

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **HANG YICK HOLDINGS COMPANY LIMITED**

### **恒益控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1894)**

### **ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Hang Yick Holdings Company Limited (the “**Company**”) is pleased to present the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2022 (“**FY2022**”) together with the comparative figures for the year ended 31 March 2021 (“**FY2021**”) as follows.

#### **HIGHLIGHTS**

The Group reported revenue of approximately HK\$205.5 million (FY2021: approximately HK\$209.6 million) for FY2022.

Gross profit increased from approximately HK\$19.4 million for FY2021 to approximately HK\$46.2 million for FY2022.

Profit attributable to the owners of the Company for FY2022 was approximately HK\$17.6 million (FY2021: loss attributable to the owners of the Company: approximately HK\$57.6 million).

Basic and diluted earnings per Share attributable to the owners of the Company for FY2022 was approximately HK2.3 cents (FY2021: basic and diluted losses per share approximately HK7.5 cents).

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

*For the year ended 31 March 2022 (Unaudited)*

	<i>Notes</i>	<b>Year ended 31 March</b>	
		<b>2022</b>	<b>2021</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Revenue	3	<b>205,507</b>	209,608
Direct costs		<b><u>(159,301)</u></b>	<u>(190,201)</u>
Gross profit		<b>46,206</b>	19,407
Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net of reversal		<b>(32)</b>	(235)
Other income and other gains and losses	5	<b>2,104</b>	(72,823)
Administrative expenses		<b>(26,818)</b>	(30,264)
Finance costs	6	<b><u>(285)</u></b>	<u>(1,389)</u>
Profit/(loss) before taxation	7	<b>21,175</b>	(85,304)
Income tax (expense)/credit	8	<b><u>(3,791)</u></b>	<u>4,340</u>
Profit/(loss) for the year		<b>17,384</b>	(80,964)
Other comprehensive expense for the year Item that may be subsequently reclassified to profit or loss: Exchange difference arising on translation of foreign operations		<b><u>2,181</u></b>	<u>6,325</u>
Total comprehensive income/(loss) for the year		<b><u>19,565</u></b>	<u>(74,639)</u>
Profit/(loss) for the year attributable to:			
owners of the Company		<b>17,621</b>	(57,568)
non-controlling interests		<b><u>(237)</u></b>	<u>(23,396)</u>
		<b><u>17,384</u></b>	<u>(80,964)</u>

	<i>Notes</i>	<b>Year ended 31 March</b>	
		<b>2022</b>	2021
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Total comprehensive income (expense) attributable to:			
owners of the Company		<b>19,951</b>	(51,750)
non-controlling interests		<b>(386)</b>	(22,889)
		<b><u>19,565</u></b>	<b><u>(74,639)</u></b>
Earnings/(losses) per share	<i>10</i>		
Basic (HK cents)		<b><u>2.3</u></b>	<b><u>(7.5)</u></b>
Diluted (HK cents)		<b><u>2.3</u></b>	<b><u>(7.5)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022 (Unaudited)

		As at 31 March	
	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		14,793	12,368
Right-of-use assets		3,786	4,089
Intangible assets		—	1,206
Interest in an associate		—	—
Loan to an associate		—	—
Deferred tax assets		2,412	4,268
Deposits		23,711	26,289
		<u>44,702</u>	<u>48,220</u>
<b>Current assets</b>			
Inventories		35,123	19,165
Trade receivables	11	24,529	22,127
Other receivables, deposits and prepayments		8,653	10,296
Contract assets		48,551	49,186
Tax recoverable		2,639	2,601
Pledged bank deposits		—	40,218
Cash and cash equivalents		54,989	45,894
		<u>174,484</u>	<u>189,487</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	12	23,005	20,751
Contract liabilities		258	127
Lease liabilities		66	257
Bank borrowings	13	3,960	44,180
		<u>27,289</u>	<u>65,315</u>
<b>Net current assets</b>		<u>147,195</u>	<u>124,172</u>
<b>Total assets less current liabilities</b>		<u>191,897</u>	<u>172,392</u>

		<b>As at 31 March</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Non-current liabilities</b>			
Provisions		<b>161</b>	47
Lease liabilities		<b>—</b>	66
		<u><b>161</b></u>	<u>113</u>
<b>Net assets</b>		<u><b>191,736</b></u>	<u>172,279</u>
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>7,676</b>	7,676
Reserves		<u><b>209,363</b></u>	<u>189,519</u>
<b>Equity attributable to owners of the Company</b>		<b>217,039</b>	197,195
<b>Non-controlling interests</b>		<u><b>(25,303)</b></u>	<u>(24,916)</u>
		<u><b>191,736</b></u>	<u>172,279</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

### 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 March 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) from 12 October 2018.

The Company acts as an investment holding company. The principal activities of its subsidiaries are mainly provision of steel and metal engineering services and sales of steel and metal products.

The consolidated financial statements are presented in Hong Kong dollar (HK\$), which is also the functional currency the Company.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### ***Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”***

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact to these consolidated financial statements.

## **New or revised standards that have been issued but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30th June, 2022 <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021) <sup>4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>4</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>4</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>4</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2021 <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2022

<sup>2</sup> Effective for annual periods beginning on or after 1st April, 2022

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2022

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2023

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs mentioned below, the Directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### ***Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)”***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

#### ***Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"***

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement to help entities.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

#### ***Amendments to HKAS 8 "Definition of Accounting Estimates"***

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

### 3. REVENUE

Revenue represents the fair value of amounts received and receivable from the provision of engineering service or sales of goods by the Group to external customers. The Group's revenue is mainly derived from provision of steel and metal engineering services and sales of steel and metal products in Hong Kong during the year.

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Timing of revenue recognition and category of revenue</i>		
Recognised over time and long-term contracts		
— provision of steel and metal engineering services	<u>187,269</u>	<u>189,350</u>
Recognised at a point in time and short-term contracts		
— sales of steel and metal products		
• other steel and metal products	<u>18,238</u>	<u>20,258</u>
	<u><u>205,507</u></u>	<u><u>209,608</u></u>

The customers of the Group are mainly construction companies, contractors and engineering companies in Hong Kong. All of the Group's provision of steel and metal engineering services and sales of steel and metal products are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

### 4. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker (“CODM”) (being the executive Director) review the segment results of the Group. Specifically, the Group's reportable segments are provision of steel and metal engineering services and sales of steel and metal products. However, no analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group on making decision for resources allocation and performance assessment.

#### Segment revenue and profit

The following is an analysis of the Group's revenue to external customers and results by operating and reportable segment.

*Year ended 31 March 2022*

	Provision of steel and metal engineering services <i>HK\$'000</i> (Unaudited)	Sales of steel and metal products <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>187,269</u>	<u>18,238</u>	<u>205,507</u>
Segment results	<u>44,706</u>	<u>1,500</u>	46,206
Impairment loss under expected credit loss model on other financial assets			(32)
Other income and other gains and losses			2,104
Administrative expenses			(26,818)
Finance costs			<u>(285)</u>
Profit before taxation			<u>21,175</u>

*Year ended 31 March 2021*

	Provision of steel and metal engineering services <i>HK\$'000</i> (Unaudited)	Sales of steel and metal products <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>189,350</u>	<u>20,258</u>	<u>209,608</u>
Segment results	<u>15,470</u>	<u>3,937</u>	19,407
Impairment loss under expected credit loss model on other financial assets			(235)
Other income and other gains and losses			(72,823)
Administrative expenses			(30,264)
Finance costs			<u>(1,389)</u>
Loss before taxation			<u>(85,304)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results mainly represented profit earned by each segment, excluding impairment loss under expected credit loss model on other financial assets, other income and other gains and losses, administrative expenses, finance costs, listing expenses, share of loss of an associate and income tax expense.

	<b>Provision of steel and metal engineering services <i>HK\$'000</i></b>	<b>Sales of steel and metal products <i>HK\$'000</i></b>	<b>Unallocated <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Amounts included in the measures of segment profits:				
<i>For the year ended 31 March 2022</i>				
<i>(Unaudited)</i>				
Depreciation and amortisation	3,463	337	1,275	5,075
Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net of reversal	<u>50</u>	<u>(21)</u>	<u>3</u>	<u>32</u>
<i>For the year ended 31 March 2021</i>				
<i>(Unaudited)</i>				
Depreciation and amortisation	3,853	385	1,235	5,473
Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net of reversal	<u>38</u>	<u>(111)</u>	<u>308</u>	<u>235</u>

## Entity-wide information

### Geographical information

The Group's revenue are derived from Hong Kong and the People's Republic of China (the "PRC") based on the location of goods delivered and services provided as follows:

	Year ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	204,948	209,597
The PRC	559	11
	<u>205,507</u>	<u>209,608</u>

The Group's non-current assets (other than financial assets and deferred tax assets) are located in Hong Kong and the PRC by physical location of assets as follows:

	As at 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	10,042	9,965
The PRC	32,226	33,943
	<u>42,268</u>	<u>43,908</u>

### Information about major customers

Revenues attributed from customers that accounted for 10% or more of the Group's total revenue during the year are as follows:

	Year ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A (Note (a))	26,089	41,946
Customer B (Note (b))	36,918	N/A*
Customer C (Note (b))	30,835	N/A*
Customer D (Note (b))	19,822	23,007
Customer E (Note (b))	33,757	19,442

#### Notes:

- (a) The revenue is income from provision of steel and metal engineering services and sales of steel and metal products.
- (b) The revenue is income from provision of steel and metal engineering services.
- \* Revenue from the customer is less than 10% of the Group's total revenue in the respective year.

## 5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Other income</b>		
Interest income	254	324
Interest income from loan to an associate	—	3,091
Government subsidies ( <i>Note (a)</i> )	419	6,816
Sales of scrap materials	256	361
Others	479	613
	<u>1,408</u>	<u>11,205</u>
<b>Other gains and losses</b>		
Net exchange gain	246	817
Gain/(loss) on disposal of property, plant and equipment	450	(57)
Provision for loss on the Alleged Bogus Transactions (as defined below) and payments of prepayment, deposit and advances (“PPDA”) transactions ( <i>Note (b)</i> )	—	(84,788)
	<u>696</u>	<u>(84,028)</u>
	<u><u>2,104</u></u>	<u><u>(72,823)</u></u>

### Note:

- (a) During FY2022, the Group recognised government grants of HK\$419,000 (2021: HK\$6,816,000) which none of the grants (2021: HK\$6,726,000) relates to Employment Support Scheme provided by the Hong Kong government.
- (b) In respect of key findings of the Independent Investigation in relation to alleged bogus transactions in connection with the embezzlement of funds of the Company (the “**Alleged Bogus Transactions**”) and the payments of prepayment, deposit and advances (“PPDA”) transactions, certain payments of prepayment, deposit and advances were not entered into in compliance with the Group’s policy and/or may not be entered into under normal commercial arrangement and/or appear to be suspicious.

After taking into account the findings of the Independent Investigation, the Board considered that these transactions are suspicious and that the nature of these transactions may be different from what were stated on the relevant underlying documents. The Board has taken appropriate legal actions to recover the amounts paid, and has reported some cases to the police. The Board is also seeking legal advice as to whether there is further action to be taken to recover the amounts.

Despite the actions taken, based on the information available up to the date of this announcement, the Board has considered that there is high uncertainty to recover the outstanding balances and hence a provision of an aggregate of approximately HK\$84.8 million has been made and recorded separately as a line item on the consolidated statement of comprehensive income for FY2021.

## 6. FINANCE COSTS

	Year ended 31 March	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Interests on bank borrowings	279	1,356
Interests expense on lease liabilities	6	33
	<u>285</u>	<u>1,389</u>

## 7. PROFIT/(LOSS) BEFORE TAXATION

	Year ended 31 March	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Profit/(loss) before taxation has been arrived at after charging:		
Auditor's remuneration	1,300	1,300
Depreciation on property, plant and equipment	3,397	2,928
Depreciation of right-of-use assets	445	1,381
Cost of inventories recognised as an expense	14,925	16,504
Amortisation of an intangible asset	1,233	1,164
Staff costs (including directors' emoluments):		
Directors' emoluments	1,160	4,839
Salaries and other benefits	78,608	85,376
Retirement benefits scheme contributions	3,982	5,277
Equity-settled share option expenses	—	765
Short term lease payments	1,338	463
	<u>1,338</u>	<u>463</u>

## 8. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	1,932	—
The PRC Enterprise Income Tax	3	—
Over-provision of income tax expenses in prior years	—	(250)
	<u>1,935</u>	<u>(250)</u>
Deferred taxation	<u>1,856</u>	<u>(4,090)</u>
	<u><u>3,791</u></u>	<u><u>(4,340)</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

## 9. DIVIDENDS

No dividend have been paid or proposed during FY2022, nor has any dividend been proposed since the end of FY2022 (2021: nil).

## 10. EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share attributable to owners of the Company is based on the following data:

	For the year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings/(losses)</b>		
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(losses) per share	<u>17,621</u>	<u>(57,568)</u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	767,600,000	767,600,000
Effect of dilutive potential ordinary shares: Share options issued by the Company	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>767,600,000</u>	<u>767,600,000</u>

## 11. TRADE RECEIVABLES

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Trade receivables	25,499	23,149
Less: Allowance for credit losses	<u>(970)</u>	<u>(1,022)</u>
Total trade receivables	<u>24,529</u>	<u>22,127</u>

For customers that the Group provides engineering services on steel and metal works, the Group normally grants credit terms of 30 days from the date of certificate on progress payments of contract works. For customers that the Group sells metal and steel products, except for certain major customers of which the Group grants a credit period of up to 60 days from the delivery of goods, the Group grants no credit terms to other customers and they are to settle payment in full upon delivery of goods. The following is an ageing analysis of the trade receivables presented based on the date of payment certificate on progress payments of contract works at the end of the reporting period:

	<b>As at 31 March</b>	
	<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
0–30 days	8,206	3,288
31–60 days	6,114	11,317
61–90 days	35	1,305
Over 90 days	10,174	6,217
	<u>24,529</u>	<u>22,127</u>

## 12. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>As at 31 March</b>	
	<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Trade payables	4,261	6,355
Accrued staff costs	7,156	6,935
Accruals and others	11,588	7,461
	<u>23,005</u>	<u>20,751</u>

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>As at 31 March</b>	
	<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
0–30 days	2,011	2,798
31–60 days	1,006	721
61–90 days	464	2,242
Over 90 days	780	594
	<u>4,261</u>	<u>6,355</u>

### 13. BANK BORROWINGS

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Carrying amounts of bank borrowings (shown under current liabilities) that contain a repayment on demand clause but repayable based on scheduled repayment terms:		
— Within one year	<u>3,960</u>	<u>44,180</u>

The bank borrowings were at floating rate which carry interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.8% to 2% per annum (2021: HIBOR plus 0.8% to 2% per annum). The weighted average effective interest rate on the Group’s bank borrowings was 1.56% per annum as at 31 March 2022 (2021: 2.34% per annum).

As at 31 March 2022, the bank borrowings are secured by a key management life insurance policy of a director of the Company with carrying amount of HK\$6,321,000 (2021: secured by a life insurance policy of a director of the Company, the pledged bank deposits with carrying amount of HK\$40,218,000 and a corporate guarantee by the Company).

### 14. SHARE CAPITAL

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Authorised:</b>		
3,800,000,000 ordinary shares of HK\$0.01 each	<u>38,000</u>	<u>38,000</u>
<b>Issued and fully paid:</b>		
767,600,000 ordinary shares of HK\$0.01 each	<u>7,676</u>	<u>7,676</u>

There was no movement in the Company’s share capital for FY2021 and FY2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview

Over the past year, the progress of tendering of public projects in Hong Kong has inevitably been affected by the Coronavirus COVID-19 (“COVID-19”) pandemic. However, with the Hong Kong government (“**Hong Kong Government**”) strong commitment in increasing land supply for housing and the number of public housing units, the construction market remain promising.

The Group’s PRC business did not go well as expected and have identified certain suspected transactions over the project. After a careful decision, the management decided to fade out the PRC business and focus on the core business in Hong Kong. The management also committed to take every appropriate step to recover the loss suffered by the Company. Although the Group suffered in this year’s financial result, we are confident that after reforming the Group’s strategy and the ease of the COVID-19 pandemic in Hong Kong and the PRC, the Group will be able to create a reasonable return for the Group and the shareholders (the “**Shareholders**” ) of the Company.

#### Review of operations and business development

During FY2022, the Group secured the following major steel and metal works contracts (with contract sum of more than HK\$10 million):

<b>Project type</b>	<b>Location</b>
Public Housing Development	Tuen Mun
Public Housing Development	Kai Tak
Public Housing Development	Hung Ham
Social Welfare Development	Kwu Tung
Private Commercial Development	Wong Chuk Hang
Private Commercial Development	Tuen Mun
Private Commercial Development	Wan Chai

#### ***Hong Kong***

##### *Provision of steel and metal engineering services*

The Group’s engineering services range from design, manufacture, supply to installation of steel and metal products such as roller shutters and metal doors for construction projects in Hong Kong. It serves customers including construction companies and engineering companies on a project-by-project basis.

During FY2022, this segment recorded a revenue of approximately HK\$187.3 million (2021: HK\$189.3 million) and secured new contracts with aggregate contract sum of HK\$225.9 million. As at 31 March 2022, the total value of contracts on hand was HK\$305.3 million.

### *Sales of steel and metal products*

Revenue from the sales of steel and metal products decreased by approximately 10% as a result of the decrease in demand of the collapsible gates.

## **OUTLOOK**

### **Hong Kong**

The construction industry in Hong Kong remains promising despite the COVID-19 pandemic and should benefit from the Hong Kong Government's unwavering commitment to housing issue. In view of the Hong Kong Government's stimulus plans in housing and infrastructure, the Group will focus on its construction business in Hong Kong in the coming years. As stated in the Chief Executive's 2021 Policy Address (the "Policy Address"), the Hong Kong Government is determined to resolve the housing issue with 330,000 public housing units to be built in coming ten-year period (i.e. from 2022–23 to 2031–32) which is two times the amount built in the last ten-year period (actual production was 156,000 from 2012–13 to 2021–22). The then Chief Executive was committed to further boosting public housing supply partly by invoking land resumption to resume certain private land. The Hong Kong Government has also been formulating policies to ensure the effective use of land resources, in particular, the construction of New Development Areas such as Kwu Tung North and Fanling North New Development Area providing approximately 350,000 housing units upon its full development, and the inclusion of land in Lau Fau Shan and Tsim Bei Tsui into the Hung Shui Kiu/Ha Tsuen New Development Area providing more than 47,000 residential units. Other growth opportunities are presented by policies including the development of Kau Yi Chau Artificial Islands as part of the Lantau Tomorrow Vision, the Tung Chung new town extension, the public housing development at Cha Kwo Ling Village and redevelopment of Yau Tong and Lei Yue Mun. All such government policies and strategies are positive signals to the construction industry. Accordingly, the demand for steel and metal products, metal gates, shutters and fire rated doors is expected to increase as they are essential components of new buildings.

As the Group mainly focus on the steel and metal engineering services for the public rental housing sector, such policy and determination of the Hong Kong Government would benefit the Group and be a strong incentive for the Group to focus on its core business.

Further, the constant need for renovation and refurbishment of public housing and facilities and renovation and fitting out works for commercial properties has also created stable demand for steel and metal engineering services, particularly metal gates, shutters and doors, staircase handrails, structural frames, louvre frames, brackets, fencing and ceiling tiles.

However, shortage of skilled labour, high construction cost and increasing competition still remain to be the major challenges for the construction industry. As such, cost control and new construction technique will be a key factor for success. The Group will remain innovative and strive to maintain its position in Hong Kong.

## **PRC**

In light of the promising construction industry in Hong Kong, the Group will expand the existing factory situated at the PRC and implement more advanced automation to enhance the production capacity and efficiency to fulfill the increasing demand of the steel and metal product and reduce the reliance of skilled labour to cope with the aging population in the PRC.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

There are certain risks involved in the Group's operations, many of which are beyond the Group's control, including but not limited to those relating to the business and the industry. Some of the major risks the Group facing include the following:

- Our revenue relies on successful quotation or tenders of engineering services projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers;
- Reduction or termination of public sector projects in Hong Kong may adversely affect our revenue and results of operations;
- Failure to estimate the costs involved accurately in the implementation of the project and delay in completion of the project which may adversely affect our operating results and financial position; and
- We plan to expand our capacity by acquiring equipment and expanding manpower which may result in an increase in expense and staff costs which may adversely affect our operating results and financial position.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group has decreased by approximately 2.0% from approximately HK\$209.6 million in FY2021 to approximately HK\$205.5 million in FY2022, which was driven by the decrease in revenue from the sales of steel and metal products.

The Group generated revenue from two business segment, namely, provision of steel and metal engineering services and sales of steel and metal products. The following table sets out the two segments revenue by amount and a percentage of the revenue for the periods presented:

Segment Revenue	Year ended 31 March			
	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)		(Unaudited)	
Provision of steel and metal engineering services	187,269	91.1	189,350	90.3
Sales of steel and metal products	18,238	8.9	20,258	9.7
	<u>205,507</u>	<u>100</u>	<u>209,608</u>	<u>100</u>

### Provision of steel and metal engineering services

Revenue from the provision of steel and metal engineering services slightly decreased by approximately 1.1%, from approximately HK\$189.4 million in FY2021 to approximately HK\$187.3 million in FY2022.

### Sales of steel and metal products

Revenue from the sales of steel and metal products decreased by approximately 10.0% from approximately HK\$20.3 million in FY2021 to approximately HK\$18.2 million in FY2022. The decrease was driven by the decrease in the sale of steel and metal products as a result of the increase in steel price, which affected the demand for the products.

### Direct costs

Our direct costs primarily consist of direct material costs, direct labour costs, installation service fees, sub-contracting costs and other costs.

The direct costs decreased by approximately 16.2% from approximately HK\$190.2 million in FY2021 to approximately HK\$159.3 million in FY2022. The decrease was mainly attributable to a cost control approach adopted during FY2022.

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

The gross profit of the Group increased by approximately 138.1% from approximately HK\$19.4 million in FY2021 to approximately HK\$46.2 million in FY2022 and the gross profit margin increased from approximately 9.3% for FY2021 to approximately 22.5% for FY2022.

The increase in gross profit margin was mainly due to the ease of certain COVID-19 pandemic prevention measures which improve the overall efficiency of the projects.

## **Other income**

Other income was approximately HK\$1.4 million in FY2022 while the Company recognised an other losses of approximately HK\$11.2 million in FY2021.

The decrease in other income was mainly due to the decrease in government subsidies from HK\$6.3 million to nil under the “Employment Support Scheme” provided by the Hong Kong Government during FY2021.

## **Provision for loss on Alleged bogues transaction and payments of prepayment, deposit and advances (“PPDA”) transactions**

In respect of key findings of the Independent Investigation of the Alleged bogues transaction and the PPDA transactions, certain payments of prepayment, deposit and advances were not entered into in compliance with the Group’s policy and/or may not be entered into under normal commercial arrangement and/or appear to be suspicious.

After taking into account the findings of the Independent Investigation, the Board considered that the transactions are suspicious and the nature of these transactions may be different from the relevant underlying documents. The Board has taken appropriate legal actions to recover the amounts paid, and has reported some cases to the police. The Board is also seeking legal advice as to whether there is further action to be taken to recover the amounts.

Despite the actions taken, based on the information available up to the date of this announcement, the Board has considered that there is high uncertainty to recover the outstanding balances and hence a provision of an aggregate of approximately HK\$84.8 million have been made and recorded it separately in FY2021.

## **Finance costs**

Finance cost decreased from approximately HK\$1.4 million in FY2021 to approximately HK\$0.3 million in FY2022. The decrease was primarily associated with the decrease in bank interest expenses arising from the decrease in average bank loan balances.

### **Administrative expenses**

Administrative expenses decreased by approximately 11.4% from approximately HK\$30.3 million in FY2021 to approximately HK\$26.8 million in FY2022.

### **Income tax expense**

Our income tax expenses was HK\$3.8 million in FY2022 while the Company recognized tax credit of HK\$4.3 million in FY2021.

The change was mainly due to the recognition of deferred tax assets in FY2021 while the Group recognise a operating profit in FY2022.

### **Profit/(loss) attributable to the owners of the Company**

Given all these extraordinary issues and the impairment loss recorded for the Group's PRC business, the Group recorded profit attributable to the owners of the Company of approximately HK\$17.6 million in FY2022 as against a loss attributable to the owner of the Company of approximately HK\$57.6 million in FY2021.

### **LIQUIDITY AND CAPITAL RESOURCES**

As at 31 March 2022, the Group had total cash and cash equivalents of approximately HK\$55.0 million (2021: HK\$45.9 million), total assets of approximately HK\$219.2 million (2021: HK\$237.7 million) and total interest-bearing debts of approximately HK\$4.0 million (2021: HK\$44.2 million).

The gearing ratio of the Group, calculated based on the total interest-bearing debts (including bank borrowings) divided by the total equity attributable to owners of the Company as at the end of the respective years and multiplied by 100%, was approximately 1.8% (2021: approximately 22.4%). The Group considers the use of debt financing as one of the key funding sources for business expansion after considering the current market interest rate level.

### **Cash and cash equivalents**

There was an increase in the balance of cash and cash equivalents of approximately HK\$9.1 million from approximately HK\$45.9 million as at 31 March 2021 to approximately HK\$55.0 million as at 31 March 2022.

During FY2022, the Group has a net cash inflow of approximately HK\$10.5 million in its operating activities, a net cash inflow of approximately HK\$37.4 million in its investing activities (mainly due to net cash inflows on release of pledged bank deposits), and a net cash outflow of approximately HK\$38.8 million in its financing activities (mainly due to repayment of bank borrowings).

## **Borrowings**

The major source of debt financing of the Group was from banks. As at 31 March 2022, the Group had bank borrowings of approximately HK\$4.0 million (2021: HK\$44.2 million). All of the bank borrowings were with a repayment on demand clause. The bank borrowings were at floating rate of Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 0.8% per annum (2021: HIBOR plus 0.8-2.0% per annum).

## **CHARGE ON THE GROUP’S ASSETS**

As at 31 March 2022, the investment in life insurance contract of the key management of the Group of approximately HK\$6.3 million (2021: the bank deposits and the investment in life insurance contract of the key management of the Group with an aggregate value of approximately HK\$46.5 million) was pledged to the banks to secure the general facility granted to the Group.

## **LITIGATION, CLAIMS AND NON-COMPLIANCES**

For FY2022, the Group was not engaged in any material litigation or arbitration and no material litigation or claim is known to the Directors to be pending or threatened against the Group.

## **FOREIGN EXCHANGE EXPOSURE**

The Group undertakes certain operating transactions in foreign currencies, which expose the Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar against Renminbi.

The Group has not used any derivative contracts to hedge against its exposure to currency risk. The Group will continue to monitor foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

## **INTEREST RATE RISK**

The Group is exposed to interest rate risk primary to the bank facilities with floating interest rate. For FY2021 and FY2022, the Group did not have any interest rate hedging policy. However, the management will continue to closely monitor the Group’s interest risk exposure and will consider hedging interest rate risk when necessary.

## **CAPITAL EXPENDITURE AND CAPITAL COMMITMENT**

For FY2022, the Group has contributed approximately HK\$5.4 million in the acquisition of property, plant and equipment. The contributions are mainly for the expansion of our production capacity, of which approximately HK\$5.0 million was financed by the net proceeds from the listing (the “**Listing**”) of the shares (the “**Shares**”) of the Company on the Stock Exchange.

As at 31 March 2022, the Group had expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of certain plant and equipment in a total amount of approximately HK\$1.1 million (2021: approximately HK\$0.4 million).

### **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 March 2021 and 31 March 2022.

### **MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There were no material acquisitions or disposals of subsidiaries and associated companies during FY2022.

### **USE OF PROCEEDS**

The Company has raised gross proceeds of approximately HK\$161.5 million through the global offering upon the Listing. After deducting the listing expenses, the net proceeds (the “**Net Proceeds**”) amounted to approximately HK\$130.0 million. Such net proceeds are intended to be applied in the same manner and the same proportion as disclosed in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 28 September 2018 (the “**Prospectus**”), the below table sets out the proposed application and the status of utilisation.

As at 31 March 2022, the net proceeds from the global offering had been applied as follows:

	<b>Planned</b> <i>(HK\$'000)</i>	<b>Net Proceeds Utilised as at 31 March 2021</b> <i>(HK\$'000)</i>	<b>Net Proceeds Utilised during the year ended 31 March 2022</b> <i>(HK\$'000)</i>	<b>Net Proceeds Utilised as at 31 March 2022</b> <i>(HK\$'000)</i>	<b>Unutilised</b> <i>(HK\$'000)</i>	<b>Estimated Schedule</b> <i>(Note)</i>
Acquiring machines to replace and enhance the Group's production capacity	51,200	12,790	2,747	15,537	35,663	2022–2024
Expanding the Group's workforce in Hong Kong and the PRC	33,700	15,508	6,258	21,766	11,934	2022–2024
Renovation and re-design of the Group's existing production facilities	24,100	903	—	903	23,197	2022–2024
Purchasing delivery trucks	5,000	630	2,223	2,853	2,147	2022–2024
Upgrading the Group's information technology system and equipment	3,500	3,500	—	3,500	—	Fully utilised
General working capital	12,500	12,500	—	12,500	—	Fully utilised
	<u>130,000</u>	<u>45,831</u>	<u>11,228</u>	<u>57,059</u>	<u>72,941</u>	

*Note:* The estimated schedule for utilising the remaining proceeds is based on the best estimation made by the Group on future market condition and may change with the current market condition and future development.

As at 31 March 2022, the Group had not yet utilised the proceeds for (a) expanding the Group's workforce in Hong Kong and the PRC, and (b) the renovation and re-design of the Group's existing production facilities as planned. The delay in utilisation of the proceeds was due to COVID-19 pandemic which significantly affected the timeline and cost of the construction.

For the balance over acquiring machines to replace and enhance the Group's production capacity, the Net Proceeds utilised as at 31 March 2021 included an amount of HK\$9.5 million related to the Alleged Bogus Transactions. The Group will continue to take action to recover the outstanding amount.

The Group will continue to apply the Net Proceeds in accordance with the disclosure in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

#### **FINAL DIVIDEND**

The Board does not recommended the payment of a final dividend for FY2022.

#### **ANNUAL GENERAL MEETING AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS**

The Company will arrange the time of convening the forthcoming annual general meeting ("AGM") as soon as practicable, and the notice of the AGM will be published and despatched to the Shareholders of the Company in a timely manner in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the articles of association of the Company. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of the Company in the notice of the AGM.

#### **EMPLOYEES AND REMUNERATION POLICY**

The Group has a total of 285 employees in Hong Kong and the PRC as at 31 March 2022. The total salaries and related costs granted to employees amounted to approximately HK\$82.6 million FY2022. The remuneration packages of employees are determined based on their qualifications, position and experience. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions.

The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company with reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to the Group.

## SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) pursuant to a written resolution passed by the Shareholder on 19 September 2018, for the primary purpose of motivating the directors, employees and other eligible participants as specified under the Share Option Scheme to optimise their performance and efficiency for the benefit of the Group, and to attract and retain business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group. The Share Option Scheme became unconditional upon the listing date.

The movements of share options during FY2022 were as follows:

Category of grantees	Date of grant	Exercisable period	Exercise price per Share (HK\$)	Granted	As at	Exercised	Cancelled	Lapsed	Forfeited	As at
					31 March 2021					31 March 2022
Senior management and other employees	11 January 2019	11 January 2022 to 10 January 2024	1.53	4,400,000	4,250,000	—	—	—	(375,000)	3,875,000
		11 January 2023 to 10 January 2024	1.53	4,400,000	4,250,000	—	—	—	(375,000)	3,875,000

## CORPORATE GOVERNANCE

The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Corporate Governance Code (the “**Old CG Code**”) previously contained in Appendix 14 to the Listing Rules during the FY2022, except for the deviation as mentioned below. On 1 January 2022, the amendments to the Corporate Governance Code (the “**New CG Code**”) came into effect and the requirements under the New CG Code will apply to corporate governance reports for financial year commencing on or after 1 January 2022.

Code provision A.2.1 of the Old CG Code (equivalent to code provision C.2.1 of the New CG Code) stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lee Pui Sun, who has resigned from his position as an executive Director with effect from 14 September 2022, held both positions during FY2022. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans. Under the supervision of the Board and its independent non-executive Directors, a balancing mechanism exists so that the interests of the Shareholders could be adequately and fairly represented.

## MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct governing securities transactions by the Directors. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2022.

## RESUMPTION GUIDANCE

References are made to the announcements of the Company dated 21 July 2021, 21 October 2021, 21 January 2022, 21 April 2022 and 21 July 2022 (collectively, the “**Resumption Guidance Announcements**”) in relation to, among other matters, the Resumption Guidance. Capitalised terms used herein shall have the same meanings as defined in the Resumption Guidance Announcements unless otherwise stated.

On 19 July 2021, the Company has been notified by the Stock Exchange of the following Resumption Guidance:

- (i) conduct an appropriate independent investigation into the underlying incidents of the First Investigation and the Second Investigation, assess the impact on the Company’s business operation and financial position, announce the findings of the above investigations (including the Forensic Review) and take appropriate remedial actions;
- (ii) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules;
- (iii) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (iv) demonstrate compliance with Rule 13.24 of the Listing Rules;
- (v) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence;
- (vi) demonstrate that the Directors meet a standard of competence commensurate with their position as directors of a listed issuer and fulfill duties of skill, care and diligence as required under Rules 3.08 and 3.09 of the Listing Rules; and
- (vii) announce all material information for the Shareholders and other investors to appraise the Company’s position.

According to the Listing Rules, the Stock Exchange may cancel the listing of shares that have been suspended from trading for a continuous period of 18 months. As trading of the Shares had been suspended since 22 April 2021, the 18-month period in the case of the Company would expire on 21 October 2022.

The Company has taken appropriate steps to resolve the issues causing its trading suspension and to fully comply with the Listing Rules to the Stock Exchange's satisfaction. In compliance with the conditions set out in the Resumption Guidance, the Company has:

- (i) engaged RSM to conduct the Forensic Accounting Review in respect of the suspected and/or the alleged misconduct of the Involved Directors and has implemented and is implementing the remedial actions recommended by RSM;
- (ii) engaged Crowe to assist the Group in carrying out the Internal Control Review and has implemented and is implementing the enhanced internal control procedures recommended by Crowe;
- (iii) pending completion of audit by the auditors of the Company for the financial years ended 31 March 2021 and 31 March 2022, has published the unaudited annual results of the Company for the years ended 31 March 2021 and 31 March 2022, and the unaudited interim results of the Company for the six months ended 30 September 2021;
- (iv) has demonstrated compliance with Rule 13.24 of the Listing Rules by operating its business as usual in all material aspects;
- (v) approved the resignation of each of the Involved Directors and ensure that none of the Involved Directors and their respective associates hold any position in the board of directors and/or senior management of the Group;
- (vi) appointed a new executive Director to oversee the management and daily operation of the Group since the suspension of duties of the Involved Directors; and
- (vii) been and will continue to be publishing quarterly updates announcement and relevant announcements of the latest development of the Company from time to time.

The Company is taking appropriate steps to fulfill the conditions in the Resumption Guidance and will update the Shareholders and potential investors of the Company on, among others, the progress as and when appropriate. On 19 October 2022, a resumption proposal has been submitted to the Stock Exchange. The Company will seek to resume trading of the Shares as soon as possible.

## INDEPENDENT INVESTIGATION

References are made to the announcements of the Company dated 7 June 2022 and 2 September 2022 in relation to the independent investigation conducted by RSM (the “**Investigation Announcements**”). Capitalised terms used herein shall have the same meanings as defined in the Investigation Announcements unless otherwise stated.

As announced by the Company dated 7 June 2021, the SIC has engaged RSM as independent forensic accountant to conduct the Forensic Accounting Review in respect of the suspected and/or alleged misconduct of the Involved Directors.

On 2 September 2022, the Company announced the key findings of the Independent Investigation (the “**Key Findings Announcement**”).

In the assessment of the Board, the Board is of the view that the Alleged Bogus Transactions do not have material adverse impact on the business operation and financial position of the Group as those transactions concerned two standalone purchase agreements which are not significant to the day-to-day operation of the Company. Also, the PPDA transactions only concern the Group’s PRC business, not its principal business in Hong Kong. The Group’s business operations have continued as usual despite the suspension of trading in the Shares since 22 April 2021.

Based on the recommendations made by the SIC, the Board has taken or will take the following actions:

- 1) The Board has sought legal advice and will continue to expend efforts on all available methods to exercise its rights in relation to the recovery of the outstanding amounts and pursue damages in relation to the relevant individuals’ wrongdoing.
- 2) Having considered the suitability and integrity of the Involved Directors, the Board has resolved that the Involved Directors were no longer suitable in holding any position within the Group. Each of the Involved Directors has resigned from his/or her position as executive Directors with effect from 14 September 2022, and as directors, company secretaries and/or legal representatives of all subsidiaries of the Company with effect from 30 September 2022.
- 3) To strengthen the management of the Company, the Board has (i) taken all reasonable steps to ensure that all the existing Directors have fulfilled their fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law; and (ii) resolved to employ appropriate experienced personnel who meets the required standard of integrity and competence to join the Board.

- 4) The Company will continue to enhance its internal controls measures to address and resolve all issues identified in the course of the Company's continuous efforts on reviewing and enhancing its internal controls.
- 5) The Company has implemented measures to strengthen the internal compliance with its PPE policy, with new checks and balances to be installed to ensure due supervision, authorization and approval.
- 6) The Company has implemented measures to segregate the approval and supervision process for material contract approval and signing.
- 7) The Company has implemented measures to strengthen its governance and operational control over the supervision of its office operations and the Group.
- 8) The Company will explore if a group restructuring is necessary to streamline the organization and group structures.

For details of the key findings of the Independent Investigation, please refer to the Key Findings Announcement.

#### **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During FY2022, neither the Company nor any of its subsidiaries redeemed, purchased or sold any of the listed securities of the Company.

#### **PUBLIC FLOAT**

As at the date of this announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

#### **REVIEW BY THE AUDIT COMMITTEE**

As at the date of this announcement, the audit committee of the Board (the "**Audit Committee**") comprises all the independent non-executive Directors, namely Mr. Tse Ka Ching Justin, Mr. Au Yeung Wai Key and Mr. Cheung Chun Man Anthony. Mr. Tse Ka Ching Justin currently serves as the chairman of the Audit Committee.

The unaudited consolidated financial statements of the Group for FY2022 and this results announcement have been reviewed and approved by the Audit Committee.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This unaudited 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.hy-engineering.com](http://www.hy-engineering.com). The annual report of the Group for FY2022 containing all information required by the Listing Rules will be despatched to the Shareholders and will also be published on the websites of both of the Stock Exchange and the Company following the completion of the audit process.

### **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited consolidated annual results for FY2022 and the material differences (if any) as compared with the unaudited consolidated financial information contained in this announcement. In addition, the Company will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process once it can be ascertained.

**The unaudited consolidated financial information contained herein have not been audited and have not been agreed with the auditors of the Company. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

### **CONTINUED SUSPENSION OF TRADING**

Trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 22 April 2021 and shall remain halted until further notice.

In the meantime, Shareholders and potential investors of the Company are advised to exercise caution when dealing in Shares.

By order of the Board  
**Hang Yick Holdings Company Limited**  
**Lee Ka Chun Benny**  
*Chairman*

Hong Kong, 21 October 2022

*As at the date of this announcement, the Board comprises Mr. Sin Kwok Chi Stephen as executive Director, Mr. Lee Ka Chun Benny as non-executive Director, and Mr. Au Yeung Wai Key, Mr. Tse Ka Ching Justin and Mr. Cheung Chun Man Anthony as independent non-executive Directors.*