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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)

**(1) ANNOUNCEMENT OF AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2022**
**(2) CLOSURE OF REGISTER OF MEMBERS AND
(3) RESUMPTION OF TRADING**

References are made to the announcements of Wan Kei Group Holdings Limited (the “**Company**”) dated 20 June 2022, 30 June 2022, 4 July 2022, 5 July 2022 and 15 July 2022 in relation to, amongst others, (1) delay in publishing the audited annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2022; (2) non-publication of the unaudited annual results of the Group for the year ended 31 March 2022; and (3) suspension of trading.

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 2022 has been completed and that the audited consolidated financial results of the Group for the year ended 31 March 2022 together with the comparative audited figures for the year ended 31 March 2021 are as follows.

GROUP FINANCIAL HIGHLIGHT

For the year ended 31 March 2022

| | 2022 | 2021 |
|---|---------------------|--------------|
| | HK\$ | HK\$ |
| Revenue | 263,216,864 | 293,598,630 |
| Gross profit | 52,813,457 | 56,972,587 |
| Loss before taxation | (13,384,350) | (10,188,168) |
| Loss attributable to equity shareholders of the Company | (12,756,585) | (12,239,849) |
| Loss per share | | |
| Basic and Diluted (<i>HK cents</i>) | (1.37) | (1.30) |
| Cash and cash equivalents | 132,294,477 | 136,946,605 |
| Net assets | 171,713,162 | 180,825,648 |
| Total assets | 458,325,935 | 466,554,477 |

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 2022.

RESULTS

The Board of Directors of the Group announces the audited consolidated annual results of the Group for the year ended 31 March 2022 (the “**Reporting Period**” or “**YR2022**”) together with the comparative audited figures for the year ended 31 March 2021 (the “**YR2021**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

| | <i>Notes</i> | 2022 HK\$ | 2021 HK\$ |
|---|--------------|-----------------------------|----------------------|
| Revenue | 3 | 263,216,864 | 293,598,630 |
| Direct costs | | <u>(210,403,407)</u> | <u>(236,626,043)</u> |
| Gross profit | | 52,813,457 | 56,972,587 |
| Other income, other net gains and losses | 4 | 19,124,035 | 5,900,219 |
| Impairment losses on interest in an associate | 5 | (5,337,968) | – |
| General and administrative expenses | | <u>(59,712,588)</u> | <u>(62,242,802)</u> |
| Profit from operations | | 6,886,936 | 630,004 |
| Finance costs | 6(a) | (10,885,974) | (10,584,640) |
| Share of results of an associate | | <u>(9,385,312)</u> | <u>(233,532)</u> |
| Loss before taxation | 6 | (13,384,350) | (10,188,168) |
| Income tax credit/(expenses) | 7 | <u>627,765</u> | <u>(2,051,681)</u> |
| Loss for the year attributable to equity shareholders of the Company | | <u>(12,756,585)</u> | <u>(12,239,849)</u> |
| Loss per share | | | |
| Basic and diluted (HK cents) | 9 | <u>(1.37)</u> | <u>(1.30)</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

| | 2022 | 2021 |
|---|---------------------------|---------------------------|
| | HK\$ | HK\$ |
| Loss for the year | <u>(12,756,585)</u> | <u>(12,239,849)</u> |
| Other comprehensive income for the year: | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of foreign operations | 904,512 | 1,226,407 |
| Share of other comprehensive income of investment accounted for using the equity method | 332,589 | 964,896 |
| Debt investment at fair value through other comprehensive income (recycling): | | |
| – net movement in fair value reserve | 2,406,998 | 2,575,407 |
| – reclassification adjustment for gain on disposal included in profit or loss | <u>–</u> | <u>(180,822)</u> |
| Other comprehensive income for the year | <u>3,644,099</u> | <u>4,585,888</u> |
| Loss and total comprehensive expense for the year attributable to equity shareholders of the Company | <u>(9,112,486)</u> | <u>(7,653,961)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

| | <i>Notes</i> | 2022 HK\$ | 2021 HK\$ |
|---|--------------|----------------------------|---------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 11,763,234 | 13,569,199 |
| Interest in an associate | | 20,626,673 | 35,017,364 |
| Club membership | | 290,000 | 290,000 |
| Deposit for acquisition of property, plant and equipment | | – | 177,629 |
| | | <u>32,679,907</u> | <u>49,054,192</u> |
| Current assets | | | |
| Contract assets | | 122,909,702 | 108,186,396 |
| Trade and other receivables | <i>10</i> | 62,838,493 | 80,730,385 |
| Loan receivables | | 23,476,310 | 28,485,643 |
| Financial assets at fair value through profit or loss | <i>11</i> | 38,054,704 | 21,081,601 |
| Debt investment at fair value through other comprehensive income | <i>12</i> | 44,504,814 | 42,069,655 |
| Tax recoverable | | 1,567,528 | – |
| Cash and cash equivalents | | 132,294,477 | 136,946,605 |
| | | <u>425,646,028</u> | <u>417,500,285</u> |
| Current liabilities | | | |
| Trade and other payables | <i>13</i> | 37,848,937 | 43,900,659 |
| Amount due to a related company | <i>14</i> | 113,100,000 | 108,600,000 |
| Amount due to a director of a subsidiary | <i>14</i> | 128,478,127 | 122,378,127 |
| Lease liabilities | | 3,218,603 | 2,671,267 |
| Tax payable | | 1,975,400 | 3,801,318 |
| | | <u>284,621,067</u> | <u>281,351,371</u> |
| Net current assets | | <u>141,024,961</u> | <u>136,148,914</u> |
| Total assets less current liabilities | | <u>173,704,868</u> | <u>185,203,106</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2022

| | <i>Notes</i> | 2022 HK\$ | 2021 <i>HK\$</i> |
|--|--------------|----------------------------|---------------------|
| Non-current liabilities | | | |
| Long service payment liabilities | | 972,924 | 972,924 |
| Lease liabilities | | 560,395 | 2,488,204 |
| Deferred tax liabilities | | 458,387 | 916,330 |
| | | <u>1,991,706</u> | <u>4,377,458</u> |
| Net assets | | <u>171,713,162</u> | <u>180,825,648</u> |
| Capital and reserves | | | |
| Share capital | <i>15</i> | 9,600,000 | 9,600,000 |
| Reserves | | 162,113,162 | 171,225,648 |
| Total equity attributable to equity shareholders of the Company | | <u>171,713,162</u> | <u>180,825,648</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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 shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) since 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 amendments to 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 2022 comprise the Company and its subsidiaries and the Group’s interest in an associate.

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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

The adoption of the above revised HKFRSs has no significant financial impact on the financial position and performances of the Group.

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:

| | 2022 | 2021 |
|---|--------------------|-------------|
| | HK\$ | HK\$ |
| Revenue from contract with customers within the scope of HKFRS 15: | | |
| Revenue from construction contracts | 218,459,509 | 221,550,274 |
| Revenue from ground investigation services | 38,757,518 | 64,772,178 |
| Revenue from trading of beauty and skin care products | 2,810,308 | 3,661,840 |
| | 260,027,335 | 289,984,292 |
| Revenue from other sources | | |
| Interest income from money lending business | 3,189,529 | 3,614,338 |
| | 263,216,864 | 293,598,630 |

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

As at 31 March 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$206,049,000 (2021: approximately HK\$179,485,000). 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, (iv) other unlisted investment and (v) 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 2022 and 2021 is set out below:

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

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

| | 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 |
| – A point in time | – | – | – | 3,661,840 | 3,661,840 |
| Revenue from external customers | <u>221,550,274</u> | <u>64,772,178</u> | <u>3,614,338</u> | <u>3,661,840</u> | <u>293,598,630</u> |
| Reportable segment revenue | <u>221,550,274</u> | <u>64,772,178</u> | <u>3,614,338</u> | <u>3,661,840</u> | <u>293,598,630</u> |
| Reportable segment gross profit | <u>24,183,801</u> | <u>25,513,902</u> | <u>3,613,044</u> | <u>3,661,840</u> | <u>56,972,587</u> |
| Reportable segment profit/(loss) | <u>6,040,921</u> | <u>17,152,289</u> | <u>(15,356,446)</u> | <u>2,785,934</u> | <u>10,622,698</u> |
| 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 | <u>188,036,932</u> | <u>9,494,880</u> | <u>340,557,209</u> | <u>52,640,808</u> | <u>590,729,829</u> |

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

| | 2022 HK\$ | 2021 HK\$ |
|--|----------------------|----------------------|
| Revenue | | |
| Reportable segment revenue and consolidated revenue (note 3(a)) | <u>263,216,864</u> | <u>293,598,630</u> |
| Loss | | |
| Reportable segment (loss)/profit | (11,016,383) | 10,622,698 |
| Net change in fair value of financial assets of fair value through profit or loss in relation to acquisition of an associate | 30,363,000 | (3,252,000) |
| Impairment losses on interest in an associate | (5,337,968) | – |
| Share of results of an associate | (9,385,312) | (233,532) |
| Unallocated head office and corporate expenses | <u>(18,007,687)</u> | <u>(17,325,334)</u> |
| Consolidated loss before taxation | <u>(13,384,350)</u> | <u>(10,188,168)</u> |
| Assets | | |
| Reportable segment assets | 619,448,314 | 641,097,634 |
| Elimination | <u>(237,849,742)</u> | <u>(237,533,266)</u> |
| | 381,598,572 | 403,564,368 |
| Interest in an associate | 20,626,673 | 35,017,364 |
| Financial assets at fair value through profit or loss in relation to acquisition of an associate: | | |
| – Profit guarantee | – | 3,190,000 |
| – Put option | 34,300,000 | 128,000 |
| – Call option | – | 619,000 |
| Other unlisted investment | 3,754,704 | – |
| Tax recoverable | 1,567,528 | – |
| Unallocated head office and corporate assets | <u>16,478,458</u> | <u>24,035,745</u> |
| Consolidated total assets | <u>458,325,935</u> | <u>466,554,477</u> |
| Liabilities | | |
| Reportable segment liabilities | 580,913,514 | 590,729,829 |
| Elimination | <u>(412,192,987)</u> | <u>(419,649,723)</u> |
| | 168,720,527 | 171,080,106 |
| Tax payable | 1,975,400 | 3,801,318 |
| Deferred tax liabilities | 458,387 | 916,330 |
| Unallocated head office and corporate liabilities | <u>115,458,459</u> | <u>109,931,075</u> |
| Consolidated total liabilities | <u>286,612,773</u> | <u>285,728,829</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:

| | 2022 | 2021 |
|-------------------------|-------------|-------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Construction contracts: | | |
| Customer A | 79,961,251 | 42,128,018 |
| Customer B | 43,004,783 | 75,932,781 |
| Customer C | N/A* | 38,765,243 |

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

4. OTHER INCOME, OTHER NET GAINS AND LOSSES

| | 2022 | 2021 |
|--|-------------------|------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Rental income from lease of machinery | 592,980 | 36,191 |
| Bank interest income | 217,755 | 229,487 |
| Other interest income | 55,483 | – |
| Insurance claims | 11,300 | – |
| Government grants | 33,780 | 9,350,089 |
| Gain on disposal of property, plant and equipment | 388,000 | 1,657,246 |
| Reclassification adjustment for gain on disposal of debt investment at fair value through other comprehensive income | – | 180,822 |
| Net change in fair value of financial assets at fair value through profit or loss | 17,053,970 | (6,015,525) |
| Net foreign exchange loss | (59,797) | (33,434) |
| Sales of raw materials | 794,915 | 267,799 |
| Others | 35,649 | 227,544 |
| | 19,124,035 | 5,900,219 |

5. IMPAIRMENT LOSSES ON INTEREST IN AN ASSOCIATE

During the year, the business of Matsu Gami was impacted by the outbreak of the COVID-19 in the PRC, and at the end of the reporting period, the Group conducted an impairment review on its interest in an associate with reference to valuation performed by an independent professional valuer. For the purpose of impairment testing, the recoverable amount is determined based on value-in-use calculation that uses cash flow projections based on the most recent financial budget of Matsu Gami covering a five year period approved by the management after taking into account the operation environment and market conditions. The valuation method was the same as the previous year.

6. LOSS BEFORE TAXATION

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

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--|---------------------|---------------------|
| (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 | 6,100,000 | 5,679,045 |
| Interest on lease liabilities | 285,974 | 405,595 |
| | <u>10,885,974</u> | <u>10,584,640</u> |
| (b) Staff costs (including directors' remuneration) | | |
| Contribution to defined contribution retirement plans | 2,186,242 | 2,130,618 |
| Salaries, wages and other benefits | 67,828,391 | 68,761,798 |
| | <u>70,014,633</u> | <u>70,892,416</u> |
| (c) Other items | | |
| Depreciation | | |
| – owned property, plant and equipment | 4,464,950 | 6,904,339 |
| – right-of-use assets | 3,014,892 | 3,090,549 |
| | 7,479,842 | 9,994,888 |
| Impairment losses on interest in an associate | 5,337,968 | – |
| Impairment losses on trade and other receivables, contract assets, loan receivables and debt investment at fair value through other comprehensive income | 6,439,237 | 5,129,414 |
| Auditors' remuneration | 1,450,000 | 970,000 |
| Gain on disposal of property, plant and equipment | (388,000) | (1,657,246) |
| Net foreign exchange loss | 59,797 | 33,434 |
| | <u>59,797</u> | <u>33,434</u> |

7. INCOME TAX (CREDIT)/EXPENSES

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

| | 2022 | 2021 |
|---|-------------------------|-------------------------|
| | HK\$ | HK\$ |
| Current tax | | |
| Provision for Hong Kong Profits Tax for the year | 328,486 | 2,574,625 |
| Over-provision in respect of prior years | <u>(498,308)</u> | <u>(4,171)</u> |
| | <u>(169,822)</u> | <u>2,570,454</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>(457,943)</u> | <u>(518,773)</u> |
| | <u><u>(627,765)</u></u> | <u><u>2,051,681</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 2022 is calculated at 16.5% (2021: 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 2021.

The provision for Hong Kong Profits Tax for 2022 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021/22 subject to a maximum reduction of HK\$10,000 for each business (2021: a maximum reduction of HK\$10,000 was granted for the year of assessment 2020/21 and was taken into account in calculating the provision for 2021).

- (iii) The provision for Macau Complementary Tax is calculated at 12% of the estimated assessable profits for years ended 31 March 2022 and 2021.
- (iv) The provision for People's Republic of China Income Tax is calculated at 25% of the estimated assessable profits for the years ended 31 March 2022 and 2021.

8. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2022. No dividend has been declared or paid by the Company for the years ended 31 March 2022 and 2021.

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:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Loss | | |
| Loss attributable to equity shareholders of the Company | <u>(12,756,585)</u> | <u>(12,239,849)</u> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u>928,355,000</u> | <u>938,918,932</u> |

For the years ended 31 March 2022 and 2021, the calculation of the basic loss per share attributable to equity shareholders of the Company was based on (i) the loss attributable to equity shareholders of the Company and (ii) the weighted average number of ordinary shares in issue which was adjusted by the effect of 31,645,000 shares held for the Group's share award scheme.

(b) Diluted loss per share

There were no diluted potential shares in existence during the years ended 31 March 2022 and 2021.

10. TRADE AND OTHER RECEIVABLES

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--|--------------------------|--------------------------|
| Trade receivables, net of loss allowance | 39,640,679 | 54,158,563 |
| Deposits, prepayments and other receivables, net of loss allowance (<i>note</i>) | <u>23,197,814</u> | <u>26,571,822</u> |
| | <u><u>62,838,493</u></u> | <u><u>80,730,385</u></u> |

Note: Except for the amounts of approximately HK\$420,000 and approximately HK\$970,000 as at 31 March 2022 and 2021 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:

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|----------------|--------------------------|--------------------------|
| Within 1 month | 36,560,914 | 23,442,806 |
| 1 to 2 months | 2,552,194 | 23,843,790 |
| 2 to 3 months | – | 1,623,652 |
| Over 3 months | <u>527,571</u> | <u>5,248,315</u> |
| | <u><u>39,640,679</u></u> | <u><u>54,158,563</u></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

| | 2022 | 2021 |
|---|--------------------------|--------------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Unlisted fund investment at fair value through profit or loss | | |
| – outside Hong Kong | – | 17,144,601 |
| Profit guarantee in relation to acquisition of an associate | – | 3,190,000 |
| Put option in relation to acquisition of an associate | 34,300,000 | 128,000 |
| Call option in relation to acquisition of an associate | – | 619,000 |
| Other unlisted investment | <u>3,754,704</u> | <u>–</u> |
| | <u>38,054,704</u> | <u>21,081,601</u> |

12. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Unlisted debt investment at fair value through other comprehensive income (recycling) | | |
| – outside Hong Kong | <u>44,504,814</u> | <u>42,069,655</u> |

The debt investment is entitled to a fixed return of 8% per annum and redeemable at the option of the Company.

13. TRADE AND OTHER PAYABLES

| | 2022 | 2021 |
|---|--------------------------|--------------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Trade payables | 17,782,944 | 31,189,596 |
| Retention payables (<i>note (ii)</i>) | 5,804,570 | 5,498,143 |
| Other payables and accruals | <u>14,261,423</u> | <u>7,212,920</u> |
| | <u>37,848,937</u> | <u>43,900,659</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\$1,964,000 and approximately HK\$2,214,000 as at 31 March 2022 and 2021 respectively, all of the remaining balances are expected to be settled within one year.

13. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

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

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|----------------|--------------------------|--------------------------|
| Within 1 month | 11,296,561 | 15,224,116 |
| 1 to 2 months | 5,386,882 | 14,719,467 |
| 2 to 3 months | 31,818 | 106,897 |
| Over 3 months | <u>1,067,683</u> | <u>1,139,116</u> |
| | <u><u>17,782,944</u></u> | <u><u>31,189,596</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% (2021: 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% (2021: 5%) per annum and repayable on demand. Mr. Lau is a member of key management personnel of the Group and is a director of a 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 2020, 31 March 2021, 1 April 2021 and 31 March 2022 | <u>2,000,000,000</u> | <u>20,000,000</u> |
| Ordinary shares, issued and fully paid: | | |
| At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022 | <u>960,000,000</u> | <u>9,600,000</u> |

16. COMMITMENTS

Capital commitments outstanding at 31 March 2022 and 2021 not provided for in the consolidated financial statements were as follows:

| | 2022 | 2021 |
|----------------|--------------------|--------------------------|
| | HK\$ | HK\$ |
| Contracted for | <u> –</u> | <u> 417,200</u> |

17. MATERIAL RELATED PARTY TRANSACTIONS

During the years ended 31 March 2022 and 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:

| | 2022 | 2021 |
|---|-------------------------|------------------|
| | 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 83.0% to the total revenue of the Group during the Reporting Period (YR2021: approximately 75.5%).

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 14.7% to the total revenue of the Group during the Reporting Period (YR2021: approximately 22.1%).

Financial Services

During the Reporting Period, revenue from the financial services contributed approximately 1.2% to the total revenue of the Group (YR2021: approximately 1.2%).

Trading of beauty and skin care products

During the Reporting Period, revenue from trading business contributed approximately 1.1% of the total revenue of the Group (YR2021: approximately 1.2%).

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period decreased by approximately HK\$30,382,000 or approximately 10.3%, from approximately HK\$293,599,000 for the year ended 31 March 2021 to approximately HK\$263,217,000 for the Reporting Period, which was primarily due to:

Foundation Construction

The revenue from undertaking construction foundation projects decreased by approximately HK\$3,090,000 or approximately 1.4%, from approximately HK\$221,550,000 for the year ended 31 March 2021 to approximately HK\$218,460,000 for the Reporting Period.

Ground Investigation Services

The revenue from ground investigation services decreased by approximately HK\$26,014,000 or approximately 40.2%, from approximately HK\$64,772,000 for the year ended 31 March 2021 to approximately HK\$38,758,000 for the Reporting Period. This was primarily due to the decrease 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\$3,190,000 (YR2021: approximately HK\$3,614,000).

Trading of beauty and skin care products

During the Reporting Period, the revenue for trading business amounted to approximately HK\$2,810,000 (YR2021: approximately HK\$3,662,000).

Gross Profit and Gross Profit Margin

The gross profit decreased from approximately HK\$56,973,000 for the year ended 31 March 2021 to approximately HK\$52,813,000 for the Reporting Period. The Group's overall gross profit margin during the Reporting Period was approximately 20.1% (YR2021: approximately 19.4%).

The gross profit of the Group's foundation construction segment increased from approximately HK\$24,184,000 for the year ended 31 March 2021 to approximately HK\$35,123,000 for the Reporting Period. Gross profit margin of the foundation construction segment amounted to approximately 16.1% (YR2021: approximately 10.9%). The increase in gross profit margin was mainly due to the improvement of the bidding prices on the new tender.

Gross profit of the Group's ground investigation services segment was approximately HK\$11,691,000 for the Reporting Period, representing a decrease of approximately 54.2% from approximately HK\$25,514,000 as compared to that for the year ended 31 March 2021. Gross profit margin of the ground investigation services segment decreased from approximately 39.4% for the year ended 31 March 2021 to approximately 30.2% for the Reporting Period. The decrease in gross profit margin was mainly due to the absence of higher gross profit margin projects tendered by the Group during the Reporting Period.

Gross profit of the Group's financial service was approximately HK\$3,189,000 for the Reporting Period (YR2021: approximately HK\$3,613,000). Gross profit margin of the financial services amounted to approximately 100% (YR2021: approximately 100%).

Gross profit of the Group's trading business was approximately HK\$2,810,000 for the Reporting Period (YR2021: approximately HK\$3,662,000).

Other Income, Other Net Gains and Losses

The other income, other net gains and losses of the Group increased by approximately HK\$13,224,000, from approximately HK\$5,900,000 for the year ended 31 March 2021 to approximately HK\$19,124,000 for the Reporting Period. The increase was mainly due to net change in fair value of financial assets at fair value of profit or loss (YR2022: gain of HK\$17,054,000; YR2021: loss of HK\$6,016,000).

General and administrative expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK\$59,713,000 (YR2021: approximately HK\$62,243,000), representing an decrease of approximately 4.1% as compared to that for the year ended 31 March 2021. The decrease was mainly attributable to (i) the absence of the arrangement fee for the subscription of fund (YR2021: HK\$1,200,000); and (ii) the absence of the professional fee for the set up of the Share Award Scheme (YR2021: HK\$1,300,000).

Finance Costs

The finance costs increased by approximately HK\$301,000 from approximately HK\$10,585,000 for the year ended 31 March 2021 to approximately HK\$10,886,000 for the Reporting Period. The increase was mainly due to the interests incurred by the borrowing from a related company and a director of a subsidiary.

Income Tax

The tax credit for the Reporting Period was approximately HK\$628,000 (YR2021: tax expense of approximately HK\$2,052,000). The change was mainly due to the decrease 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 the (i) unlisted fund investment; (ii) the profit guarantee, put option, and call option in relation to acquisition of an associate; and (iii) other unlisted investment.

The unlisted fund investment is measured at fair value and were subscribed and purchased by a wholly owned subsidiary of the Group. During the Reporting Period, the loss on disposal of unlisted fund investment was recognised in the consolidated statement of profit or loss amounted to approximately HK\$13,390,000. The net fair value loss of unlisted fund investment was recognised in the consolidated statement of profit or loss amounted to approximately HK\$2,764,000 for the year ended 31 March 2021.

The profit guarantee, put option and call 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 gain of profit guarantee, put option and call option amounted to approximately HK\$30,363,000 (YR2021: net fair value loss of approximately HK\$3,252,000).

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

Debt investment at fair value through other comprehensive income

During the Reporting Period, the debt investment at fair value through other comprehensive income represents the private fund. The debt investment is measured at fair value and were subscribed and purchased by a wholly owned subsidiary of the Group. During the Reporting Period, the net fair value gain including expected credit loss adjustment of debt investment was recognised in the consolidated statement of other comprehensive income amounted to approximately HK\$2,407,000 (YR2021: approximately HK\$2,575,000) and the gain on disposal of the private fund was approximately HK\$nil (YR2021: approximately HK\$181,000).

Share of results of an associate

The acquisition of 35% equity interest of Matsu Gami IP Development Limited (“**Matsu Gami**”) was completed on 4 September 2020. The share of loss of Matsu Gami was approximately HK\$9,385,000 during the Reporting Period (YR2021: approximately HK\$233,000). This amount of loss was attributable to (i) share of the post-acquisition loss amounted to approximately HK\$982,000; (ii) amortisation expense and deferred tax impact on the intangible asset arised from the fair value adjustments made on the acquisition date amount of approximately HK\$3,432,000; and (iii) impairment losses on the intangible asset and related deferred tax impact amount of approximately HK\$4,971,000.

For details, please refer to the announcements of the Company dated 10 December 2019, 9 June 2020, 4 September 2020, 10 August 2021 and 10 September 2021.

LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

For the Reporting Period, the Group recorded a net loss of approximately HK\$12,757,000 as compared with the net loss of approximately HK\$12,240,000, for the year ended 31 March 2021.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend to the equity shareholders for the Reporting Period (YR2021: nil).

USE OF NET PROCEEDS FROM THE PLACING

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

Part of the Net Proceeds from the Placing were utilised up to 31 March 2022 and are intended to be applied in accordance with the revised proposed application set out in the announcement dated 17 August 2021. The below table sets out the details of the application of the Net Proceeds:

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

Notes:

- As disclosed in the 2018 Announcement, (i) the Group had used approximately HK\$20.8 million of the proceeds of the Placing for investment and financial services and for setting up a subsidiary with a money lenders licence and the Group intended to utilise up to approximately HK\$36.5 million of the Net Proceeds in developing the Group’s money lending business in the next 12 months; and (ii) the Group intended to change the use of up to approximately HK\$76.7 million of the outstanding Net Proceeds to fund the acquisition of approximately 51.315% of the issued share capital of Blue Marble Limited at a total consideration of HK\$320,000,000 (the “**Acquisition**”). The Acquisition then lapsed on 2 April 2020. For details, please refer to the 2018 Announcement and the announcement of the Company dated 2 April 2020.
- On 17 August 2021, the Company resolved to change the use of the outstanding Net Proceeds, being approximately HK\$76,700,000 as at 31 March 2021 (the “**Unutilised Net Proceeds**”) as follows: (i) as to approximately HK\$70,700,000, to fund further possible acquisition(s), including further possible acquisition of 16% of the issued share capital of Matsu Gami; and (ii) as to the remaining balance of approximately HK\$6,000,000, for general working capital. As at 31 March 2022, the Board has not exercised the call option to acquire 16% of the issued share capital of Matsu Gami. For details, please refer to the 2021 Announcement and the announcement of the Company dated 10 September 2021.

The remaining Unutilised Net Proceeds as at 31 March 2022 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations.

PROSPECTS

The Board is of the view that despite the recent outbreak of Omicron coronavirus, the consequential adverse economic effects will be transitory while the outbreak is easing off, there are hopeful signs of a steady recovery in the long-term development of construction and foundation industry in Hong Kong. In general, the Group will be prudent in tendering potential project while future strategy will depend on the involvement of the pandemic.

In recent years, intellectual property (the “**IP**”) rights (“**IP Rights**”) licensing industry have developed rapidly in People’s Republic of China (the “**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 maximize 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. Accordingly, the scale of consumer demand and revenue sources generated through the commercialisation of the IP Rights have significantly expanded.

On 4 September 2020, the Company acquired 35% of issued share capital of Matsu Gami (together with its subsidiaries, the “**Matsu Gami Group**”), which is principally engaged in the business of provision of food and beverage catering services utilizing well-known IP Rights. The Board is of the view that despite the adverse economic impact of implementation of the COVID-19 pandemic prevention and control quarantine measures in certain cities in the PRC, the prospects of IP Rights licensing industry are brightening.

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

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 (YR2022: approximately HK\$245,357,000; YR2021: approximately HK\$236,138,000). All borrowings were mainly denominated in Hong Kong dollar. Interest on borrowings are charged at fixed rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

NET CURRENT ASSETS

As at 31 March 2022, the Group's net current assets amounted to approximately HK\$141,025,000 which was approximately HK\$4,876,000 higher than net current assets of approximately HK\$136,149,000, as at 31 March 2021, the increase was mainly due to 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\$10,600,000 and net fair value gain in financial assets at fair value through profit or loss during the Reporting Period, with the amount of approximately HK\$17,054,000. As at 31 March 2022, the Group's current liabilities amounted to approximately HK\$284,621,000 representing an increase of approximately HK\$3,270,000 from approximately HK\$281,351,000 as at 31 March 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, the Group had cash and bank balances of approximately HK\$132,294,000, representing a decrease of approximately HK\$4,653,000 (as at 31 March 2021: approximately HK\$136,947,000), which were mainly denominated in Hong Kong dollar.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy position of liquidity throughout the Reporting Period. The Group strives to reduce the exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL STRUCTURE

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

As at 31 March 2022, the Company's issued share capital was HK\$9,600,000 (as at 31 March 2021: HK\$9,600,000) and the number of its issued ordinary shares was 960,000,000 (as at 31 March 2021: 960,000,000) of HK\$0.01 each.

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

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

GUARANTEED PROFIT AND GUARANTEED IP RIGHT IN RESPECT OF THE ACQUISITION OF 35% ISSUED SHARE CAPITAL OF MATSU GAMI

Reference is made to the announcements of the Company dated 10 December 2019, 9 June 2020, 4 September 2020, 10 August 2021 and 10 September 2021 in relation to the acquisition of the 35% issued share capital of Matsu Gami which is principally engaged in the business of provision of food and beverage catering services utilising well-known IP Rights (the “**Announcements**”). Unless otherwise defined, capitalised terms used shall have the same meanings as those defined in the Announcements.

Under the terms of the Sale and Purchase Agreement (as amended by the 1st Supplemental Agreement and the 2nd Supplemental Agreement), Massive Dynamic Venture Limited and Shen Garden Holdings Limited (collectively the “**Vendors**”) and Mr. Shao Chao and Mr. Shen Kan (collectively the “**Vendor Guarantors**”) unconditionally and irrevocably guaranteed and warranted to the Company for each of the two years ended 31 March 2021 and 2022 (the “**2020-2021 Guaranteed Period**” and “**2021-2022 Guaranteed Period**”, respectively, and together, the “**Guaranteed Period(s)**”) that the audited consolidated net profits after tax but before deduction of non-recurring income and expenses of the Matsu Gami Group according to the Hong Kong Financial Reporting Standards (the “**Actual Profit**”) shall not be less than HK\$10,000,000 and HK\$20,000,000 (the “**Guaranteed Profit**”) respectively; and Matsu Gami Group acquires at least one IP Right as designated by the Company to be used in relation to the Matsu Gami Group's business(es) (the “**Guaranteed IP Right**”).

As disclosed in the announcements of the Company dated 10 August 2021 and 10 September 2021, the Matsu Gami Group has fulfilled the Guaranteed Profit and Guaranteed IP Right for the 2020-2021 Guaranteed Period, and the Company decided not to exercise its discretion to exercise the Call Option to require the Vendors to sell 16% of the issued share capital of Matsu Gami to the Company.

In respect of the 2021-2022 Guaranteed Period, based on the audited figures of the Matsu Gami Group for YR2022, the Matsu Gami Group recorded loss of approximately HK\$3,708,000. Nevertheless, Matsu Gami Group has acquired at least one Guaranteed IP Right for YR2022, therefore, the Guaranteed IP Right for the 2021-2022 Guaranteed Period has been fulfilled but the Guaranteed Profit is not fulfilled. Under the terms of the Sale and Purchase Agreement (as amended by the 1st Supplemental Agreement and the 2nd Supplemental Agreement), the Company has either: (i) the right to receive the Compensation Amount (i.e. the sum of Guaranteed Profit plus Actual Loss) from the Vendors and the Vendor Guarantors; or (ii) the right to require the Vendors to purchase all of the sale interests from the Company i.e. the Put Option. The Company and the Vendors are currently in negotiation and will publish an announcement in due course to inform Shareholders whether the Company elects to receive the Compensation Amount or to exercise the Put Option.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 March 2022 and 2021.

EVENTS AFTER THE REPORTING PERIOD

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

LITIGATIONS

As at 31 March 2022, the Group had no material pending litigation.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group had 124 full-time employees (as at 31 March 2021: 137 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\$70,015,000 as compared to approximately HK\$70,892,000 for the year ended 31 March 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- (i) The Group has a concentrated clientele base. Any loss for major customers or decrease in the number of projects with the top 5 customers of the Group may adversely affect the Group's operations and financial results.
- (ii) The Group's past revenue and profit margin may not be an indicative of the Group's future revenue and profit margin. In particular, the Group's revenue is on project basis, which is non-recurrent in nature, and the Group may achieve lower-than expected revenue if it fails to maintain continuity of the Group's order book for its new projects.
- (iii) The Group is dependent on its Board members and senior management staff, the departure of its staff may adversely affect the Group's business operations.
- (iv) Failure to accurately estimate and control the costs of the Group's projects may adversely affect the Group's financial performance.
- (v) Any delay or default of progress payments or retention monies by the customers may affect the Group's cash flow and may have adverse impact on the Group's financial results.
- (vi) Failure to renew the Group's current registrations and licenses may adversely affect the Group's business operations. For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the prospectus of the Company dated 28 July 2015 (the "**Prospectus**").

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

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

Customers

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

Suppliers and Subcontractors

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

Employees

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

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

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

ENVIRONMENTAL POLICIES

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CORPORATE GOVERNANCE

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Reporting Period.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("AGM") will be held on 5 September 2022. 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 31 August 2022 to 5 September 2022, 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 (which will be relocated to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 15 August 2022) for registration no later than 4:30 p.m. on 30 August 2022.

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 2022.

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 2022 containing all information required by the Listing Rules will be published on the above websites on 29 July 2022.

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 4 July 2022. 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 1 August 2022.

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

Hong Kong, 29 July 2022

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