approximately HK\$0.1 million for the six months ended 30 September 2021 to approximately HK\$0.2 million for the six months ended 30 September 2022, representing an increase of approximately HK\$0.1 million. Such increase was mainly due to the increase in interest expense on bank borrowings of approximately HK\$0.1 million for the six months ended 30 September 2022.

Income Tax Expense

The income tax expense remained relatively stable at approximately HK\$4.0 million and HK\$3.8 million for the six months ended 30 September 2022 and 2021, respectively.

Profit and Total Comprehensive Income for the Period

The profit and total comprehensive income for the period increased from approximately HK\$16.8 million for the six months ended 30 September 2021 to approximately HK\$36.3 million for the six months ended 30 September 2022, representing an increase of approximately HK\$19.5 million or 116.5%. Such increase was mainly driven by the increase in the other income of approximately HK\$18.2 million and increase in gross profit of approximately HK\$1.4 million, while such increase was partially offset by the increase in the administrative expenses as mentioned above.

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 the operations and bank borrowings. As at 30 September 2022, the Group maintained a healthy liquidity position with net current assets balance and cash and cash equivalents of approximately HK\$176.5 million (31 March 2022: approximately HK\$140.3 million) and approximately HK\$25.4 million (31 March 2022: approximately HK\$27.5 million), respectively. The cash and cash equivalents were denominated in Hong Kong dollars.

The Shares were listed on Main Board of the Stock Exchange on 10 October 2022. There has been no change in the capital structure of the Company since then. As at the date of this interim results announcement, the capital structure of the Company comprised mainly issued share capital, reserves and bank borrowings.

Bank Borrowings

The bank borrowings as at 30 September 2022 represented tax loan facilities of approximately HK\$15.1 million (31 March 2022: nil). Such tax loans are dominated in Hong Kong dollars and bear interest at floating rates.

Gearing Ratio

Gearing ratio is calculated as total borrowings (i.e. bank borrowings) divided by the total equity as at the respective reporting dates. The gearing ratio was approximately 8.5% as at 30 September 2022.

The gearing ratio was nil as at 31 March 2022 as there was no outstanding bank borrowings as at 31 March 2022.

Net Debt to Equity Ratio

Net debt to equity ratio is calculated as net debts (i.e. bank borrowings, 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 31 March 2022 and 30 September 2022 as the Group had net cash position as at both dates.

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 September 2022, the Group incurred capital expenditures of approximately HK\$0.8 million (six months ended 30 September 2021: approximately 0.5 million).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2022 and 31 March 2022.

OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

The Directors confirm that as at the date of this interim results announcement, the Group did not have any off-balance sheet arrangements or commitments.

PLEDGE OF ASSETS

As at 30 September 2022, the tax loan facilities were secured by personal guarantees from Mr. Chan Kiu Sum and the legal charge over a property owned by Mr. Chan Kiu Sum.

The above guarantees were released upon the Listing.

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

For the six months ended 30 September 2022, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

FOREIGN EXCHANGE EXPOSURE

The Group has a minimal exposure to foreign currency risk as most of the business transactions and assets and liabilities of the Group are principally denominated in Hong Kong Dollar. As such, the Directors consider the Group's risk in foreign exchange is insignificant and no foreign exchange hedging was conducted by the Group during the six months ended 30 September 2022.

FINANCIAL INSTRUMENTS

As at 30 September 2022, the major financial instruments include trade receivables, other receivables and 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 September 2022, the Group had 77 employees (31 March 2022: 83 employees) who were directly employed by the Group and based in Hong Kong. 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 REPORTING PERIOD

In connection with the Listing, 250,000,000 Shares of HK\$0.01 each were issued at a price of HK\$0.5 per Share for a total cash consideration of HK\$125,000,000, before deducting underwriting fees, commissions and expenses relating to the Share Offer. In addition, in conjunction with the Listing, 711,000,000 Shares were issued by way of capitalisation. Dealing of the Shares on the Stock Exchange commenced on 10 October 2022.

Save as disclosed above, 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 10 October 2022.

The amount of gross proceeds from the Share Offer is HK\$125 million and the amount of net proceeds from the Share Offer is approximately HK\$91.8 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 Company’s prospectus dated 23 September 2022 (the “**Prospectus**”), details of which are as outlined below:

Purposes	<i>HK\$ million</i>	Approximate percentage of the total Net Proceeds	Expected timeline for the use of Net Proceeds
Financing the up-front costs of the Group’s projects	67.0	73.0%	March 2023
Expanding the Group’s manpower and leasing an additional office	9.9	10.8%	March 2024
Purchasing machinery and motor vehicles	2.7	2.9%	March 2024
Procuring an enterprise resources planning system	1.9	2.1%	March 2023
Purchasing planks and toe-boards to further strengthen the Group’s occupational safety	1.4	1.5%	March 2024
The Group’s general working capital	8.9	9.7%	March 2023
Total	91.8	100%	

As at the date of this interim 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 the date of this interim results announcement, the Group did not have other plans for material investments and capital assets.

DIVIDEND

The Board has resolved not to recommend the declaration of an interim dividend for the six months ended 30 September 2022 and 2021.

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 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the period from the Listing Date to the date of this interim results announcement, save as disclosed below, the Company has complied with the applicable code provisions of the CG Code and, where applicable, the recommended best practices of the CG Code.

According to the code provision C.2.1 of part 2 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company has appointed Mr. Chan Kiu Sum as both the chairman and the chief executive officer of the Company. Considering that Mr. Chan Kiu Sum has been operating and managing the Group since 2005, the Board believes that vesting the roles of the chairman and chief executive officer in Mr. Chan Kiu Sum would enable the Group to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Chan Kiu Sum) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

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 10 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 the date of this interim results announcement.

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 the date of this interim results announcement.

SHARE OPTION SCHEME

Written resolutions were passed on 13 September 2022 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 IV of the Prospectus.

No share options have been granted, exercised, cancelled or lapsed under the Scheme during the period from the Listing Date to the date of this interim results announcement. 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 September 2022.

COMPETING INTERESTS

Mr. Chan Kiu Sum, Mr. Chan Wing Ping and Evolve Billion Limited (collectively, the “**Controlling Shareholders**”) had entered into the deed of non-competition in favour of the Company on 18 September 2022 (the “**Non-competition Undertaking**”). Each of the Controlling Shareholders has confirmed that he/it had complied with the Non-Competition Undertaking during the period from the Listing Date to the date of this interim results announcement. The independent non-executive Directors have reviewed that state of compliance of each of the Controlling Shareholders with the Non-competition Undertaking and as far as the independent non-executive Directors can ascertain, there has been no breach of the undertakings given in the Non-competition Undertaking by the Controlling Shareholders during the period from the Listing Date to the date of this interim results announcement.

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 the date of this interim results announcement.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and the code provisions D.3.3 and D.3.7 of part 2 of the CG Code. The primary duties of the Audit Committee are, among others, to make recommendations to 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 Chi Wing, Dr. Huang Hong and Dr. Lo Ki Chiu, all being independent non-executive Directors. Mr. Yu Chi Wing is the chairperson of the 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 September 2022 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 results announcement and the interim report are published on the Company's website at www.chankiu.hk and the Stock Exchange's website at www.hkexnews.hk. This results announcement of the Company for the six months ended 30 September 2022 will be despatched to its shareholders and will also 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
GC Construction Holdings Limited
Chan Kiu Sum
Chairman and Executive Director

Hong Kong, 25 November 2022

As at the date of this announcement, the Board comprises Mr. Chan Kiu Sum (Chairman and Chief Executive Officer) and Mr. Chan Wing Ping as executive Directors and Dr. Huang Hong, Mr. Yu Chi Wing and Dr. Lo Ki Chiu as independent non-executive Directors.