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## Wan Kei Group Holdings Limited

### 宏基集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1718)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

### GROUP FINANCIAL HIGHLIGHT

For the year ended 31 March 2023

|   | 2023<br>HK\$ | 2022<br>HK\$ |
|---|--------------|--------------|
| Revenue   | 315,446,680  | 263,216,864  |
| Gross profit  | 53,789,469   | 52,813,457   |
| Loss before taxation                                    | (46,057,791) | (13,384,350) |
| Loss attributable to equity shareholders of the Company | (46,995,578) | (12,756,585) |
| Loss per share  |              |              |
| Basic and Diluted (HK cents)                            | (5.06)       | (1.37)       |
| Cash and cash equivalents                               | 116,478,368  | 132,294,477  |
| Net assets  | 117,337,456  | 171,713,162  |
| Total assets  | 354,084,748  | 458,325,935  |

### DIVIDEND

The Board did not recommend the payment of a final dividend to the shareholders of the Company for the year ended 31 March 2023.

## RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Wan Kei Group Holdings Limited (“**Wan Kei Group**” or the “**Company**”) announces the audited consolidated final results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2023 (the “**Reporting Period**” or “**YR2023**”) together with the comparative audited figures for the year ended 31 March 2022 (the “**YR2022**”) as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

|   | Notes | 2023<br>HK\$               | 2022<br>HK\$               |
|---|-------|----------------------------|----------------------------|
| <b>Revenue</b>  | 3     | <b>315,446,680</b>         | 263,216,864                |
| Direct costs  |       | <u>(261,657,211)</u>       | <u>(210,403,407)</u>       |
| <b>Gross profit</b>   |       | <b>53,789,469</b>          | 52,813,457                 |
| Other income, other gain and losses, net                                    | 4     | <b>16,529,485</b>          | 19,124,035                 |
| Loss on disposal of interest in an associate                                | 9     | <b>(27,522,505)</b>        | –                          |
| Impairment losses on interest in an associate                               |       | –                          | (5,337,968)                |
| General and administrative expenses   |       | <u>(82,350,370)</u>        | <u>(59,712,588)</u>        |
| <b>(Loss)/profit from operations</b>  |       | <b>(39,553,921)</b>        | 6,886,936                  |
| Finance costs   | 5(a)  | <b>(10,644,731)</b>        | (10,885,974)               |
| Share of results of an associate  |       | <u>4,140,861</u>           | <u>(9,385,312)</u>         |
| <b>Loss before taxation</b>   | 5     | <b>(46,057,791)</b>        | (13,384,350)               |
| Income tax (expense)/credit   | 6     | <u>(937,787)</u>           | <u>627,765</u>             |
| <b>Loss for the year attributable to equity shareholders of the Company</b> |       | <b><u>(46,995,578)</u></b> | <b><u>(12,756,585)</u></b> |
| <b>Loss per share</b>   |       |                            |                            |
| Basic and diluted (HK cents)  | 8     | <b><u>(5.06)</u></b>       | <b><u>(1.37)</u></b>       |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 March 2023

|  | <i>Note</i> | <b>2023</b><br><b>HK\$</b> | 2022<br><b>HK\$</b>       |
|--|-------------|----------------------------|---------------------------|
| <b>Loss for the year</b>   |             | <u>(46,995,578)</u>        | <u>(12,756,585)</u>       |
| <b>Other comprehensive (expenses)/income for the year</b>  |             |                            |                           |
| Items that may be reclassified subsequently to profit or loss:   |             |                            |                           |
| Exchange differences on translation of financial statements of overseas operations                           |             | (1,281,060)                | 904,512                   |
| Share of other comprehensive income of investment accounted for using the equity method                      |             | (885,086)                  | 332,589                   |
| reclassification of cumulative exchange reserve upon disposal of an associate                                | 9           | (412,399)                  | –                         |
| Debt investment at fair value through other comprehensive income (recycling):                                |             |                            |                           |
| – reclassification adjustment to profit or loss  |             | (7,223,019)                | –                         |
| – net movement in fair value reserve   |             | <u>2,421,436</u>           | <u>2,406,998</u>          |
| <b>Total comprehensive (expenses)/income for the year</b>  |             | <u>(7,380,128)</u>         | <u>3,644,099</u>          |
| <b>Loss and total comprehensive expenses for the year attributable to equity shareholders of the Company</b> |             | <u><u>(54,375,706)</u></u> | <u><u>(9,112,486)</u></u> |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

|  | <i>Notes</i> | <b>2023</b><br><b>HK\$</b> | 2022<br><i>HK\$</i> |
|--|--------------|----------------------------|---------------------|
| <b>Non-current assets</b>  |              |                            |                     |
| Property, plant and equipment                                    |              | <b>9,407,397</b>           | 11,763,234          |
| Interest in an associate   |              | –                          | 20,626,673          |
| Financial asset at fair value through other comprehensive income | <i>10</i>    | <b>8,559,589</b>           | –                   |
| Club membership  |              | <b>290,000</b>             | 290,000             |
|  |              | <u><b>18,256,986</b></u>   | <u>32,679,907</u>   |
| <b>Current assets</b>  |              |                            |                     |
| Contract assets  |              | <b>131,180,482</b>         | 122,909,702         |
| Trade and other receivables                                      | <i>11</i>    | <b>81,078,273</b>          | 62,838,493          |
| Loan receivables   |              | <b>7,090,639</b>           | 23,476,310          |
| Financial assets at fair value through profit or loss            | <i>12</i>    | –                          | 38,054,704          |
| Debt investment at fair value through other comprehensive income | <i>13</i>    | –                          | 44,504,814          |
| Tax recoverable  |              | –                          | 1,567,528           |
| Cash and cash equivalents  |              | <b>116,478,368</b>         | 132,294,477         |
|  |              | <u><b>335,827,762</b></u>  | <u>425,646,028</u>  |
| <b>Current liabilities</b>                                       |              |                            |                     |
| Trade and other payables   | <i>14</i>    | <b>43,471,421</b>          | 37,848,937          |
| Amount due to a related company                                  | <i>15</i>    | <b>62,484,271</b>          | 113,100,000         |
| Amount due to a director of a subsidiary                         | <i>15</i>    | <b>124,578,127</b>         | 128,478,127         |
| Lease liabilities  |              | <b>974,169</b>             | 3,218,603           |
| Tax payable  |              | <b>2,707,977</b>           | 1,975,400           |
|  |              | <u><b>234,215,965</b></u>  | <u>284,621,067</u>  |
| <b>Net current assets</b>  |              | <u><b>101,611,797</b></u>  | <u>141,024,961</u>  |
| <b>Total assets less current liabilities</b>                     |              | <u><b>119,868,783</b></u>  | <u>173,704,868</u>  |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2023

|  | <i>Note</i> | <b>2023</b><br><b>HK\$</b> | 2022<br><i>HK\$</i> |
|--|-------------|----------------------------|---------------------|
| <b>Non-current liabilities</b>   |             |                            |                     |
| Long service payment liabilities   |             | <b>992,691</b>             | 972,924             |
| Lease liabilities  |             | <b>872,251</b>             | 560,395             |
| Deferred tax liabilities   |             | <b>666,385</b>             | 458,387             |
|  |             | <u><b>2,531,327</b></u>    | <u>1,991,706</u>    |
| <b>Net assets</b>  |             | <u><b>117,337,456</b></u>  | <u>171,713,162</u>  |
| <b>Capital and reserves</b>  |             |                            |                     |
| Share capital  | <i>16</i>   | <b>9,600,000</b>           | 9,600,000           |
| Reserves   |             | <u><b>107,737,456</b></u>  | <u>162,113,162</u>  |
| <b>Total equity attributable to equity shareholders<br/>of the Company</b> |             | <u><b>117,337,456</b></u>  | <u>171,713,162</u>  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 1. GENERAL INFORMATION

Wan Kei Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 7 October 2014 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Unit 1607, 16/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong. The Company is an investment holding company.

The Company’s share were listed on the Main Board of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 11 August 2015.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2023 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis, except certain assets and liabilities are stated at their fair value.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of preparation of the financial statements (Continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendment to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

#### ***Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use***

The amendments prohibit an entity from deducting the proceeds from selling items produced before the asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related cost should be included in profit or loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

#### ***Amendment to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract***

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligation at 1 April 2022, and has concluded that none of them is onerous.

### 3. REVENUE AND SEGMENT REPORTING

#### (a) Revenue

The principal activities of the Group are foundation construction, ground investigation services, financial services and trading of beauty and skin care products. Further details regarding the Group's principal activities are disclosed in note 3(b):

Disaggregation of revenue from contracts with customers of each significant category is as follows:

|   | <b>2023</b>               | 2022                      |
|---|---------------------------|---------------------------|
|   | <b>HK\$</b>               | HK\$                      |
| <b>Revenue from contract with customers within the scope of HKFRS 15:</b> |                           |                           |
| Revenue from construction contracts                                       | <b>255,328,042</b>        | 218,459,509               |
| Revenue from ground investigation services                                | <b>57,611,299</b>         | 38,757,518                |
| Revenue from trading of beauty and skin care products                     | <u>–</u>                  | <u>2,810,308</u>          |
|   | <b>312,939,341</b>        | 260,027,335               |
| <b>Revenue from other sources</b>   |                           |                           |
| Revenue from financial services   | <u><b>2,507,339</b></u>   | <u>3,189,529</u>          |
|   | <b><u>315,446,680</u></b> | <b><u>263,216,864</u></b> |

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

As at 31 March 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$176,615,000 (2022: approximately HK\$206,049,000). This amount represents revenue expected to be recognised in the future from construction contracts and ground investigation services. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the construction contracts and ground investigation services, when the obligations performed, which is expected to occur over the next 1 to 2 years.

### 3. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Foundation construction: this segment provides foundation construction works to customers in Hong Kong.
- Ground investigation services: this segment provides ground investigation services to customers in Hong Kong.
- Financial services: this segment provides investment, financing and money lending business.
- Trading of beauty and skin care products: this segment engages in the trading of beauty and skin care products.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and non-current assets were derived from activities outside Hong Kong.

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

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of (i) unallocated head office and corporate assets, (ii) interest in an associate, (iii) put option in relation to acquisition of an associate, (iv) financial asset at FVOCI, (v) other unlisted investment, and (vi) current tax recoverable, if any. Segment liabilities include all current and non-current liabilities with the exception of current tax payable and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment results is results before taxation.

### 3. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting (Continued)

##### (i) Segment results, assets and liabilities (Continued)

Disaggregation of revenue from contracts with customers by the time of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2023 and 2022 is set out below:

|   | Year ended 31 March 2023           |   |                               |   | Total<br>HK\$      |
|---|------------------------------------|---|-------------------------------|---|--------------------|
|   | Foundation<br>construction<br>HK\$ | Ground<br>investigation<br>services<br>HK\$ | Financial<br>services<br>HK\$ | Trading of<br>beauty and<br>skin care<br>products<br>HK\$ |                    |
| Disaggregated by timing of revenue recognition          |                                    |   |                               |   |                    |
| – Over time   | <u>255,328,042</u>                 | <u>57,611,299</u>                           | <u>2,507,339</u>              | <u>–</u>  | <u>315,446,680</u> |
| Revenue from external customers                         | <u>255,328,042</u>                 | <u>57,611,299</u>                           | <u>2,507,339</u>              | <u>–</u>  | <u>315,446,680</u> |
| Reportable segment revenue                              | <u>255,328,042</u>                 | <u>57,611,299</u>                           | <u>2,507,339</u>              | <u>–</u>  | <u>315,446,680</u> |
| Reportable segment gross profit                         | <u>34,382,854</u>                  | <u>16,900,027</u>                           | <u>2,506,588</u>              | <u>–</u>  | <u>53,789,469</u>  |
| Reportable segment profit/(loss)                        | <u>13,259,397</u>                  | <u>5,023,016</u>                            | <u>(14,932,143)</u>           | <u>(9,204,296)</u>  | <u>(5,854,026)</u> |
| Interest income from bank deposit                       | –                                  | –   | 822,214                       | –   | 822,214            |
| Interest expenses                                       | 6,106,792                          | –   | 87,890                        | –   | 6,194,682          |
| Depreciation for the year                               | 625,227                            | 1,685,080                                   | 1,725,168                     | –   | 4,035,475          |
| Reportable segment assets                               | 273,709,093                        | 57,994,568                                  | 254,062,307                   | 54,915,723  | 640,681,691        |
| Additions to non-current segment assets during the year | 944,748                            | 954,837                                     | 1,505,518                     | –   | 3,405,103          |
| Reportable segment liabilities                          | <u>192,216,619</u>                 | <u>10,294,189</u>                           | <u>349,395,427</u>            | <u>59,325,952</u>   | <u>611,232,187</u> |

### 3. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting (Continued)

##### (i) Segment results, assets and liabilities (Continued)

|   | Year ended 31 March 2022                  |  |                                      |  |                      |
|---|---|--|--------------------------------------|--|----------------------|
|   | Foundation<br>construction<br><i>HK\$</i> | Ground<br>investigation<br>services<br><i>HK\$</i> | Financial<br>services<br><i>HK\$</i> | Trading of<br>beauty and<br>skin care<br>products<br><i>HK\$</i> | Total<br><i>HK\$</i> |
| <b>Disaggregated by timing of revenue recognition</b>   |   |  |                                      |  |                      |
| – Over time   | 218,459,509                               | 38,757,518   | 3,189,529                            | –  | 260,406,556          |
| – A point in time                                       | –   | –  | –                                    | 2,810,308  | 2,810,308            |
| <b>Revenue from external customers</b>                  | <u>218,459,509</u>                        | <u>38,757,518</u>                                  | <u>3,189,529</u>                     | <u>2,810,308</u>   | <u>263,216,864</u>   |
| <b>Reportable segment revenue</b>                       | <u>218,459,509</u>                        | <u>38,757,518</u>                                  | <u>3,189,529</u>                     | <u>2,810,308</u>   | <u>263,216,864</u>   |
| <b>Reportable segment gross profit</b>                  | <u>35,122,879</u>                         | <u>11,691,043</u>                                  | <u>3,189,227</u>                     | <u>2,810,308</u>   | <u>52,813,457</u>    |
| <b>Reportable segment profit/(loss)</b>                 | <u>7,793,625</u>                          | <u>2,143,225</u>                                   | <u>(22,971,124)</u>                  | <u>2,017,891</u>   | <u>(11,016,383)</u>  |
| Interest income from bank deposit                       | –   | –  | 143,077                              | –  | 143,077              |
| Interest expenses                                       | 6,107,884                                 | –  | 182,519                              | –  | 6,290,403            |
| Depreciation for the year                               | 3,586,499                                 | 984,477  | 1,937,027                            | –  | 6,508,003            |
| <b>Reportable segment assets</b>                        | 257,890,376                               | 48,524,611   | 254,762,392                          | 58,270,935   | 619,448,314          |
| Additions to non-current segment assets during the year | 74,686                                    | 3,814,776  | –                                    | –  | 3,889,462            |
| <b>Reportable segment liabilities</b>                   | <u>189,657,299</u>                        | <u>7,417,564</u>                                   | <u>330,361,783</u>                   | <u>53,476,868</u>  | <u>580,913,514</u>   |

### 3. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting (Continued)

##### (ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

|  | 2023<br>HK\$               | 2022<br>HK\$         |
|--|----------------------------|----------------------|
| <b>Revenue</b>   |                            |                      |
| Reportable segment revenue and consolidated revenue (note 3(a))                                  | <u><b>315,446,680</b></u>  | <u>263,216,864</u>   |
| <b>Loss</b>  |                            |                      |
| Reportable segment loss  | (5,854,026)                | (11,016,383)         |
| Net change in fair value of financial assets at FVTPL in relation to acquisition of an associate | (8,207)                    | 30,363,000           |
| Impairment losses on interest in an associate  | –                          | (5,337,968)          |
| Loss on disposal of interest in an associate   | (27,522,505)               | –                    |
| Share of results of an associate   | 4,140,861                  | (9,385,312)          |
| Unallocated head office and corporate expenses   | <u>(16,813,914)</u>        | <u>(18,007,687)</u>  |
| Consolidated loss before taxation  | <u><b>(46,057,791)</b></u> | <u>(13,384,350)</u>  |
| <b>Assets</b>  |                            |                      |
| Reportable segment assets  | 640,681,691                | 619,448,314          |
| Elimination  | <u>(306,769,263)</u>       | <u>(237,849,742)</u> |
|  | <b>333,912,428</b>         | 381,598,572          |
| Interest in an associate   | –                          | 20,626,673           |
| Financial asset at FVOCI   | 8,559,589                  | –                    |
| Financial assets at FVPL in relation to acquisition of an associate:                             |                            |                      |
| – Put option   | –                          | 34,300,000           |
| Other unlisted investment  | –                          | 3,754,704            |
| Tax recoverable  | –                          | 1,567,528            |
| Unallocated head office and corporate assets   | <u>11,612,731</u>          | <u>16,478,458</u>    |
| Consolidated total assets  | <u><b>354,084,748</b></u>  | <u>458,325,935</u>   |

### 3. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting (Continued)

##### (ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

|   | 2023                      | 2022                 |
|---|---------------------------|----------------------|
|   | <i>HK\$</i>               | <i>HK\$</i>          |
| <b>Liabilities</b>                                |                           |                      |
| Reportable segment liabilities                    | 611,232,187               | 580,913,514          |
| Elimination                                       | <u>(441,774,234)</u>      | <u>(412,192,987)</u> |
|   | <b>169,457,953</b>        | 168,720,527          |
| Tax payable                                       | 2,707,977                 | 1,975,400            |
| Deferred tax liabilities                          | 666,385                   | 458,387              |
| Unallocated head office and corporate liabilities | <u>63,914,977</u>         | <u>115,458,459</u>   |
| Consolidated total liabilities                    | <u><b>236,747,292</b></u> | <u>286,612,773</u>   |

##### (iii) Information about major customers

Revenue from customers of construction contracts contributing over 10% of the total revenue of the Group for the corresponding years are as follows:

|                                | 2023              | 2022        |
|--------------------------------|-------------------|-------------|
|                                | <i>HK\$</i>       | <i>HK\$</i> |
| <b>Construction contracts:</b> |                   |             |
| Customer A                     | N/A*              | 79,961,251  |
| Customer B                     | 51,590,144        | 43,004,783  |
| Customer C                     | <u>67,481,601</u> | <u>N/A*</u> |

\* Revenue from the relevant customer was less than 10% of the Group's total revenue for the respective year.

#### 4. OTHER INCOME, OTHER GAIN AND LOSSES, NET

|  | 2023              | 2022              |
|--|-------------------|-------------------|
|  | <i>HK\$</i>       | <i>HK\$</i>       |
| Rental income from lease of machinery  | 570,379           | 592,980           |
| Bank interest income   | 852,837           | 217,755           |
| Other interest income  | 1,939,937         | 55,483            |
| Government grants  | 4,385,200         | 33,780            |
| Gain on disposal of property, plant and equipment                                    | 1,015,833         | 388,000           |
| Gain on disposal of debt investment at fair value through other comprehensive income | 7,223,019         | –                 |
| Net change in fair value of financial assets at fair value through profit or loss    | 73,470            | 17,053,970        |
| Net foreign exchange gain/(loss)   | 56,064            | (59,797)          |
| Sales of raw material  | 366,017           | 794,915           |
| Others   | 46,729            | 46,949            |
|  | <u>16,529,485</u> | <u>19,124,035</u> |

#### 5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

|   | 2023              | 2022              |
|---|-------------------|-------------------|
|   | <i>HK\$</i>       | <i>HK\$</i>       |
| <b>(a) Finance costs</b>                              |                   |                   |
| Interest on borrowing from a related company          | 4,384,271         | 4,500,000         |
| Interest on borrowing from a director of a subsidiary | 6,100,000         | 6,100,000         |
| Interest on lease liabilities                         | 160,460           | 285,974           |
|   | <u>10,644,731</u> | <u>10,885,974</u> |

|  | 2023              | 2022              |
|--|-------------------|-------------------|
|  | <i>HK\$</i>       | <i>HK\$</i>       |
| <b>(b) Staff costs (including directors' remuneration)</b> |                   |                   |
| Contribution to defined contribution retirement plans      | 2,080,242         | 2,186,242         |
| Salaries, wages and other benefits                         | 67,249,551        | 67,828,391        |
|  | <u>69,329,793</u> | <u>70,014,633</u> |

5. LOSS BEFORE TAXATION (Continued)

|  | 2023             | 2022             |
|--|------------------|------------------|
|  | <i>HK\$</i>      | <i>HK\$</i>      |
| <b>(c) Other items</b>   |                  |                  |
| Depreciation   |                  |                  |
| – owned property, plant and equipment  | 2,360,006        | 4,464,950        |
| – right-of-use assets  | <u>2,970,337</u> | <u>3,014,892</u> |
|  | <b>5,330,343</b> | 7,479,842        |
| Impairment losses on interest in an associate  | –                | 5,337,968        |
| Impairment losses on trade and other receivables, contract assets and debt investment at fair value through other comprehensive income | 11,560,027       | 2,258,375        |
| Impairment losses on loan receivables  | 15,226,118       | 4,180,862        |
| Auditors' remuneration   | 1,300,000        | 1,450,000        |
| Gain on disposal of property, plant and equipment  | (1,015,833)      | (388,000)        |
| Written-off of property, plant and equipment   | 220,674          | –                |
| Net foreign exchange (gain)/loss   | <u>(56,064)</u>  | <u>59,797</u>    |

6. INCOME TAX EXPENSE/(CREDIT)

Income tax expenses/(credit) in the consolidated statement of profit or loss and other comprehensive income represents:

|   | 2023            | 2022             |
|---|-----------------|------------------|
|   | <i>HK\$</i>     | <i>HK\$</i>      |
| <b>Current tax</b>                                |                 |                  |
| Provision for Hong Kong Profits Tax for the year  | 745,508         | 328,486          |
| Over-provision in respect of prior years          | <u>(15,719)</u> | <u>(498,308)</u> |
|   | <b>729,789</b>  | (169,822)        |
| <b>Deferred tax</b>                               |                 |                  |
| Origination and reversal of temporary differences | <u>207,998</u>  | <u>(457,943)</u> |
|   | <b>937,787</b>  | <b>(627,765)</b> |

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

## 6. INCOME TAX EXPENSES/(CREDIT) (Continued)

Notes: (Continued)

- (ii) The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

The provision for Hong Kong Profits Tax for 2023 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2022/23 subject to a maximum reduction of HK\$6,000 for each business (2022: a maximum reduction of HK\$10,000 was granted for the year of assessment 2021/22 and was taken into account in calculating the provision for 2022).

- (iii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for years ended 31 March 2023 and 2022.
- (iv) The provision for People's Republic of China Income Tax is calculated at 25% of the estimated assessable profits for the year ended 31 March 2023 and 2022.

## 7. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2023. No dividend has been declared or paid by the Company for the years ended 31 March 2023 and 2022.

## 8. LOSS PER SHARE

### (a) Basic losses per share

The calculation of the basic losses per share attributable to owners of the Company is based on the following:

|  | <b>2023</b>                | 2022                       |
|--|----------------------------|----------------------------|
|  | <b>HK\$</b>                | HK\$                       |
| <b>Loss</b>  |                            |                            |
| Loss attributable to equity shareholders of the Company                            | <u><u>(46,995,578)</u></u> | <u><u>(12,756,585)</u></u> |
| <b>Number of shares</b>  |                            |                            |
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u><u>928,355,000</u></u>  | <u><u>928,355,000</u></u>  |

## 8. LOSS PER SHARE (Continued)

### (a) Basic losses per share (Continued)

For the years ended 31 March 2023 and 2022, the calculation of the basic loss per share attributable to equity shareholders of the Company was based on (i) the loss attributable to equity shareholders of the Company and (ii) the weighted average number of ordinary shares in issue which was adjusted by the effect of 31,645,000 shares held for the Group's share award scheme.

### (b) Diluted losses per share

There were no diluted potential shares in existence during the years ended 31 March 2023 and 2022.

## 9. INTEREST IN AN ASSOCIATE

On 27 March 2023, the Group partially exercise the put option to dispose approximately 15.3% of the entire issued share capital of the Matsu Gami in the total amount of approximately HK\$21,680,000 (being the amount held in the escrow account as maintained by the escrow agent) as the aggregated amount of the partial option consideration and the premium in the amount equals to the partial option consideration multiplied by the 10% annualised rate of return. Details are set out below:

### Disposal of interest in an associate:

|   | <b>2023</b>                       |
|---|-----------------------------------|
|   | <b>HK\$</b>                       |
| Total consideration   |                                   |
| Cash proceeds   | <b>21,679,748</b>                 |
| Add:  |                                   |
| Financial asset at fair value through other comprehensive income        | <b>8,559,589</b>                  |
| Financial asset at fair value through profit or loss – 19.7% Put Option | <b>214,000</b>                    |
| Reclassification of cumulative exchange reserve upon disposal           | <b>412,399</b>                    |
| Less:   |                                   |
| Interest in an associate as at 27 March 2023                            | <b>23,882,448</b>                 |
| Financial asset at fair value through profit or loss – 35% Put Option   | <b>34,505,793</b>                 |
| <b>Loss on disposal of an associate</b>                                 | <b><u><u>(27,522,505)</u></u></b> |

Under the 3rd and 4th supplemental agreement, subject to our right to exercise the put option, if the actual profit is less than the guaranteed profit of HK\$13,000,000 during YR2022-2023, the vendors and the vendor guarantors shall compensate the Company in the amount calculated (the “**YR2022-2023 Compensation Amount**”) based on the following:

FY 2022-2023 Compensation Amount = HK\$13,000,000 – Actual Profit

The vendors grant the put option conferring the right to the Company to require the vendors to purchase approximately 19.7% (i.e. the remaining interest held in the Matsu Gami by the Company) of the entire issued share capital of the Matsu Gami (“**19.7% Put Option**”) if the actual profit for YR2022-2023 recorded is less than HK\$7,400,000.

**10. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

|                            | <b>2023</b>             | 2022        |
|----------------------------|-------------------------|-------------|
|                            | <b>HK\$</b>             | <b>HK\$</b> |
| Unlisted equity investment | <u><b>8,559,589</b></u> | <u>–</u>    |

**11. TRADE AND OTHER RECEIVABLES**

|   | <b>2023</b>              | 2022              |
|---|--------------------------|-------------------|
|   | <b>HK\$</b>              | <b>HK\$</b>       |
| Trade receivables, net of loss allowance                                  | <b>17,462,733</b>        | 39,640,679        |
| Deposits, prepayments and other receivables, net of loss allowance (note) | <u><b>63,615,540</b></u> | <u>23,197,814</u> |
|   | <u><b>81,078,273</b></u> | <u>62,838,493</u> |

*Note:* Except for the amounts of approximately HK\$260,000 and approximately HK\$420,000 as at 31 March 2023 and 2022 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

**Ageing analysis**

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the date of progress certificates issued by customers or date of invoice issued to customers and net of allowance, is as follows:

|                | <b>2023</b>              | 2022              |
|----------------|--------------------------|-------------------|
|                | <b>HK\$</b>              | <b>HK\$</b>       |
| Within 1 month | <b>6,186,162</b>         | 36,560,914        |
| 1 to 2 months  | <b>522,062</b>           | 2,552,194         |
| 2 to 3 months  | –                        | –                 |
| Over 3 months  | <u><b>10,754,509</b></u> | <u>527,571</u>    |
|                | <u><b>17,462,733</b></u> | <u>39,640,679</u> |

Trade receivables are normally due within 30 to 45 days from the payment application date or 30 to 60 days from the certificate date or 60 to 90 days from the invoice date.

**12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

|   | <b>2023</b>     | 2022                     |
|---|-----------------|--------------------------|
|   | <b>HK\$</b>     | <b>HK\$</b>              |
| Put option in relation to acquisition of an associate | –               | 34,300,000               |
| Other unlisted investment                             | –               | 3,754,704                |
|   | <u>–</u>        | <u>38,054,704</u>        |
|   | <u><u>–</u></u> | <u><u>38,054,704</u></u> |

**13. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

|   | <b>2023</b>     | 2022                     |
|---|-----------------|--------------------------|
|   | <b>HK\$</b>     | <b>HK\$</b>              |
| Unlisted debt investment at fair value through other comprehensive income (recycling) |                 |                          |
| – Outside Hong Kong   | –               | 44,504,814               |
|   | <u>–</u>        | <u>44,504,814</u>        |
|   | <u><u>–</u></u> | <u><u>44,504,814</u></u> |

**14. TRADE AND OTHER PAYABLES**

|   | <b>2023</b>                     | 2022                     |
|---|---------------------------------|--------------------------|
|   | <b>HK\$</b>                     | <b>HK\$</b>              |
| Trade payables                          | <b>23,414,315</b>               | 17,782,944               |
| Retention payables ( <i>note (ii)</i> ) | <b>6,135,725</b>                | 5,804,570                |
| Other payables and accruals             | <b>13,921,381</b>               | 14,261,423               |
|   | <u><b>43,471,421</b></u>        | <u>37,848,937</u>        |
|   | <u><u><b>43,471,421</b></u></u> | <u><u>37,848,937</u></u> |

*Notes:*

- (i) Save as disclosed in note 14(ii) below, all trade and other payables are expected to be settled within one year.
- (ii) Except for the amounts approximately HK\$985,000 and approximately HK\$1,964,000 as at 31 March 2023 and 2022 respectively, all of the remaining balances are expected to be settled within one year.

(iii) As of the end of the reporting period, ageing analysis of trade payables based on the invoice date is as follows:

|                | <b>2023</b>              | 2022                     |
|----------------|--------------------------|--------------------------|
|                | <b>HK\$</b>              | <b>HK\$</b>              |
| Within 1 month | <b>13,663,181</b>        | 11,296,561               |
| 1 to 2 months  | <b>8,273,075</b>         | 5,386,882                |
| 2 to 3 months  | <b>44,575</b>            | 31,818                   |
| Over 3 months  | <b>1,433,484</b>         | 1,067,683                |
|                | <b><u>23,414,315</u></b> | <b><u>17,782,944</u></b> |

#### 15. AMOUNT DUE TO A RELATED COMPANY/A DIRECTOR OF A SUBSIDIARY

The amount due to a related company, Bright Dynasty Trading Limited (“**Bright Dynasty**”), was unsecured, bearing interest rate at 5% (2022: 5%) per annum and repayable on demand. Bright Dynasty is beneficially owned by Mr. Fong Hon Hung (“**Mr. Fong**”), who is a member of key management personnel of the Group and is a director of a principal subsidiary.

The amount due to a director of a subsidiary, Mr. Lau Woon Si (“**Mr. Lau**”), was unsecured, bearing interest rate at 5% (2022: 5%) per annum and repayable on demand. Mr. Lau is a member of key management personnel of the Group and is a director of a subsidiary.

#### 16. SHARE CAPITAL

|   | <b>Number of<br/>ordinary<br/>shares</b> | <b>Nominal<br/>amount<br/>HK\$</b> |
|---|--|------------------------------------|
| <b>Ordinary shares of HK\$0.01 each authorised:</b>                   |  |                                    |
| <b>At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023</b> | <b><u>2,000,000,000</u></b>              | <b><u>20,000,000</u></b>           |
| <b>Ordinary shares, issued and fully paid:</b>                        |  |                                    |
| <b>At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023</b> | <b><u>960,000,000</u></b>                | <b><u>9,600,000</u></b>            |

## 17. MATERIAL RELATED PARTY TRANSACTIONS

| <b>Name of related parties</b>          | <b>Relationships with the Group</b>        |
|---|--|
| Chung Hang Enterprises Holdings Limited | A related company owned by Mr. Lau Woon Si |
| Chung Wah Investment Company Limited    | A related company owned by Mr. Lau Woon Si |

In addition to the transactions and balances disclosed in note 5(a) and 15 in these consolidated financial statements, the Group entered into the following material related party transaction during the year:

|   | <b>2023</b>      | 2022        |
|---|------------------|-------------|
|   | <b>HK\$</b>      | <b>HK\$</b> |
| Leases of properties from               |                  |             |
| Chung Hang Enterprises Holdings Limited | <b>720,000</b>   | 720,000     |
| Chung Wah Investment Company Limited    | <b>1,380,000</b> | 1,380,000   |
|   | <b>2,100,000</b> | 2,100,000   |

*Note:* The directors of the Company are of opinion that the above transactions were entered into the normal course of business. The related party transactions in respect of rental expenses paid to a related company constitute connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempted from disclosure requirements in Chapter 14A of the Listing Rules.

## 18. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in providing: (i) foundation construction; (ii) ground investigation services; (iii) financial services; and (iv) trading of beauty and skin care products in Hong Kong.

### Foundation construction

During the Reporting Period, the foundation construction undertaken by the Group mainly consisted of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. The Group undertook foundation construction projects in both the public and private sectors. Revenue from the foundation works contributed approximately 80.9% to the total revenue of the Group during the Reporting Period (YR2022: approximately 83.0%).

### Ground investigation services

The Group also acted as a contractor to provide ground investigation services in both public and private sectors in Hong Kong during the Reporting Period. Revenue from the ground investigation services contributed approximately 18.3% to the total revenue of the Group during the Reporting Period (YR2022: approximately 14.7%).

### Financial services

During the Reporting Period, revenue from financial services contributed approximately 0.8% to the total revenue of the Group (YR2022: approximately 1.2%).

### Trading of beauty and skin care products

There was no revenue generated from the Group's trading business during the Reporting Period. Revenue from trading business contributed approximately 1.1% of the total revenue of the Group for the year ended 31 March 2022.

### Outlook

The Board is of the view that with the gradual decline in COVID-19 cases and increased uptake of vaccination in Hong Kong and abroad, there are hopeful signs of a steady recovery in the longterm development of construction and foundation industry in Hong Kong. The Group will be prudent in tendering potential project while future strategy will depend on the evolvement of the pandemic.

Meanwhile, in order to maintain a stable and sustainable development of the Group's existing businesses as well as diversifying and expanding the Group's businesses at the same time, the Company will leverage on its industrial experience and the advantage of its existing resources and talented team to seek cooperation and investment opportunities with high-quality companies in the emerging industries.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's total revenue for the Reporting Period increased by approximately HK\$52,230,000 or approximately 19.8%, from approximately HK\$263,217,000 for the year ended 31 March 2022 to approximately HK\$315,447,000 for the Reporting Period, which was primarily due to:

#### ***Foundation construction***

The revenue from undertaking construction foundation projects increased by approximately HK\$36,868,000 or approximately 16.9%, from approximately HK\$218,460,000 for the year ended 31 March 2022 to approximately HK\$255,328,000 for the Reporting Period. This was primarily due to the increase in the number of sizable projects tendered by the Group during the Reporting Period.

#### ***Ground investigation services***

The revenue from ground investigation services increased by approximately HK\$18,853,000 or approximately 48.6%, from approximately HK\$38,758,000 for the year ended 31 March 2022 to approximately HK\$57,611,000 for the Reporting Period. This was primarily due to the increase in the number of sizable projects tendered by the Group during the Reporting Period.

#### ***Financial services***

During the Reporting Period, revenue for financial services amounted to approximately HK\$2,507,000 (YR2022: approximately HK\$3,190,000).

#### ***Trading of beauty and skin care products***

During the Reporting Period, no revenue for trading business was generated by the Group (YR2022: approximately HK\$2,810,000).

## **Gross profit and gross profit margin**

The gross profit increased from approximately HK\$52,813,000 for the year ended 31 March 2022 to approximately HK\$53,789,000 for the Reporting Period. The Group's overall gross profit margin during the Reporting Period was approximately 17.1% (YR2022: approximately 20.1%).

The gross profit of the Group's foundation construction segment decreased from approximately HK\$35,123,000 for the year ended 31 March 2022 to approximately HK\$34,383,000 for the Reporting Period. Gross profit margin of the foundation construction segment amounted to approximately 13.5% (YR2022: approximately 16.1%). The decrease in gross profit margin was mainly due to the increase in sub-contractor fee.

Gross profit of the Group's ground investigation services segment was approximately HK\$16,900,000 for the Reporting Period, representing an increase of approximately 44.6% from approximately HK\$11,691,000 as compared to that for the year ended 31 March 2022. Gross profit margin of the ground investigation services segment slightly decreased from approximately 30.2% for the year ended 31 March 2022 to approximately 29.3% for the Reporting Period.

Gross profit of the Group's financial service was approximately HK\$2,507,000 for the Reporting Period (YR2022: approximately HK\$3,189,000). Gross profit margin of the financial services amounted to approximately 100% (YR2022: approximately 100%).

There was no revenue generated from the Group's trading business during the Reporting Period. Gross profit of the Group's trading business was approximately HK\$2,810,000 for the YR2022.

## **Other income, other net gains and losses, net**

The other income, other net gains and losses of the Group decreased by approximately HK\$2,595,000, from approximately HK\$19,124,000 for the year ended 31 March 2022 to approximately HK\$16,529,000 for the Reporting Period. The decrease was mainly due to (i) fair value gain of financial assets at fair value through profit or loss (Reporting Period: approximately HK\$73,000; YR2022: approximately HK\$17,054,000); (ii) gain on disposal of debt investment at fair value through other comprehensive income was approximately HK\$7,223,000 (YR2022: nil); and (iii) government grants was approximately HK\$4,385,000 for the Reporting Period (YR2022: approximately HK\$34,000).

## **General and administrative expenses**

The Group's general and administrative expenses for the Reporting Period were approximately HK\$82,350,000 (YR2022: approximately HK\$59,713,000), representing an increase of approximately 37.9% as compared to that for the year ended 31 March 2022. The increase was mainly attributable to the recognition of impairment losses on a trade receivable and loan receivables (Reporting Period: approximately HK\$25,406,000; YR2022: approximately HK\$4,192,000). For the detailed information, please refer to the paragraph "Provision for expected credit losses in relation to trade receivable and loan receivables".

## **Finance costs**

The finance costs decreased by approximately HK\$241,000 from approximately HK\$10,886,000 for the year ended 31 March 2022 to approximately HK\$10,645,000 for the Reporting Period. The decrease was mainly due to the repayment of amount due to a related company of the Group during the Reporting Period.

## **Income tax**

The tax expense for the Reporting Period was approximately HK\$938,000 (YR2022: tax credit of approximately HK\$628,000). The change was mainly due to the increase in assessable profits of Hong Kong Profits Tax and the change of deferred tax for the Reporting Period.

## **Financial asset at fair value through other comprehensive income**

As at 31 March 2023, the financial asset at fair value through other comprehensive income represents approximately 19.7% equity interest of Matsu Gami IP Development Limited ("Matsu Gami"). On 27 March 2023, the Group partially exercise the put option to dispose approximate 15.3% of the entire issued share capital of the Matsu Gami. There was no fair value change recognised during the Reporting Period.

## **Financial assets at fair value through profit or loss**

The financial assets at fair value through profit or loss represents the (i) put option in relation to acquisition of an associate; and (ii) other unlisted investment.

Put option is measured at fair value using the Monte Carlo simulation model and binomial options pricing model. During the Reporting Period, the fair value loss of put option amounted to approximately HK\$8,000 (YR2022: the net fair value gain of profit guarantee, put option and call option amounted to approximately HK\$30,363,000).

The other unlisted investment represents investment in wealth management product issued by bank. During the Reporting Period, the relevant gain amounted to approximately HK\$31,000 (YR2022: approximately HK\$81,000).

### **Debt investment at fair value through other comprehensive income**

During the Reporting Period, the debt investment at fair value through other comprehensive income represents the private fund. The debt investment is measured at fair value and were subscribed and purchased by a wholly owned subsidiary of the Group. The debt investment was matured on 18 March 2023. The gain on disposal of the debt investment amounted to approximately HK\$7,223,000. The net fair value loss including expected credit loss adjustment of debt investment was recognised in the consolidated statement of other comprehensive income (Reporting Period: nil; YR2022: approximately HK\$2,407,000).

### **Share of results of an associate**

The share of profit of Matsu Gami was approximately HK\$4,141,000 for the period from 1 April 2022 to 27 March 2023 (YR2022: share of loss approximately HK\$9,385,000). This amount of profit was attributable to (i) share of the post-acquisition profit amounted to approximately HK\$5,519,000; and (ii) amortisation expense and deferred tax impact on the intangible asset arised from the fair value adjustments made on the acquisition date amount of approximately HK\$1,378,000.

For details, please refer to the announcements of the Company dated 10 December 2019, 9 June 2020, 4 September 2020, 10 August 2021, 10 September 2021, 29 August 2022, 20 September 2022, 20 October 2022, 18 November 2022, 20 December 2022, 20 January 2023, 8 February 2023 and 27 March 2023.

### **Loss on disposal of interest in an associate**

On 27 March 2023, the Group partially exercised the put option to dispose approximately 15.3% of entire share capital of Matsu Gami in the total amount of approximately HK\$21,680,000 (being the amount held in the escrow account as maintained by escrow agent) and extended the remaining put option. Loss on disposal of interest in an associate amounted to approximately HK\$27,523,000.

For details, please refer to the announcements of the Company dated 29 August 2022, 20 September 2022, 20 October 2022, 18 November 2022, 20 December 2022, 20 January 2023, 8 February 2023 and 27 March 2023.

## **Provision for expected credit losses in relation to trade receivable and loan receivables**

The Group recognised provision for expected credit losses of approximately HK\$25,406,000 for the Reporting Period in relation to the trade receivable for trading beauty and skin care products and loan receivables in the aggregate amount of approximately HK\$35,250,000 (after provision was made) as at 31 March 2023 (the “**Impairment Loss**”).

### **(a) Trade receivable**

Trade receivable for trading of beauty and skin care products, was past due during the Reporting Period. The Company is closely negotiating with the customer and closely monitoring the repayment status. Despite several subsequent settlements, a supplemental agreement and a new guarantee agreement were signed with the customer and its fellow subsidiary, as the Company has adopted a prudent approach to measure the expected credit losses (“**ECL**”) of the trade receivable. According to the signed supplemental agreement and guarantee agreement, the last installment will be repayable on or before 31 January 2024 based on the repayment schedule.

### **(b) Loan receivables**

Loan receivables for money lending business are represented by loan receivable A (“**Loan receivable A**”) and loan receivable B (“**Loan receivable B**”).

Loan receivable A was past due during the Reporting Period. The Company is closely negotiating with the customer and closely monitoring the repayment status. Despite a supplemental agreement and a new guarantee agreement signed with the customer and its fellow subsidiary, the Company has adopted a prudent approach to measure the ECL of the relevant receivable. According to the signed supplemental agreement and guarantee agreement, the last installment will be repayable on or before 31 October 2023 based on the repayment schedule.

Loan receivable B was past due since June 2020. As at 31 March 2023, the outstanding principal was approximately HK\$16,900,000. The Company has commenced the winding up process against the customer company responsible for the non-payment of Loan receivable B in April 2023. The hearing of winding-up petition originally fixed on 28 June 2023 is adjourned to 7 August 2023.

(c) **Impairment loss and key value of inputs used and assumptions adopted in valuation**

The Group has engaged an independent valuer (the “**Valuer**”) to conduct a valuation in relation to impairment assessment over its trade receivable and loan receivables as at 31 March 2023 (the “**Valuation**”).

The Valuer adopted the expected credit loss model under general approach (the “**ECL Model**”) to measure the ECL of the trade receivable and loan receivables. The ECL Model was adopted in accordance with Hong Kong Financial Reporting Standards 9. Major inputs of the ECL Model include (i) probability of default (the “**PD**”) of the borrowers which in turn affecting the credit specific factor by, inter alia, assessing the loss stages and checking forward looking assumptions involved; (ii) loss given default; (iii) exposure at default; and (iv) discount factor reflecting time value of money.

The expected credit loss rate (the “**ECL rate**”) for trade receivable and Loan receivable A was relatively high in the Reporting Period due to significant increase in credit risks of the relevant receivables since initial recognition. Due to (i) the adverse impact the COVID-19 pandemic has on the local and global economy and (ii) the trade receivable and Loan receivable A were past due during the Reporting Period. The ECL rate was 52.9%, the Group has provided a provision for expected credit losses of approximately HK\$10,386,000 for trade receivable with gross carrying amount of approximately HK\$19,634,000 and approximately HK\$7,964,000 for Loan receivable A with gross carrying amount of approximately HK\$15,054,000 as at 31 March 2023. After the end of the Reporting Period and as at the date of announcement, approximately HK\$3,000,000 and approximately HK\$9,000,000 have been received for trade receivable and Loan receivable A respectively.

The ECL rate for Loan receivable B was relatively high in the Reporting Period due to significant increase in credit risks of the loan receivable since initial recognition. Due to (i) the adverse impact the COVID-19 pandemic has on the local and global economy, (ii) the Loan receivable B was past due since June 2020, and (iii) the Company has commenced the winding up process against the customer company responsible for the non-payment of the Loan receivable B in April 2023, the Group has provided a full provision of approximately HK\$16,900,000 for Loan receivable B with gross carrying amount of approximately HK\$16,900,000 as at 31 March 2023.

## **Money lending business**

Within the Group's money lending business, prospective borrowers are sourced from the management's business networks. A credit committee ("**Credit Committee**") is established and the primary responsibility of this committee is to assess and approve loans. During the credit assessment phase, multiple approval criteria are considered, including the client's income source, outstanding debt, credit history, loan history with our company and relevant assessment results obtained during the application procedure.

As of 31 March 2023, the combined outstanding balances of the top two clients in the money lending business equated to 100% of the Group's total loan receivables.

## **Business model of the Group's money lending business**

The Group's money lending business is managed through a wholly-owned subsidiary, Fortune Shiny (Hong Kong) Limited ("**Fortune Shiny**"), which holds a money lenders license issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Fortune Shiny provides loan financing services to both individual and corporate clients who are third parties independent of the Company and its connected persons (as defined in the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Corporate loans are offered to corporate clients requiring loan financing for their corporate needs, while individual loans are provided to clients who require loan financing for their personal needs.

Fortune Shiny is capable of granting loan financing services to both corporate and individual clients with greater flexibility compared to licensed banks and was established to generate interest income by providing loan financing services in Hong Kong. The Group's money lending business is primarily financed through internal resources.

## **Credit assessment policy**

Loan applications are evaluated and processed on a case-by-case basis, with each application assessed based on its individual merit. Prior to granting loans, the management conducts a financial background and credit check procedure.

The process for loan application involves collecting customer information including identity and financial documents, performing a customer due diligence check to verify identity and understand the purpose of the loan, conducting a background check including legal and property ownership searches, performing a valuation check on the collateral, conducting a credit assessment to determine the borrower's ability to repay, and performing an assessment to ensure compliance with the relevant requirements and regulations of anti-money laundering and counter-terrorist financing. The details of each step may vary depending on the specific circumstances of the loan application.

Overall, the loan application process involves a thorough evaluation of the borrower's financial standing, legal and financial history, collateral, and ability to repay the loan. By performing these checks and assessments, the Group can reduce the risk of default and ensure that their loans are being used for legitimate purposes.

### **Ongoing monitoring of loan recoverability and loan collection**

To ensure recoverability, the Group places particular emphasis on the financial background, assets or capital base, repayment ability, and reputation of the borrower when establishing loan terms. The manager communicates with borrowers regularly to monitor the recoverability of loans and assess the conditions of the borrowers. Any delays in payment or defaults on significant terms of the loan agreement are reported to the management. To mitigate risk and potential credit losses, various measures may be implemented, including but not limited to revising repayment terms, executing a settlement agreement, and/or initiating legal proceedings against the borrower to recover any late payments and default interest. These measures are taken after considering the normal market practice and the actual circumstances during the credit collection processes and negotiations with the relevant customers with the ultimate goal of reducing the possibility of credit losses.

### **Credit committee**

To manage credit risk and operations, the Credit Committee has been established, consisting of Mr. Chan Kwan, Mr. Yan Shuai, and Mr. Zhu Jiayu, with full authority to handle all credit-related matters of Fortune Shiny. All loans must be approved by the Credit Committee, following the authorization matrix for final approval.

The primary responsibilities of the Credit Committee include approving and supervising the Group's money lending business and monitoring the loan portfolio. The Credit Committee is also responsible for overseeing compliance and governance matters such as regularly reviewing and modifying the money lending policy to in line with changes in the market environment.

### **Major terms of loans granted**

Under the Group's money lending business for the Reporting Period, the Group offered a credit period of 6 months (YR2022: 6 months) for the loan to its corporate customer with interest rate of 7.5% p.a. (YR2022: 7.5% p.a.) secured by personal guarantee.

## **Breakdowns of material loan receivables**

As of 31 March 2023, the Group had a total outstanding loan principal amount of approximately HK\$31,900,000 (YR2022: approximately HK\$32,900,000) before taking into account the ECL. The outstanding principal amounts relate to Loan receivable A and Loan receivable B, which was two corporate loans (YR2022: 2 corporate loans). Notably, the corporate loans accounted for 100% (YR2022: 100%) of the outstanding principal amounts, with an average outstanding principal amount of approximately HK\$15,950,000 (YR2022: approximately HK\$16,500,000) per active loan account.

The interest rate for the outstanding principal amounts of the active loan accounts ranged between 7.5% to 12% per annum (YR2022: 7.5% to 12%). All active loan receivables accounts as of 31 March 2023 were secured by guarantees.

## **Loan interest income**

For the Reporting Period, the total loan interest income from the Group's money lending business was around approximately HK\$2,507,000 (YR2022: around approximately HK\$3,190,000).

## **LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY**

For the Reporting Period, the Group recorded a net loss of approximately HK\$46,996,000 as compared with approximately HK\$12,757,000, for the year ended 31 March 2022.

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend to the equity shareholders for the Reporting Period (YR2022: nil).

## USE OF NET PROCEEDS FROM THE PLACING

References are made to the Company’s announcement on 29 November 2016 (the “**2016 Announcement**”) in relation to placing of 160,000,000 new ordinary shares of the Company (the “**Placing**”) which raised net proceeds of approximately HK \$134.0 million (the “**Net Proceeds**”) and the announcements in relation to change in use of proceeds from the Placing dated 2 October 2018 (the “**2018 Announcement**”), 17 August 2021 (the “**2021 Announcement**”) and 3 January 2023 (the “**2023 Announcement**”) and the annual reports of the Company for the year ended 31 March 2019 and 31 March 2022.

Part of the Net Proceeds from the Placing were utilised up to 31 March 2023 and are intended to be applied in accordance with the revised proposed application set out in the announcement dated 3 January 2023. The below table sets out the details of the application of the Net Proceeds:

|   | Planned use<br>of proceeds<br>as disclosed<br>in the 2016<br>Announcement<br><i>HK\$ million</i><br><i>(approximately)</i> | Revised<br>allocation<br>as at<br>2 October<br>2018<br><i>HK\$ million</i><br><i>(approximately)</i><br><i>(Note 1)</i> | Unutilised<br>Net Proceeds<br>as at<br>31 March<br>2021<br><i>HK\$ million</i><br><i>(approximately)</i> | Revised<br>allocation<br>as at<br>17 August<br>2021<br><i>HK\$ million</i><br><i>(approximately)</i><br><i>(Note 2)</i> | Amount<br>utilised up to<br>31 March<br>2022<br><i>HK\$ million</i><br><i>(approximately)</i> | Revised<br>allocation<br>as at<br>3 January<br>2023<br><i>HK\$ million</i><br><i>(approximately)</i><br><i>(Note 3)</i> | Amount<br>utilised up to<br>31 March<br>2023<br><i>HK\$ million</i><br><i>(approximately)</i> | Unutilised<br>Net Proceeds<br>as at<br>31 March<br>2023<br><i>HK\$ million</i><br><i>(approximately)</i> | Expected<br>timeline |
|---|--|---|--|---|---|---|---|--|----------------------|
| Investment, financing and money<br>lending services | 134.0  | 57.3  | -  | -   | -   | -   | -   | -  | N/A                  |
| Funding the Acquisition (as defined<br>below)       | -  | 76.7  | 76.7   | -   | -   | -   | -   | -  | N/A                  |
| Funding further possible acquisition(s)             | -  | -   | -  | 70.7  | -   | 25.7  | -   | 25.7   | By 31 March 2025     |
| General working capital                             | -  | -   | -  | 6.0   | 6.0   | 45.0  | 13.6  | 31.4   | By 31 March 2024     |
|   | <u>134.0</u>   | <u>134.0</u>  | <u>76.7</u>  | <u>76.7</u>   | <u>6.0</u>  | <u>70.7</u>   | <u>13.6</u>   | <u>57.1</u>  |                      |

### Notes:

- As disclosed in the 2018 Announcement, (i) the Group had used approximately HK\$20.8 million of the proceeds of the Placing for investment and financial services and for setting up a subsidiary with a money lenders licence and the Group intended to utilise up to approximately HK\$36.5 million of the Net Proceeds in developing the Group’s money lending business in the next 12 months; and (ii) the Group intended to change the use of up to approximately HK\$76.7 million of the outstanding Net Proceeds to fund the acquisition of approximately 51.3% of the issued share capital of Blue Marble Limited at a total consideration of HK\$320,000,000 (the “**Acquisition**”). The Acquisition then lapsed on 2 April 2020. For details, please refer to the 2018 Announcement and the announcement of the Company dated 2 April 2020.
- On 17 August 2021, the Company resolved to change the use of the outstanding Net Proceeds, being approximately HK\$76,700,000 as at 31 March 2021 as follows: (i) as to approximately HK\$70,700,000, to fund further possible acquisition(s), including further possible acquisition of 16% of the issued share capital of Matsu Gami; and (ii) as to the remaining balance of approximately HK\$6,000,000, for general working capital. As at 31 March 2022, the Board has not exercised the call option to acquire 16% of the issued share capital of Matsu Gami. For details, please refer to the 2021 Announcement and the announcement of the Company dated 10 September 2021.

3. On 3 January 2023, the Company resolved to change the use of the outstanding Net Proceeds, being approximately HK\$70,700,000 as at 31 March 2022 (the “**Unutilised Net Proceeds**”) as follows: (i) as to approximately HK\$25,700,000, to fund further possible acquisition(s) and (ii) as to the remaining balance of approximately HK\$45,000,000, for general working capital. As at 31 March 2023, the Board has not exercised the call option to acquire 16% of the issued share capital of Matsu Gami. For details, please refer to the 2023 Announcement and the announcement of the Company dated 3 January 2023.

The remaining Unutilised Net Proceeds as at 31 March 2023 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations.

## **DEBTS AND CHARGE ON ASSETS**

The total interest-bearing borrowings of the Group mainly consisted of leases liabilities, borrowing from a director of a subsidiary and borrowing from a related company of the Group. The above borrowings were incurred during the Reporting Period (YR2023: approximately HK\$188,909,000; YR2022: approximately HK\$245,357,000). All borrowings were mainly denominated in Hong Kong dollar. Interest on borrowings are charged at fixed rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

## **NET CURRENT ASSETS**

As at 31 March 2023, the Group’s net current assets amounted to approximately HK\$101,612,000 which was approximately HK\$39,413,000 lower than net current assets of approximately HK\$141,025,000, as at 31 March 2022, the decrease was mainly due to exercise of put option and disposal of an associate. As at 31 March 2023, the Group’s current liabilities amounted to approximately HK\$234,216,000 representing a decrease of approximately HK\$50,405,000 from approximately HK\$284,621,000 as at 31 March 2022.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2023, the Group had cash and bank balances of approximately HK\$116,478,000, representing a decrease of approximately HK\$15,816,000 (as at 31 March 2022: approximately HK\$132,294,000), which were mainly denominated in Hong Kong dollar.

## **CASH FLOW**

The net cash generated from the Group in its operating activities amounted to approximately HK\$24,359,000 during the Reporting Period, which was mainly generated from the foundation construction and ground investigation services. Net cash from investing activities was approximately HK\$28,543,000 in which approximately HK\$21,680,000 arose from the proceeds from disposal of interest in an associate, HK\$5,000,000 from the proceeds from redemption of debt investment at fair value through other comprehensive income, approximately HK\$2,030,000 arose from the payment for the purchase of property, plant and equipment. The net cash used in financing activities was approximately HK\$68,345,000 mainly arose from the repayment of amount due to a related company of HK\$55,000,000 and repayment of amount due to a director of a subsidiary of HK\$10,000,000.

The gearing ratio of the Group as at 31 March 2023 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 161.0% (as at 31 March 2022: approximately 142.9%).

## **TREASURY POLICY**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy position of liquidity throughout the Reporting Period. The Group strives to reduce the exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, 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 from time to time.

## **FOREIGN EXCHANGE EXPOSURE**

Since the Group mainly operates in Hong Kong and most of the revenue and transactions arising from its operations were mainly settled in Hong Kong dollar, and the Group's assets and liabilities are primarily denominated in Hong Kong dollar. The Directors believe that the Group's risk in foreign exchange is insignificant and the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates; and it has not adopted any currency hedging policy or other hedging instruments during the Reporting Period.

## **CAPITAL STRUCTURE**

The share capital of the Group only comprises of ordinary shares.

As at 31 March 2023, the Company's issued share capital was HK\$9,600,000 (as at 31 March 2022: HK\$9,600,000) and the number of its issued ordinary shares was 960,000,000 (as at 31 March 2022: 960,000,000) of HK\$0.01 each.

## **GUARANTEED PROFIT IN RESPECT OF THE ACQUISITION OF 35% ISSUED SHARE CAPITAL OF MATSU GAMI**

Reference is made to the announcements of the Company dated 10 December 2019, 9 June 2020, 4 September 2020, 10 August 2021, 10 September 2021, 29 August 2022, 20 September 2022, 20 October 2022, 18 November 2022, 20 December 2022, 20 January 2023 and 27 March 2023 and the circular of the Company dated 8 February 2023 (the “**Circular**”) in relation to the acquisition of the 35% issued share capital of Matsu Gami which is principally engaged in the business of provision of food and beverage catering services utilising well-known IP Rights and provision of related advising service. Unless otherwise defined, capitalised terms used shall have the same meanings as those defined in the Circular.

Under the terms of the Sale and Purchase Agreement (as amended by the 1st Supplemental Agreement, the 2nd Supplemental Agreement, the 3rd Supplemental Agreement and the 4th Supplemental Agreement), Massive Dynamic Venture Limited and Shen Garden Holdings Limited (collectively the “**Vendors**”) and Mr. Shao Chao and Mr. Shen Kan (collectively the “**Vendor Guarantors**”) conditionally agreed that:

- (a) subject to the Company’s right to exercise the remaining put option in (b) below, if the Actual Profit is less than the guaranteed profit of HK\$13,000,000 during YR2022-2023, the Vendors and the Vendor Guarantors shall compensate the Company in the amount calculated (the “**YR2022-2023 Compensation Amount**”) based on the following: YR2022-2023 Compensation Amount = HK\$13,000,000 – Actual Profit; and
- (b) if the Actual Profit is less than the minimum guaranteed profit of HK\$7,400,000 during YR2022-2023, the Company shall have the right to exercise the remaining put option to require the Vendors to purchase the remaining 19.7% interest held by the Company in the Matsu Gami pursuant to the terms and conditions under the 3rd Supplemental Agreement (as amended and supplemented by the 4th Supplemental Agreement) ((a) and (b) collectively, the “**Profit Guarantee Terms**”).

In respect of the 2022-2023 Guaranteed Period, based on the information made available to the Board, the Actual Profit had exceeded HK\$13,000,000. In this regard, the guaranteed profit for YR2023 would have been fulfilled upon confirmation with the audited figures of the Matsu Gami Group for YR2023, and the relevant announcements will be published by the Company in due course.

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

### **(a) Partial exercise of put option and extension of the remaining put option**

On 29 August 2022, Company, the Vendors and the Vendor Guarantors entered into the 3rd Supplemental Agreement, the parties conditionally agreed to:

- (i) for the Company to partially exercise the put option to require the Vendors to purchase approximately 15.3% of the entire issued share capital of the Matsu Gami in the total amount of approximately HK\$21,680,000 (being the amount held in the escrow account as maintained by the escrow agent) as the aggregated amount of the partial option consideration and the premium in the amount equals to the partial option consideration multiplied by the 10% annualised rate of return; and
- (ii) for the Vendors to grant an extension to the remaining put option conferring the right to the Company to require the Vendors to purchase approximately 19.7% (i.e. the remaining interest held in the Matsu Gami by the Company) of the entire issued share capital of the Matsu Gami if the actual profit for the year ended 31 March 2023 (the “YR2022-2023”) recorded is less than HK\$7,400,000.

On 25 November 2022, Company, the Vendors and the Vendor Guarantors entered into the 4th Supplemental Agreement, which the parties conditionally agreed to the Profit Guarantee Terms.

All the conditions precedent under the 3rd Supplemental Agreement and the 4th Supplemental Agreement have been fulfilled and the proposed partial exercise of put option and extension of the remaining put option have become effective on 27 March 2023.

For details, please refer to the announcements of the Company dated 29 August 2022, 20 September 2022, 20 October 2022, 18 November 2022, 20 December 2022, 20 January 2023 and 27 March 2023 and the Circular.

### **(b) Significant investments**

During the Reporting Year, the debt investment was matured on 18 March 2023. The redemption price of the debt investment was approximately HK\$41,926,000 and the gain on disposal of the debt investment amounted to approximately HK\$7,223,000. For details, please refer to the paragraph “Debt investment at fair value through other comprehensive income”.

Save as disclosed in this announcement, there were no significant investments held, nor were there any material acquisitions or disposal of subsidiaries and associated companies made by the Group during the Reporting Period and up to the date of this announcement.

## **CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 31 March 2023 and 2022.

## **EVENTS AFTER THE REPORTING PERIOD**

There are no other significant event after the Reporting Period up to the date of this announcement.

## **LITIGATIONS**

As at 31 March 2023, the Group had no material pending litigation.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2023, the Group had 123 full-time employees (as at 31 March 2022: 124 full-time employees).

The remuneration policy and packages of the Group's employees are periodically reviewed. Apart from mandatory provident fund and in-house training programmes, salary increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The total remuneration cost incurred by the Group for the Reporting Period was approximately HK\$69,330,000 as compared to approximately HK\$70,015,000 for the year ended 31 March 2022.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group's key risk exposures are summarised as follows:

- (i) The Group has a concentrated clientele base. Any loss for major customers or decrease in the number of projects with the top 5 customers of the Group may adversely affect the Group's operations and financial results.
- (ii) The Group's past revenue and profit margin may not be an indicative of the Group's future revenue and profit margin. In particular, the Group's revenue is on project basis, which is non-recurrent in nature, and the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group's order book for its new projects.
- (iii) The Group is dependent on its Board members and senior management staff, the departure of its staff may adversely affect the Group's business operations.

- (iv) Failure to accurately estimate and control the costs of the Group's projects may adversely affect the Group's financial performance.
- (v) Any delay or default of progress payments or retention monies by the customers may affect the Group's cash flow and may have adverse impact on the Group's financial results.
- (vi) Failure to renew the Group's current registrations and licenses may adversely affect the Group's business operations. For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the prospectus of the Company dated 28 July 2015 (the "**Prospectus**").

## **RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES**

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

### **Customers**

For foundation construction, the principal customers are generally from the main contractors of construction projects in Hong Kong. For ground investigation services, the principal customers are generally from the employers of construction projects in Hong Kong. During the Reporting Period, the Directors considered that the Group did not rely on any single customer. The Group also maintains a long-term relationship with its customers, some of which have established more than 10 years of working relationship with the Group.

### **Suppliers and Subcontractors**

During the Reporting Period, the suppliers of goods and services which were specific to the business of the Group and were acquired on a regular basis to enable the Group to continue to carry its business included (i) subcontractors engaged by the Group to perform the site works; (ii) materials and equipment suppliers to supply materials and equipments used in the site works; and (iii) suppliers of miscellaneous goods and services required for the Group's business operations. The Group maintains multiple suppliers and subcontractors to avoid the over-reliance on a few suppliers and subcontractors; and did not experience any material difficulties in sourcing materials from suppliers and assigning subcontractors during the Reporting Period. The Group did not have any significant disputes with any of its suppliers and subcontractors during the Reporting Period.

## **Employees**

The Group recognised employees as valuable assets of the Group. During the Reporting Period, the Group has complied with the applicable labour laws and regulations and regularly reviewed the benefits of existing staff for improvement. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing an attractive remuneration package.

The Group determines the salary of its employees mainly based on each employee's qualification, relevant experience, position and seniority. The Group conducts annual review on salary increment, bonuses and promotions based on the performance of each employee.

The Group considers that the Group has maintained a good relationship with its employees. The Group has not experienced any strikes, work stoppages or labour disputes which affected its operations during the Reporting Period. The Directors also acknowledge that the management team and the employees have maintained a good relationship and co-operated well during the Reporting Period.

## **ENVIRONMENTAL POLICIES**

The Group places an emphasis on environmental protection when undertaking its projects. The Group was awarded the ISO 14001:2015 (environmental management system). During the Reporting Period, the ISO 14001:2015 certificate was valid from 24 March 2021 to 29 April 2024. When preparing the tender documents, the Group will take into consideration the environmental protection requirements of potential customers as well as the relevant laws and regulations in relation to environmental protection. The Group's safety officers are responsible for ensuring that the Group satisfies the applicable laws and regulations requirements and identifying and reporting on environmental issues to our project management team.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

The Group's operation are mainly carried out by the Company's subsidiaries in Hong Kong while the Company itself is a holding company. Our operations accordingly shall comply with the relevant laws and regulations in Hong Kong. During the Reporting Period and up to the date of this announcement, there is no material non-compliance with the relevant prevailing laws and regulations by the Group.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group did not have other plans for material investments and capital assets up to the date of this announcement.

## **CORPORATE GOVERNANCE**

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules during the Reporting Period.

## **CODE OF CONDUCT REGARDING DIRECTORS’ 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 its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

## **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company (“AGM”) will be held on 30 August 2023. For the purpose of determining the entitlement of the Shareholders of the Company to attend and vote at the AGM, the transfer of books and register of members of the Company will be closed from 25 August 2023 to 30 August 2023, both days inclusive. During such period, no share transfer will be effected. In order to be qualified for attending the forthcoming AGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road for registration no later than 4:30 p.m. on 24 August 2023.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the Reporting Period.

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company has discussed with the Company's management and reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2023.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in this announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's draft consolidated financial statements for the Reporting Period. The work performed by HLB Hodgson Impey Cheng Limited in this respect was limited and did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

## **PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023**

The audited annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.hkex1718.hk](http://www.hkex1718.hk). The annual report of the Company for the year ended 31 March 2023 containing all information required by the Listing Rules will be despatched to shareholders of the Company and published on the above websites in due course.

By order of the Board  
**Wan Kei Group Holdings Limited**  
**Yan Shuai**  
*Chairman*

Hong Kong, 28 June 2023

*As at the date of this announcement, the executive Directors are Mr. Yan Shuai and Mr. Zhu Jiayu; the non-executive Directors are Mr. Zhang Zhenyi and Mr. Chui Kwong Kau; and the independent non-executive Directors are Mr. Lo Wa Kei Roy, Mr. Leung Ka Fai Nelson and Mr. Eric, Todd.*