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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 2021 AND RESUMPTION OF TRADING

Reference is made to the announcement of Wan Kei Group Holdings Limited (the “**Company**”) dated 30 June 2021 in relation to, among others, the delay in publishing the annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the auditing process for the annual results of the Group for the year ended 31 March 2021 has been completed and that the audited consolidated financial results of the Group for the year ended 31 March 2021 together with the comparative audited figures for the year ended 31 March 2020 are as follows.

GROUP FINANCIAL HIGHLIGHT

For the year ended 31 March 2021

	2021 HK\$	2020 HK\$
Revenue	293,598,630	255,534,989
Gross profit	56,972,587	21,254,162
Loss before taxation	(10,188,168)	(60,777,847)
Loss attributable to:		
Equity shareholders of the Company	(12,239,849)	(60,371,732)
Loss per share		
Basic and diluted (<i>HK cents</i>)	(1.30)	(6.29)
Cash and cash equivalents	136,946,605	228,720,343
Net assets	180,825,648	207,908,768
Total assets	466,554,477	481,554,074

DIVIDEND

The Board did not recommend the payment of a final dividend to the equity shareholders of the Company for the year ended 31 March 2021.

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 2021 (the “**Reporting Period**” or “**YR2021**”) together with the comparative audited figures for the year ended 31 March 2020 (the “**YR2020**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	<i>Notes</i>	2021 HK\$	2020 HK\$
Revenue	<i>3(a)</i>	293,598,630	255,534,989
Direct costs		<u>(236,626,043)</u>	<u>(234,280,827)</u>
Gross profit		56,972,587	21,254,162
Other revenue	<i>4</i>	10,111,110	5,271,228
Other net loss	<i>5</i>	(4,210,891)	(17,353,974)
General and administrative expenses		<u>(62,242,802)</u>	<u>(61,449,609)</u>
Profit/(loss) from operations		630,004	(52,278,193)
Finance costs	<i>6(a)</i>	(10,584,640)	(8,499,654)
Share of loss of an associate		<u>(233,532)</u>	<u>–</u>
Loss before taxation	<i>6</i>	(10,188,168)	(60,777,847)
Income tax (expenses)/credit	<i>7</i>	<u>(2,051,681)</u>	<u>406,115</u>
Loss for the year attributable to equity shareholders of the Company		<u>(12,239,849)</u>	<u>(60,371,732)</u>
Loss per share			
Basic and diluted (<i>HK cents</i>)	<i>9</i>	<u>(1.30)</u>	<u>(6.29)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Loss for the year	<u>(12,239,849)</u>	<u>(60,371,732)</u>
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	1,226,407	–
Share of other comprehensive income of investment accounted for using the equity method	964,896	–
Debt investment at fair value through other comprehensive income (recycling):		
– net movement in fair value reserve	2,575,407	–
– reclassification adjustments for gain on disposal included in profit or loss	<u>(180,822)</u>	–
Other comprehensive income for the year	<u>4,585,888</u>	–
Loss and total comprehensive income for the year attributable to equity shareholders of the Company	<u><u>(7,653,961)</u></u>	<u><u>(60,371,732)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	2021 HK\$	2020 <i>HK\$</i>
Non-current assets			
Property, plant and equipment		13,569,199	17,407,447
Interest in an associate		35,017,364	–
Club membership		290,000	290,000
Deposit for acquisition of property, plant and equipment		177,629	–
		49,054,192	17,697,447
Current assets			
Contract assets		108,186,396	87,581,206
Trade and other receivables	10	80,730,385	73,062,144
Loan receivables		28,485,643	54,584,808
Financial assets at fair value through profit or loss	11	21,081,601	19,908,126
Debt investment at fair value through other comprehensive income	12	42,069,655	–
Cash and cash equivalents		136,946,605	228,720,343
		417,500,285	463,856,627
Current liabilities			
Trade and other payables	13	43,900,659	48,326,584
Amount due to a related company	14	108,600,000	104,100,000
Amount due to a director of a subsidiary	14	122,378,127	110,699,082
Lease liabilities		2,671,267	2,756,941
Tax payable		3,801,318	2,010,895
		281,351,371	267,893,502
Net current assets		136,148,914	195,963,125
Total assets less current liabilities		185,203,106	213,660,572

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2021

	<i>Note</i>	2021 HK\$	2020 <i>HK\$</i>
Non-current liabilities			
Long service payment liabilities		972,924	579,804
Lease liabilities		2,488,204	3,736,897
Deferred tax liabilities		916,330	1,435,103
		4,377,458	5,751,804
Net assets		180,825,648	207,908,768
Capital and reserves			
Share capital	15	9,600,000	9,600,000
Reserves		171,225,648	198,308,768
Total equity attributable to equity shareholders of the Company		180,825,648	207,908,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021 (in HK Dollars)

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 No. 901, 9th Floor, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong.

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.

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 Company and its subsidiaries (collectively, the “**Group**”). 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 and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2021 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 1 and HKAS 8, *Definition of Material*
- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*
- Conceptual Framework for Financial Reporting 2018, *Revised Conceptual Framework for Financial Reporting*

Other than the amendments to HKFRS 16, the Group has not early applied any new standard or interpretation that is not yet effective for the current accounting period. None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 April 2020.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19-related rent concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2020.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

The Group has early adopted the above amendments and elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

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:

	2021	2020
	HK\$	HK\$
Revenue from contracts with customers within the scope of HKFRS 15:		
Revenue from construction contracts	221,550,274	212,640,509
Revenue from ground investigation services	64,772,178	39,250,804
Revenue from trading of beauty and skin care products	3,661,840	915,798
	289,984,292	252,807,111
Revenue from other sources		
Interest income from money lending business	3,614,338	2,727,878
	293,598,630	255,534,989

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

As at 31 March 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$179,485,000 (2020: approximately HK\$133,472,000). 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 basis:

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) profit guarantee, put option and call option in relation to acquisition of an associate and (iv) 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 2021 and 2020 is set out below:

	Year ended 31 March 2021				Total HK\$
	Foundation construction HK\$	Ground investigation services HK\$	Financial services HK\$	Trading of beauty and skin care products HK\$	
Disaggregated by timing of revenue recognition					
– Over time	221,550,274	64,772,178	3,614,338	–	289,936,790
– Point in time	–	–	–	3,661,840	3,661,840
Revenue from external customers	221,550,274	64,772,178	3,614,338	3,661,840	293,598,630
Reportable segment revenue	221,550,274	64,772,178	3,614,338	3,661,840	293,598,630
Reportable segment gross profit	24,183,801	25,513,902	3,613,044	3,661,840	56,972,587
Reportable segment profit/(loss)	6,040,921	17,152,289	(15,356,446)	2,785,934	10,622,698
Interest income from bank deposit	–	–	229,487	–	229,487
Interest expenses	5,741,643	–	301,344	–	6,042,987
Depreciation for the year	7,168,374	565,456	1,969,149	–	9,702,979
Reportable segment assets	248,476,709	51,682,001	285,521,940	55,416,984	641,097,634
Additions to non-current segment assets during the year	1,147,256	3,441,496	9,670	–	4,598,422
Reportable segment liabilities	188,036,932	9,494,880	340,557,209	52,640,808	590,729,829

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Year ended 31 March 2020				Total HK\$
	Foundation construction HK\$	Ground investigation services HK\$	Financial services HK\$	Trading of beauty and skin care products HK\$	
Disaggregated by timing of revenue recognition					
– Over time	212,640,509	39,250,804	2,727,878	–	254,619,191
– Point in time	–	–	–	915,798	915,798
Revenue from external customers	<u>212,640,509</u>	<u>39,250,804</u>	<u>2,727,878</u>	<u>915,798</u>	<u>255,534,989</u>
Reportable segment revenue	<u>212,640,509</u>	<u>39,250,804</u>	<u>2,727,878</u>	<u>915,798</u>	<u>255,534,989</u>
Reportable segment gross profit	<u>3,638,464</u>	<u>14,306,495</u>	<u>2,393,405</u>	<u>915,798</u>	<u>21,254,162</u>
Reportable segment (loss)/profit	<u>(22,502,460)</u>	<u>4,841,119</u>	<u>(30,714,337)</u>	<u>19,941</u>	<u>(48,355,737)</u>
Interest income from bank deposit	–	–	3,632,523	–	3,632,523
Interest expenses	3,787,626	–	212,028	–	3,999,654
Depreciation for the year	7,985,754	433,793	4,352,955	–	12,772,502
Reportable segment assets	<u>232,067,894</u>	<u>31,948,096</u>	<u>357,894,961</u>	<u>46,461,831</u>	<u>668,372,782</u>
Additions to non-current segment assets during the year	961,469	700,180	5,628,793	–	7,290,442
Reportable segment liabilities	<u>177,669,040</u>	<u>6,133,233</u>	<u>377,271,976</u>	<u>46,471,590</u>	<u>607,545,839</u>

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2021 HK\$	2020 HK\$
Revenue		
Reportable segment revenue and consolidated revenue (note 3(a))	<u>293,598,630</u>	<u>255,534,989</u>
Loss		
Reportable segment profit/(loss)	10,622,698	(48,355,737)
Unallocated head office and corporate expenses	(20,577,334)	(12,422,110)
Share of loss of an associate	(233,532)	–
Consolidated loss before taxation	<u>(10,188,168)</u>	<u>(60,777,847)</u>
Assets		
Reportable segment assets	641,097,634	668,372,782
Elimination	(237,533,266)	(207,701,073)
Interest in an associate	403,564,368	460,671,709
Financial assets at FVPL:	35,017,364	–
Profit guarantee in relation to acquisition of an associate	3,190,000	–
Put option in relation to acquisition of an associate	128,000	–
Call option in relation to acquisition of an associate	619,000	–
Unallocated head office and corporate assets	24,035,745	20,882,365
Consolidated total assets	<u>466,554,477</u>	<u>481,554,074</u>
Liabilities		
Reportable segment liabilities	590,729,829	607,545,839
Elimination	(419,649,723)	(441,606,530)
Tax payable	171,080,106	165,939,309
Deferred tax liabilities	3,801,318	2,010,895
Unallocated head office and corporate liabilities	916,330	1,435,103
Consolidated total liabilities	<u>109,931,075</u>	<u>104,259,999</u>
Consolidated total liabilities	<u>285,728,829</u>	<u>273,645,306</u>

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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:

	2021 HK\$	2020 HK\$
Construction contracts:		
Customer A	N/A*	76,994,604
Customer B	75,932,781	63,346,185
Customer C	42,128,018	N/A*
Customer D	<u>38,765,243</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 REVENUE

	2021 HK\$	2020 HK\$
Rental income from lease of machinery	36,191	976,591
Bank interest income	229,487	3,632,523
Insurance claims	–	312,906
Government grants (note)	9,350,089	–
Others	<u>495,343</u>	<u>349,208</u>
	<u>10,111,110</u>	<u>5,271,228</u>

Note: The government grants mainly related to the employment support scheme. During the year ended 31 March 2021, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5. OTHER NET LOSS

	2021	2020
	HK\$	HK\$
Gain on disposal of property, plant and equipment	1,657,246	1,658,978
Gain on disposal of financial assets at fair value through profit or loss	–	319,800
Reclassification adjustment for gain on disposal of debt investment at fair value through other comprehensive income	180,822	–
Net change in fair value on financial assets at fair value through profit or loss	(6,015,525)	(19,856,970)
Amortisation of deferred income	–	656,999
Net foreign exchange loss	(33,434)	(132,781)
	<u>(4,210,891)</u>	<u>(17,353,974)</u>

6. LOSS BEFORE TAXATION

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

	2021	2020
	HK\$	HK\$
(a) Finance costs		
Interest on borrowing from a related company	4,500,000	4,500,000
Interest on borrowing from a director of a subsidiary	5,679,045	3,593,750
Interest on bank overdraft	–	195
Interest on lease liabilities	405,595	405,709
	<u>10,584,640</u>	<u>8,499,654</u>
(b) Staff costs (including directors' remuneration)		
Contribution to defined contribution retirement plans	2,130,618	1,867,628
Salaries, wages and other benefits	68,761,798	64,993,446
	<u>70,892,416</u>	<u>66,861,074</u>

6. LOSS BEFORE TAXATION (Continued)

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
(c) Other items		
Depreciation		
– owned property, plant and equipment	6,904,339	8,128,505
– right-of-use assets	<u>3,090,549</u>	<u>4,643,997</u>
	9,994,888	12,772,502
Impairment losses on trade and other receivables, contract assets, loan receivables and debt investment at fair value through other comprehensive income	5,129,414	772,211
Bad debt written off of trade receivables and contract assets	–	5,884,680
Auditors' remuneration	970,000	970,000
Gain on disposal of property, plant and equipment	(1,657,246)	(1,658,978)
Net foreign exchange loss	<u>33,434</u>	<u>132,781</u>

7. INCOME TAX EXPENSES/(CREDIT)

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

	2021 HK\$	2020 HK\$
Current tax		
Provision for Hong Kong Profits Tax for the year	2,574,625	630,175
Over-provision in respect of prior years	<u>(4,171)</u>	<u>(58,186)</u>
	<u>2,570,454</u>	<u>571,989</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(518,773)</u>	<u>(978,104)</u>
	<u><u>2,051,681</u></u>	<u><u>(406,115)</u></u>

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.
- (ii) The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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 2020.

The provision for Hong Kong Profits Tax for 2021 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020/21 subject to a maximum reduction of \$10,000 for each business (2020: a maximum reduction of \$20,000 was granted for the year of assessment 2019/20 and was taken into account in calculating the provision for 2020).

- (iii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for years ended 31 March 2021 and 2020.
- (iv) The provision for People's Republic of China Income Tax is calculated at 25% of the estimated assessable profits for the year 31 March 2021.

8. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2021. No dividend has been declared or paid by the Company for the years ended 31 March 2021 and 2020.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to equity shareholders of the Company is based on the following:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Loss		
Loss attributable to equity shareholders of the Company	<u>(12,239,849)</u>	<u>(60,371,732)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>938,918,932</u>	<u>960,000,000</u>

For the year ended 31 March 2021, the calculation of the basis 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 numbers of ordinary shares in issue were adjusted by the effect of 31,645,000 shares held for the Group's share award scheme.

For the year ended 31 March 2020, 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.

(b) Diluted loss per share

There were no diluted potential shares in existence during the years ended 31 March 2021 and 2020.

10. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Trade receivables, net of loss allowance	54,158,563	39,335,306
Deposits, prepayments and other receivables, net of loss allowance (<i>note</i>)	26,571,822	33,726,838
	<u>80,730,385</u>	<u>73,062,144</u>

Note: Except for the amounts of approximately HK\$970,000 and approximately HK\$949,000 as at 31 March 2021 and 2020 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 the date of invoice issued to customers and net of allowance, is as follows:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Within 1 month	23,442,806	16,423,637
1 to 2 months	23,843,790	1,276,787
2 to 3 months	1,623,652	21,138,842
Over 3 months	5,248,315	496,040
	<u>54,158,563</u>	<u>39,335,306</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.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	HK\$	HK\$
Unlisted fund investment at fair value through profit or loss		
– outside Hong Kong	17,144,601	19,908,126
Profit guarantee in relation to acquisition of an associate	3,190,000	–
Put option in relation to acquisition of an associate	128,000	–
Call option in relation to acquisition of an associate	619,000	–
	<u>21,081,601</u>	<u>19,908,126</u>

12. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	HK\$	HK\$
Unlisted debt investment at fair value through other comprehensive income (Recycling)		
– outside Hong Kong	42,069,655	–

13. TRADE AND OTHER PAYABLES

	2021	2020
	HK\$	HK\$
Trade payables	31,189,596	35,176,154
Retention payables (<i>note (ii)</i>)	5,498,143	5,019,668
Other payables and accruals	7,212,920	8,130,762
	<u>43,900,659</u>	<u>48,326,584</u>

Notes:

- (i) Save as disclosed in note 13(ii) below, all trade and other payables are expected to be settled within one year.
- (ii) Except for the amounts of approximately HK\$2,214,000 and approximately HK\$2,572,000 as at 31 March 2021 and 2020 respectively, all of the remaining balances are expected to be settled within one year.

13. TRADE AND OTHER PAYABLES (Continued)

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

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Within 1 month	15,224,116	16,934,632
1 to 2 months	14,719,467	11,874,981
2 to 3 months	106,897	4,532,697
Over 3 months	<u>1,139,116</u>	<u>1,833,844</u>
	<u><u>31,189,596</u></u>	<u><u>35,176,154</u></u>

14. 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% (2020: 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% (2020: 5%) per annum and repayable on demand, except for an amount of HK\$22,500,000 as at 31 March 2020 which was unsecured, interest-free and repayable on demand. Mr. Lau is a member of key management personnel of the Group and is a director of a principal subsidiary.

15. SHARE CAPITAL

	Number of ordinary shares	Nominal amount <i>HK\$</i>
Ordinary shares of HK\$0.01 each authorised:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<u>2,000,000,000</u>	<u>20,000,000</u>
Ordinary shares, issued and fully paid:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<u>960,000,000</u>	<u>9,600,000</u>

16. COMMITMENTS

Capital commitments outstanding at 31 March 2021 and 2020 not provided for in the consolidated financial statements were as follows:

	2021	2020
	HK\$	HK\$
Contracted for	<u>417,200</u>	<u>–</u>

17. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 March 2021, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationships with the Group
Chung Hang Enterprises Holdings Limited	A related company owned by Mr. Lau
Chung Wah Investment Company Limited	A related company owned by Mr. Lau

In addition to the transactions and balances disclosed in note 6(a) and 14 in these consolidated financial statements, the Group entered into the following material related party transactions during the year:

	2021	2020
	HK\$	HK\$
Leases of properties from		
Chung Hang Enterprises Holdings Limited	720,000	720,000
Chung Wah Investment Company Limited	<u>1,380,000</u>	<u>1,380,000</u>
	<u>2,100,000</u>	<u>2,100,000</u>

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 exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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 75.5% to the total revenue of the Group during the Reporting Period (YR2020: approximately 83.2%).

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 22.1% to the total revenue of the Group during the Reporting Period (YR2020: approximately 15.4%).

Financial Services

During the Reporting Period, revenue from the financial services contributed approximately 1.2% to the total revenue of the Group (YR2020: approximately 1.1%).

Trading of beauty and skin care products

During the Reporting Period, revenue from trading business contributed approximately 1.2% of the total revenue of the Group (YR2020: approximately 0.3%).

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period increased by approximately HK\$38,064,000, or approximately 14.9%, from approximately HK\$255,535,000 for the year ended 31 March 2020 to approximately HK\$293,599,000 for the Reporting Period, which was primarily due to:

Foundation Construction

The revenue from undertaking foundation construction projects increased by approximately HK\$8,909,000, or approximately 4.2%, from approximately HK\$212,641,000 for the year ended 31 March 2020 to approximately HK\$221,550,000 for the Reporting Period. This was primarily due to the increase of 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\$25,521,000, or approximately 65.0%, from approximately HK\$39,251,000 for the year ended 31 March 2020 to approximately HK\$64,772,000 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\$3,614,000 for the Reporting Period (YR2020: approximately HK\$2,728,000).

Trading of beauty and skin care products

During the Reporting Period, the revenue for trading business amounted to approximately HK\$3,662,000 for the Reporting Period (YR2020: approximately HK\$916,000).

Gross Profit and Gross Profit Margin

The gross profit increased from approximately HK\$21,254,000 for the year ended 31 March 2020 to approximately HK\$56,973,000 for the Reporting Period. The Group's overall gross profit margin during the Reporting Period was approximately 19.4% (YR2020: approximately 8.3%).

The gross profit of the Group's foundation construction segment increased from approximately HK\$3,638,000 for the year ended 31 March 2020 to approximately HK\$24,184,000 for the Reporting Period. Gross profit margin of the foundation construction segment amounted to approximately 10.9% (YR2020: approximately 1.7%). The increase in gross profit margin was mainly due to (i) the tight control of direct costs; and (ii) the improvement of the bidding prices on the new tenders.

Gross profit of the Group's ground investigation services segment was approximately HK\$25,514,000 for the Reporting Period, representing an increase of approximately 78.3% from approximately HK\$14,306,000 as compared to that for the year ended 31 March 2020. Gross profit margin of the ground investigation services segment increased from approximately 36.4% for the year ended 31 March 2020 to approximately 39.4% for the Reporting Period. The increase in gross profit margin was mainly due to higher gross profit margin projects tendered by the Group during the Reporting Period.

Gross profit of the Group's financial service was approximately HK\$3,613,000 for the Reporting Period (YR2020: approximately HK\$2,393,000). Gross profit margin of the financial services amounted to approximately 100% (YR2020: approximately 87.7%).

Gross profit of the Group's trading business was approximately HK\$3,662,000 for the Reporting Period (YR2020: approximately HK\$916,000).

Other Revenue

The other revenue of the Group increased by approximately HK\$4,840,000, or approximately 91.8%, from approximately HK\$5,271,000 for the year ended 31 March 2020 to approximately HK\$10,111,000 for the Reporting Period. The increase was mainly due to (i) the decrease of bank interest income (Reporting Period: approximately HK\$229,000; YR2020: approximately HK\$3,633,000); (ii) the absence of insurance claim; and (iii) the government grants which amounted to approximately HK\$9,350,000 (YR2020: nil).

Other Net Loss

The other net loss decreased from approximately HK\$17,354,000 for the year ended 31 March 2020 to the other net loss of approximately HK\$4,211,000 for the Reporting Period. The decrease was mainly due to the net change in fair value on financial assets at fair value through profit or loss (Reporting Period: loss of approximately HK\$6,016,000; YR2020: loss of approximately HK\$19,857,000).

General and administrative expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK\$62,243,000 (YR2020: approximately HK\$61,450,000), representing an increase of approximately 1.3% as compared to that for the year ended 31 March 2020. The increase was mainly attributable to (i) the impairment losses on trade and other receivables, contract assets, loan receivables and debt investment at fair value through other comprehensive income (YR2021: approximately HK\$5,129,000; YR2020: approximately HK\$772,000); and (ii) the bad debt written off of trade receivables and contract assets (YR2021: nil; YR2020: approximately HK\$5,885,000).

Finance Costs

The finance costs increased by approximately HK\$2,085,000, from approximately HK\$8,500,000 for the year ended 31 March 2020 to approximately HK\$10,585,000 for the Reporting Period. The increase was mainly due to the increase of interest-bearing borrowing from a director of a subsidiary.

Income Tax

The tax expense for the Reporting Period was approximately HK\$2,052,000 (YR2020: tax credit of approximately HK\$406,000). 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 assets at fair value through profit or loss

During the Reporting Period, the financial assets at fair value through profit or loss represents (i) the private fund, (ii) profit guarantee, (iii) put option; and (iv) call option.

The private fund is measured at fair value and were subscribed and purchased by a wholly owned subsidiary of the Group. During the Reporting Period, the net fair value loss of private fund was recognised in the consolidated statement of profit or loss amounted to approximately HK\$2,764,000 (YR2020: approximately HK\$19,857,000).

The profit guarantee, call option and put option are measured at fair value using the Monte Carlo simulation model and binomial options pricing model. During the Reporting Period, the net fair value loss of profit guarantee, put option and call option amounted to approximately HK\$3,252,000 (YR2020: nil).

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. During the Reporting Period, the net fair value gain of debt investment was recognised in the consolidated statement of other comprehensive income amounted to approximately HK\$2,250,000 (YR2020: nil) and the gain on disposal of the private fund was approximately HK\$181,000 (YR2020: nil).

Share of loss of an associate

The Company acquired 35% of the issued share capital of Matsu Gami IP Development Limited (the “**Matsu Gami**”) on 4 September 2020. During the Reporting Period, the sharing of loss was approximately HK\$234,000 (YR2020: nil). For details, please refer to the announcements of the Company dated 10 December 2019, 9 June 2020 and 4 September 2020.

LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

For the Reporting Period, the Group recorded a net loss of approximately HK\$12,240,000, as compared with the net loss of approximately HK\$60,372,000 for the year ended 31 March 2020.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend to the Shareholders for the Reporting Period (YR2020: nil).

PROSPECTS

The Board is of the view that despite the constant overhang of novel coronavirus, there are hopeful signs of a steady recovery of the overall foundation industry in Hong Kong. Sizable projects in both private and public sector have been steadily increased. In general, the Group will be prudent in tendering potential project but future strategy will depend on the evolvement of the pandemic.

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 in the PRC.

In recent years, intellectual property rights (“**IP Rights**”) licensing industry have developed rapidly in PRC. In addition to exploiting the core content of the IP Rights through movies, television series, animations and games, Chinese companies as licensees of the IP Rights maximizes the overall value by also expanding to the downstream derivative market of the IP Rights in the PRC, including manufacturing IP Rights-related toys, clothings and food and beverages, as well as operating and managing IP Rights-themed exhibitions, theme park, hotel and catering services. Accordingly, the scale of consumer demand and revenue sources generated through the commercialisation of the IP Rights have significantly expanded.

Keen to leverage on the rapid expansion to the downstream derivative market in the PRC, on 4 September 2020, the Company completed the acquisition of the 35% of issued share capital of the Matsu Gami which is principally engaged in the business of provision of food and beverage catering services utilizing well-known IP Rights.

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. The above borrowings were incurred during the Reporting Period (YR2021: approximately HK\$236,138,000; YR2020: approximately HK\$221,293,000). All borrowings were 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 2021, the Group’s net current assets amounted to approximately HK\$136,149,000, which was approximately HK\$59,814,000 lower than net current assets of approximately HK\$195,963,000 as at 31 March 2020. As at 31 March 2021, the Group’s current liabilities amounted to approximately HK\$281,351,000, representing an increase of approximately HK\$13,457,000 from approximately HK\$267,894,000 as at 31 March 2020. The increase was mainly due to (i) the net borrowing from a director of a subsidiary during the Reporting Period, with the principal amount of HK\$6,000,000, and (ii) the interests incurred by the borrowing from a related company and a director of a subsidiary during the Reporting Period, with the amount of approximately HK\$10,179,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group had cash and bank balances of approximately HK\$136,947,000, representing a decrease of approximately HK\$91,773,000 (as at 31 March 2020: approximately HK\$228,720,000), which were mainly denominated in Hong Kong dollar.

CASH FLOW

The net cash used by the Group in its operating activities amounted to approximately HK\$11,900,000 during the Reporting Period, which was mainly used for the foundation construction and ground investigation services. Net cash used in investing activities was approximately HK\$63,970,000 in which HK\$21,475,000 arose from the payment of acquisition cost of an associate and HK\$40,000,000 arose from the net payment for purchase of debt investment at fair value through other comprehensive income. And the net cash used in financing activities was approximately HK\$16,913,000, in which approximately HK\$19,429,000 arose from the payment for purchase of shares in connection with share award scheme.

The gearing ratio of the Group as at 31 March 2021 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 130.6% (as at 31 March 2020: approximately 106.4%).

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 settled mainly 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 2021, the Company's issued share capital was HK\$9,600,000 (as at 31 March 2020: HK\$9,600,000) and the number of its issued ordinary shares was 960,000,000 (as at 31 March 2020: 960,000,000) of HK\$0.01 each.

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

(a) Acquisition of an associate

On 10 December 2019, the Company, the vendors and the vendor guarantors entered into the sale and purchase agreement, pursuant to which the Company conditionally agreed to purchase, and the vendors conditionally agreed to sell, 51% of issued share capital of the Matsu Gami which is principally engaged in the business of provision of food and beverage catering services utilizing well-known IP Rights.

On 4 September 2020, the Company, the vendors and the vendor guarantors entered into the 2nd supplemental agreement to supplement and amend the terms of the sale and purchase agreement. The Company conditionally agreed to purchase, and the vendors conditionally agreed to sell, 35% of the issued share capital of the Matsu Gami for a total consideration of HK\$41,475,000. All the conditions under the sale and purchase agreement have been fulfilled and the completion took place on 4 September 2020.

For further details, please refer to the announcements of the Company dated 10 December 2019, 9 June 2020 and 4 September 2020.

(b) Subscription of a private fund

On 20 April 2020, the Company subscribed for the Class C Shares in the Sky Success Finance Limited at a total subscription amount of HK\$60,000,000. The fund manager will achieve capital appreciation with periodic income generation by investing in fixed income securities, debt instruments and money lending projects. The Company is entitled to a return equal to 8% per annum of its subscription amount. During the Reporting Period, the Company redeemed part of subscription amount which amounted to HK\$20,000,000 with relative 8% preferred return per annum.

For further details, please refer to the announcements dated 20 April 2020 and 8 May 2020.

Save as disclosed in this announcement, there were no significant investments, material acquisitions or disposal of subsidiaries and associated companies made by the Group.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2021 and 2020.

EVENTS AFTER THE REPORTING PERIOD

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

ESCROW AGREEMENT IN RESPECT OF THE ACQUISITION OF 35% ISSUED SHARE CAPITAL OF MATSU GAMI

Reference is made to the announcement of the Company dated 25 June 2021 in relation to, among others, the Financial Assistance (the “**FA Announcement**”). Unless otherwise specified, capitalised terms used shall have the same meanings as those defined in the FA Announcement.

In or around late April 2021, in the course of the Group’s financial auditing, it was discovered that the Escrow Amount was replaced by two promissory notes issued by Moon Ace Limited, a company incorporated in the British Virgin Islands, in the principal amount of HK\$12,885,000 and HK\$8,590,000, respectively.

Upon discovery of the early release of the Escrow Amount and the Financial Assistance, the Company immediately requested the Vendors to repay the Escrow Amount and the interest accrued into the Escrow Accounts. Accordingly, no loss has been suffered by the Company.

Due to the failure of Mr. Yan to inform the Board of the early release of the Escrow Amount and the Financial Assistance, the Company has not complied with Rule 14.34 of the Listing Rules that the Financial Assistance has not been previously announced in a timely manner in accordance with the Listing Rules.

To prevent the reoccurrence of similar incidents in the future, the Company has engaged an internal control adviser to review the current internal control policies, to make suggestions to amend such policies and to implement a more robust internal control system. Moreover, the Company has arranged for professional advisors to provide additional training to Mr. Yan, with particular focus on the requirement in Chapters 14 and 14A of the Listing Rules. For further details, please refer to the FA Announcement.

LITIGATIONS

As at 31 March 2021, the Group had no material pending litigation.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group had 137 full-time employees (as at 31 March 2020: 143 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\$70,892,000 as compared to approximately HK\$66,861,000 for the year ended 31 March 2020.

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). The current ISO 14001:2015 certificate is valid from 7 April 2018 to 29 April 2021. 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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Reporting Period, except for the deviation from the code provision A.6.7.

In accordance with code provision A.6.7 of Code, the non-executive Director and independent non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. However, one of the independent non-executive Directors was absent from the annual general meeting of the Company held on 1 September 2020 due to other business engagement. The Company will finalise and inform the dates of the general meetings as early as possible to ensure that all the independent non-executive Directors can attend the general meetings in future.

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 15 September 2021. 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 10 September 2021 to 15 September 2021, 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 9 September 2021.

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 2021.

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 INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hkex1718.hk. It is expected that the annual report of the Company for the year ended 31 March 2021 containing all information required by the Listing Rules will be despatched to shareholders of the Company and published on the above websites on or before 17 August 2021.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 9:00 a.m. on 2 July 2021. An application has been made by the Company to the Stock Exchange for trading in the shares of the Company to resume from 9:00 a.m. on 2 August 2021.

By order of the Board

Wan Kei Group Holdings Limited

Yan Shuai

Chairman

Hong Kong, 30 July 2021

As at the date of this announcement, the executive Directors are Mr. Yan Shuai, Mr. Chan Kwan 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.