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HANG YICK HOLDINGS COMPANY LIMITED

恒益控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1894)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

Reference is made to the announcement of Hang Yick Holdings Company Limited (the “**Company**”) dated 21 October 2022, in relation to the unaudited financial information for the year ended 31 March 2022 of the Company and its subsidiaries (the “**Group**”) (the “**Unaudited Results**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Unaudited Results. Further to the publication of the Unaudited Results, the board of directors (the “**Board**”) of the Company hereby announces its audited annual consolidated results (“**Audited Results**”) of the Group for the year ended 31 March 2022 as follows. The major variances between Audited Results and Unaudited Results could be referred to in the section headed “**MAJOR VARIANCE BETWEEN AUDITED RESULTS AND UNAUDITED RESULTS**” in this announcement.

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

For the year ended 31 March 2022

		Year ended 31 March	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	203,598	209,608
Direct costs		<u>(160,289)</u>	<u>(191,713)</u>
Gross profit		43,309	17,895
Reversal of impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net		30	209
Loss on the Incident Transactions	2	—	(111,983)
Other income and other gains and losses	6	9,959	11,459
Administrative expenses		<u>(28,654)</u>	<u>(30,651)</u>
Profit/(loss) from operations		24,644	(113,071)
Finance costs	7	<u>(285)</u>	<u>(1,389)</u>
Profit/(loss) before taxation	8	24,359	(114,460)
Income tax (expense)/credit	9	<u>(3,391)</u>	<u>771</u>
Profit/(loss) for the year		20,968	(113,689)
Other comprehensive income for the year <i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<u>663</u>	<u>7,180</u>
Total comprehensive income for the year		<u>21,631</u>	<u>(106,509)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		19,678	(81,620)
Non-controlling interests		<u>1,290</u>	<u>(32,069)</u>
		<u>20,968</u>	<u>(113,689)</u>

		Year ended 31 March	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive income attributable to:			
Owners of the Company		20,507	(74,966)
Non-controlling interests		1,124	(31,543)
		<u>21,631</u>	<u>(106,509)</u>
Earnings/(loss) per share	<i>11</i>		
Basic		HK\$2.6 cents	HK\$(10.6) cents
		<u>HK\$2.6</u> <u>cents</u>	<u>HK\$(10.6)</u> <u>cents</u>
Diluted		HK\$2.6 cents	HK\$(10.6) cents
		<u>HK\$2.6</u> <u>cents</u>	<u>HK\$(10.6)</u> <u>cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

		As at 31 March	
	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		14,793	12,368
Right-of-use assets		3,786	4,089
Intangible assets		—	1,206
Interest in an associate		—	—
Financial asset at fair value through profit or loss		5,343	5,179
Deposits		379	44
Deferred tax assets		—	743
		<u>24,301</u>	<u>23,629</u>
Current assets			
Inventories		34,879	19,165
Trade receivables	12	20,943	21,778
Other receivables, deposits and prepayments		5,777	5,834
Contract assets		50,234	49,535
Current tax assets		2,075	2,601
Pledged bank deposits		—	40,218
Cash and cash equivalents		54,923	45,894
		<u>168,831</u>	<u>185,025</u>
Current liabilities			
Trade and other payables and accruals	13	26,143	23,246
Contract liabilities		260	40
Lease liabilities		66	257
Bank borrowings	14	3,960	44,180
Current tax liabilities		380	366
		<u>30,809</u>	<u>68,089</u>
Net current assets		<u>138,022</u>	<u>116,936</u>
Total assets less current liabilities		<u>162,323</u>	<u>140,565</u>

		As at 31 March	
	<i>Notes</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Provisions		161	47
Lease liabilities		—	66
Deferred tax liabilities		79	—
		<u>240</u>	<u>113</u>
NET ASSETS		<u>162,083</u>	<u>140,452</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	15	7,676	7,676
Reserves		186,853	166,346
		<u>194,529</u>	174,022
Non-controlling interests		<u>(32,446)</u>	<u>(33,570)</u>
TOTAL EQUITY		<u>162,083</u>	<u>140,452</u>

NOTE:

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 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**”). The trading in the shares of the Company has been suspended since 22 April 2021.

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 dollars (“**HK\$**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the “**Group**”) are disclosed below.

Suspension of trading in shares of the Company and Investigation

As described in detail in the announcements of the Company dated 22 April 2021 and 5 May 2021, the Securities and Futures Commission (“**SFC**”) and Commercial Crime Bureau of the Police (“**CCB**”) attended the Company’s office premises in Hong Kong with search warrants and arrested Mr. Lee Pui Sun (“**Mr. Lee Sr.**”), Ms. Lau Lai Ching (“**Ms. Lau**”) and Mr. Lee Ka Ho (“**Mr. Lee Jr.**”) (the “**Involved Former Directors**”) in relation to the Involved Former Directors’ alleged conspiracy to use bogus transactions to embezzle funds of the Company (the “**Alleged Bogus Transactions**”).

On 7 July 2021, SFC and Independent Commission Against Corruption (“**ICAC**”) attended the Company’s headquarters in Hong Kong with search warrants, where Mr. Lee Sr. and Mr. Lee Jr. were requested to assist ICAC for its investigation.

Trading of the Company’s shares has been suspended with effect from 22 April 2021. On 19 July 2021, the Company has been notified by the Stock Exchange of the Resumption Guidance, among others, to conduct an appropriate independent forensic investigation (“**Independent Investigation**”) into the underlying incidents of the investigations by the authorities, 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.

As announced by the Company on 7 June 2021, the Company has established an independent special investigation committee of the board of directors, consisting of three independent non-executive directors of the Company (the “**Special Investigation Committee**”) and the Special Investigation Committee has engaged RSM Corporate Advisory (Hong Kong) Limited (“**RSM Advisory**”), as an independent forensic accountant, to undertake an Independent Investigation (the “**Investigation**”) on the Alleged Bogus Transactions.

RSM Advisory issued a report in relation to its findings on the Investigation on 1 September 2022. Key findings on the investigation of the report have been published by the Company on 2 September 2022.

Scope of the Investigation

The primary scope of the Investigation included identifying, preserving and reviewing evidence which was centred around the Alleged Bogus Transactions. In the investigative process, RSM Advisory also discovered several payments of prepayments, deposits and advances (“**PPDA**”) transactions that were greater than HK\$1,000,000 in the 36 months up to 31 March 2021 and performed an analytical review in relation to the PPDA balances that are over HK\$1,000,000 as of 31 March 2021.

Summary of the key findings of the Investigation

The Investigation had certain limitations in respect of the nature and extent of the procedures conducted, mainly arising from limitations in the available information and in responses from the individuals involved. During the course of the preparation of the consolidated financial statements of the Company for the year ended 31 March 2021, the Board of Directors of the Company as of the date of this report (the “**Newly-Constituted Board**”) took into account the following findings of the Independent Investigation, considered the relevant information and supporting evidence available and used their best effort to estimate the relevant financial impact of the matters identified in the Investigation.

The Alleged Bogus Transactions

Transaction 1 — Golden Fort deposit

HK\$9,536,000 advanced by Hang Yick Gate Engineering Limited (“**HY Gate**”) an indirect wholly-owned subsidiary of the Company, to Golden Fort Trading Company Limited (“**Golden Fort**”) on 18 March 2020 pursuant to an agreement dated 10 March 2020 (the “**Golden Fort Agreement**”) signed by HY Gate for the procurement of machinery amounting to approximately HK\$23,840,000.

Transaction 2 — EF deposit

HK\$9,566,000 advanced by HY Gate to EF Company Limited (“**EF**”) on 26 March 2020 pursuant to an agreement dated 11 March 2020 (the “**EF Agreement**”) signed by HY Gate for the procurement of machinery amounting to approximately HK\$27,331,000.

Based on the Investigation, the Alleged Bogus Transactions were suspicious and did not appear to have been entered into after arm’s length negotiation.

1. There are a number of indicators which suggest that the Alleged Bogus Transactions were suspicious, inter alia:
 - (i) The suppliers were not otherwise introduced by the staff of 惠州恒益五金製品有限公司 (“**Huizhou Hengyi**”), an indirect wholly-owned subsidiary of the Company, in which its production plant would be the place to house and use the new machinery.
 - (ii) The applied exchange rates of certain purchase prices of the machinery had more than 10% difference from the prevailing exchange rates at the material time of the transactions.

- (iii) Both Golden Fort and EF had failed to supply the machinery or refund the deposits to the Group. From background search and site visits, it did not suggest that Golden Fort or EF can supply the required machinery and/or they had any clear competitive advantage above other potential suppliers.
 - (iv) The EF Agreement, the Golden Fort Agreement and all cheques for payment of the deposits in respect of these two purchases were signed by the former involved directors.
- 2. The Alleged Bogus Transactions were not entered into in compliance with the procurement process policy (“**PPE Policy**”), inter alia the required supplier’s selection process was not followed:
 - (i) The formal approval documents had not been executed and/or maintained for the Alleged Bogus Transactions.
 - (ii) The required comparable quotations pursuant to the PPE Policy from suppliers other than Golden Fort and EF were outdated and were obtained during the Initial Public Offering process which were at least 22 months before the Alleged Bogus Transactions took place.
- 3. From computer forensic review, certain agreements which may possibly be related to Golden Fort and EF were revealed. However, no clear explanation could be obtained from the former involved directors as to the background of these agreements. It cannot be ascertained, inter alia, when they first knew about Golden Fort and EF and what business and other relationships the former involved director may have with Golden Fort and EF before the machinery acquisition.
- 4. Notwithstanding that both Golden Fort and EF failed to provide concrete and reasonable explanation on the delay in the delivery of the machinery, and no security or guarantee was provided in favour of the Group, the Group agreed to the proposed repayment schedule. When Golden Fort and EF failed to refund the deposit by 30 November 2021 pursuant to a deed of settlement, the Group did not take any further recovery action until a writ of summons was issued in July 2022.

The PPDA transactions

Transaction 3 — Strategic cooperation framework agreement

An aggregate amount of RMB20,000,000 (equivalent to HK\$22,800,000) advanced by HY Gate to Capital Development Investment Holdings Limited (“**CDI Holdings**”) on 21 December 2018, 30 January 2019 and 7 March 2019 respectively as earnest money pursuant to a strategic cooperation framework agreement dated 21 December 2018 (the “**SCFA**”) signed by HY Gate for introducing and proposing property investment projects and construction projects to the Group in the People’s Republic of China, except Hong Kong (the “**PRC**”).

Transaction 4 — Kaihua project

RMB15,000,000 (equivalent to HK\$17,750,000) advanced by the 首建恒益(深圳)建築控股有限公司 (CDI Hang Yick Constructions Holding Co. Ltd. SZ) (“**CDI HY SZ**”), a non-wholly owned subsidiary of the Company, to CDI Holdings on 26 March 2019 as construction deposits pursuant to Kaihua Memorandum of Understanding dated 20 March 2019 to secure a construction contract.

Transaction 5 — Sanmen project

HK\$10,000,000 and HK\$7,600,000 (in aggregate of HK\$17,600,000 or equivalent to RMB15,000,000) advanced by CDI Hang Yick (China) Construction Company Limited (“**CDI HY HK**”), a non-wholly owned subsidiary of the Company, to CDI Holdings on 17 April 2019 and 29 April 2019, respectively as construction deposits, pursuant to the Sanmen Subcontracting Memorandum of Understanding to secure a construction contract.

Transaction 6 — Wanwei project

HK\$8,000,000 and HK\$14,155,000 (in aggregate of HK\$22,155,000 or equivalent to RMB20,000,000) advanced by CDI HY HK to 天台萬維置業有限公司 (“**Tiantai Wanwei**”) on 28 October 2019 and 30 October 2019, respectively as construction deposits, pursuant to the Wanwei Construction Memorandum of Understanding to secure a construction contract.

Transaction 7 — Foshan Project

RMB15,000,000 (equivalent to HK\$16,400,000) advanced by the 福建禾金建設工程有限公司 (“**Fujian Hejin**”), a non-wholly owned subsidiary of the Company, to 湖北瑞易泰建築工程有限公司 (“**Hubei Ruiyitai**”) on 20 September 2019 to secure a construction contract.

Transaction 8 — Loan to an associate & interest receivables

RMB15,000,000 and RMB7,500,000 (in aggregate of RMB22,500,000 or equivalent to HK\$24,626,000) advanced by CDI Hang Yick Guangdong Development Company Limited (“**CDI HY GD**”), a non-wholly owned subsidiary of the Company, to 佛山市臻裕置業投資有限公司 (“**Foshan Zhenyu**”), an associate of the Group on 12 November 2019 and 9 January 2020, respectively pursuant to a loan agreement dated 11 November 2019.

Transaction 9 — Loan to Mr. A and amount due to Capital Development Investment Company Limited (“CDI Company”)

HK\$5,000,000 advanced by CDI HY HK to Mr. A on 1 August 2019 and HK\$5,000,000 received by CDI HY HK from CDI Company, a non-controlling interest of a subsidiary of the Group, during 25 to 30 September 2019.

Based on the Investigation, the PPDA transactions may not be entered into under normal commercial arrangement and/or appear to be suspicious. Among others, the following observations were made:

- (i) All the directors claimed that they had or have limited knowledge in respect of the relevant PRC contracts or projects, and they relied on a former senior management (“**Mr. A**”) and a former director (“**Mr. B**”) to handle the relevant due diligence, compliance, contract negotiation and execution and the management of the relevant projects.
- (ii) Only transaction 3, transaction 4 and transaction 8 were tabled for the board of directors of the Company for approval.
- (iii) There has been a total lack of monitoring of the status and/or progress of the PPDA transactions. There is no information available which suggests that the directors had regular enquiry and discussion in the board meeting in respect of the PPDA transactions although there had been significant delay on the projects as asserted and/or the refund of the deposit and/or the payment of loan interest had been long overdue.

In respect of PPDA transactions related to a company, which was introduced by Mr. A to the Company, the following observations were made:

- (i) Mr. Lee Jr. has failed to report to the board of directors of the Company and/or conduct investigation in respect of the suspected funds embezzlements perpetrated by Mr. A and Mr. B of the Group, after he received a confession message in August 2020.
- (ii) Mr. Lee Jr. noted that a suspected refund of the deposit paid by the Group was paid to a company apparently controlled by Mr. B and a former employee at that time. Having considered the confession message as mentioned, such payment would be particularly suspicious. However, Mr. Lee Jr. did not report the matter to the board of directors of the Company or follow up with or take any steps to confirm the outstanding amount of the deposit.

Actions taken by the board on the Alleged Bogus Transactions and the PPDA transactions (collectively, the “Incident Transactions”)

To prevent the recurrence of similar matters in the future, the Company has appointed an internal control consultant to review the Group’s internal controls and procedures and provide recommendations and remedial measures to the Group to strengthen the existing corporate governance and internal controls, particularly measures to prevent similar incidents in the future. The Group is in the process of implementing the recommended remedial measures.

As published in the Company’s announcement dated 2 September 2022, based on the key findings of the Investigation, in addition to the improvement of internal control as set out above, the Company has been implementing the following recommendation of the Special Investigation Committee.

- reporting to the police in respect of the suspected fund embezzlements;
- engaging legal counsel and professional liquidators to take appropriate course of actions to recover the outstanding amount of the deposits and loans;
- engaging legal counsel to take appropriate course of actions against the suspected participants in the suspected fund embezzlements or the PPDA transactions;
- engaging legal counsel to take appropriate course of actions against the relevant former directors of the Company for the non-compliance with the PPE Policy, approving or allowing the payments in respect of the Incident Transactions; and
- assessing the transactions revealed in the Investigation report and making the necessary disclosures in compliance with the Listing Rules.

Financial impact of the Incident Transactions

Transaction 1 — Golden Fort deposit

The Group received payment as compensation of the loss from Mr. Lee. Sr. on 30 September 2020 and there was no financial impact on the Group’s performance for the year ended 31 March 2021.

Transaction 2 — EF deposit

Although the Group has continuously demanded repayment from EF, the Group has not received any repayment up to date. After taking into account that the deposits became long overdue and the expected recoverability of the balances, the Group has considered that it is unlikely to recover the outstanding deposits of HK\$9,566,000 and hence a special provision on deposits of HK\$9,566,000 has been made and recorded separately as a line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021.

Transaction 3 — Strategic Cooperation framework agreement

Between 28 to 30 December 2020, a sum of HK\$5,000,000 (equivalent to approximately RMB4,500,000) was received by the Group. Although the Group has continuously demanded repayment with CDI Holdings and taken appropriate legal action to recover the remaining outstanding amount, the Group has not received further repayment since 15 April 2021. After taking into account that the deposits became long overdue and the expected recoverability of the balances, the Group has considered that it is unlikely to recover the outstanding deposits of HK\$17,684,000 (equivalent to RMB15,500,000) and hence a special provision on deposits of HK\$17,684,000 has been made and recorded separately as a line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021. The Group subsequently recovered HK\$3,000,000 (equivalent to RMB2,700,000) on 15 April 2021 which was recorded as a reversal of special provision for the year ended 31 March 2022.

Transaction 4 — Kaihua project

Although the Group has continuously demanded repayment with CDI Holdings, the Group has not received any repayment up to date. After taking into account that the deposits became long overdue and the expected recoverability of the balances, the Group has considered that it is unlikely to recover the outstanding deposits of RMB15,000,000 (equivalent to HK\$17,712,000) and hence a special provision on deposits of HK\$17,712,000 has been made and recorded separately as a line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021.

Transaction 5 — Sanmen project

The Group has received the repayment of RMB7,000,000 and RMB8,000,000 (equivalent to HK\$17,500,000) from CDI Holdings on 25 September 2019 and 26 September 2019, respectively. There was no financial impact on the Group's performance for the year ended 31 March 2021.

Transaction 6 — Wanwei project

RMB8,500,000 was received by the Group during the year ended 31 March 2021. After the completion of the construction in 2022, the Group demanded Tiantai Wanwei to repay the outstanding balances, however there was a dispute on the amount to be repaid as Tiantai Wanwei requested compensation for a construction accident that occurred in 2020. After taking into account that the balance became long overdue and the current dispute with Tiantai Wanwei, the Group considered that it is unlikely to recover the outstanding deposits of HK\$13,644,000 (equivalent to RMB11,500,000) and hence a special provision on the deposits of HK\$13,644,000 has been made and recorded separately as a line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021. The Group subsequently recovered

HK\$863,000 (equivalent to RMB700,000) and HK\$933,000 (equivalent to RMB800,000) during the year ended 31 March 2022 and 31 March 2023, respectively and recorded as a reversal of special provision for the year ended 31 March 2022 and for the year ending 31 March 2023 accordingly.

Transaction 7 — Foshan project

Although the Group has continuously demanded repayment and explanation from Mr. A and Mr. B, the Group has neither received proper explanation on the transaction nor repayment up to date. After taking into account that the deposits became long overdue and the expected recoverability of the balances, the Group has considered that it is unlikely to recover the outstanding deposits of RMB15,000,000 (equivalent to HK\$17,712,000) and hence a special provision on deposits of HK\$17,712,000 has been made and recorded separately as a line item on in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021. The Group subsequently recovered HK\$3,081,000 (equivalent to RMB2,500,000) and HK\$5,817,000 (equivalent to RMB5,000,000) during the year ended 31 March 2022 and for the year ending 31 March 2023, respectively. The recovery was recorded as a reversal of special provision for the year ended 31 March 2022 and for the year ending 31 March 2023 accordingly.

Transaction 8 — Loan to an associate & interest receivable

Although the Group has continuously demanded repayment from Foshan Zhenyu, the Group has not received any repayment up to date. After taking into account that the deposits became long overdue and the current downturn of the property market in PRC, the Group has considered that it is unlikely to recover the outstanding deposits and interest receivables of approximately HK\$26,563,000 (equivalent to RMB22,500,000) and HK\$4,102,000 (equivalent to RMB3,583,000), respectively and hence a special provision on loan and interest receivables of HK\$26,563,000 and HK\$4,102,000 respectively have been made and recorded separately as a line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021.

Transaction 9 — Loan to Mr. A and amount due to CDI Company

For the amount due to CDI Company, notwithstanding the uncertainty as the validity of the transaction, the Group has recorded the balance as amount due to non-controlling interest of a subsidiary until it is certain that the amount will not need to be repaid.

For the loans to Mr. A, although the Group has continuously demanded repayment from Mr. A, the Group has not received any repayment up to date. After taking into account that the deposits became long overdue and the expected recoverability of the balance, the Group has considered that it is unlikely to recover the outstanding loan of HK\$5,000,000 and hence a special provision on loan of HK\$5,000,000 has been made and recorded separately as a line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021.

The aggregate amount of the specific provision made on the Incident Transactions of approximately HK\$111,983,000 has been recognised as “loss on the Incident Transactions” in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021 and recognised as a recovery of loss on the Incident Transactions of approximately HK\$7,344,000 for the year ended 31 March 2022 on the basis of the cash refunded. The details of the (recovery of loss)/loss on the Incident Transactions are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Alleged Bogus Transactions</i>		
— Transaction 2 — EF deposit	—	9,566
<i>The PPDA transactions</i>		
— Transaction 3 — SCFA	(3,000)	17,684
— Transaction 4 — Kauhua project	—	17,712
— Transaction 6 — Wanwei project	(863)	13,644
— Transaction 7 — Foshan project	(3,081)	17,712
— Transaction 8 — Loan to an associate	—	26,563
— Transaction 8 — Interest receivables	(400)	4,102
— Transaction 9 — Loan to Mr. A	—	5,000
	<hr/>	<hr/>
(Recovery of loss)/loss on the Incident Transactions	<u>(7,344)*</u>	<u>111,983</u>

* Included in “Other income and other gains and losses”.

Listing status of the Company

By way of letters dated 19 July 2022, the Stock Exchange imposed the following resumption guidance (the “**Resumption Guidance**”) for the Company:

- (a) 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;
- (b) 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;
- (c) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (d) demonstrate compliance with Rule 13.24;
- (e) 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;
- (f) demonstrate that the directors of the Company 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 ad 3.09 of the Listing Rules; and

- (g) announce all material information for the Company’s shareholders and other investors to appraise the Company’s position.

For details, please refer to the announcements made by the Company dated 19 July 2021.

The Stock Exchange required the Company to remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in its securities is allowed to resume and, for this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange also indicated that it may modify or supplement the Resumption Guidance if the Company’s situation changes. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 21 October 2022. If the Company fails to remedy the issue causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its shares by 21 October 2022, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company’s listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company is taking appropriate steps to remedy the issues causing the Suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in the shares is allowed to resume. On 19 October 2022, the Company submitted a resumption proposal (the “**Resumption Proposal**”) to the Stock Exchange.

On 16 December 2022, the Company received a letter (the “**Letter**”) from the Stock Exchange notifying the Company that the Listing Committee of the Stock Exchange (the “**Listing Committee**”), having considered that the Company had not met any of the Resumption Guidance, decided to cancel the Company’s listing under Rule 6.01A of the Listing Rules (the “**Decision**”). On 29 December 2022, the Company submitted an application requesting the Decision be referred to the Listing Review Committee for review pursuant to Chapter 2B of the Listing Rules. The Directors would like to remind the Shareholders and potential investors of the Company that the outcome of such review is uncertain.

Please refer to the announcements of the Company dated 21 October 2022 and 29 December 2022 for details of the progress of the Resumption.

The Company will keep its shareholders and public informed of the developments in this regard by making further announcements as and when appropriate.

Voluntary winding up and de-consolidation of the PRC business

The Newly-Constituted Board advised that since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of the PRC business subsidiary, HY China Investment Company Limited (“**HY China**”), a wholly-owned subsidiary of the Company and its subsidiaries (the “**HY China Group**”) in 2020, who the Group were unable to contact after their departure, the Newly-Constituted Board had taken all reasonable steps to preserve and maintain the basic business records of the HY China Group, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the “**Basic Records**”), that were left behind by the former management and accounting departments of the HY China Group as far as possible. However, the Newly-Constituted Board used their best endeavor to locate more specific

business records and supporting explanations of the HY China Group’s accounting records, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the “**Specific Records**”), they were unable to access the Specific Records and was unable to determine whether these Specific Records were absent in the first place or they were updated due to the departure of the former management and the accounting staff.

The Newly-Constituted Board has resolved to voluntarily wind up HY China on 18 January 2023. The Company is in progress of appointing the joint and several liquidators of HY China (the “**HY China Liquidators**”) who are expected to be appointed by February 2023. Upon appointment of the HY China Liquidators, the Group will lose control over HY China. HY China Group will therefore be de-consolidated from the consolidated financial statements of the Group in accordance with the requirements of HKFRS 10 “Consolidation Financial Statements”

Set out below the financial results and positions of the HY China Group for the reporting period:

Statement of profit or loss and other comprehensive income for the year ended 31 March:

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Impairment loss under expected credit loss model on other financial assets, net	—	(2)
Loss on the Incident Transactions	—	(84,733)
Other income and other gains and losses	4,960	7,255
Administrative expenses	(1,734)	(2,968)
Profit/(loss) before taxation	3,226	(80,448)
Income tax credit	—	250
Profit/(loss) for the year	3,226	(80,198)
Other comprehensive income for the year, net of tax		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	848	1,264
Total comprehensive income for the year	4,074	(78,934)
Profit/(loss) for the year attributable to:		
Owners of the Company	1,936	(48,129)
Non-controlling interests	1,290	(32,069)
	3,226	(80,198)
Total comprehensive income for the year attributable to:		
Owners of the Company	2,950	(47,391)
Non-controlling interests	1,124	(31,543)
	4,074	(78,934)

Statement of financial position as at 31 March

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets		
Intangible assets	—	1,206
Interest in an associate	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>1,206</u>
Current assets		
Other receivables, deposits and prepayments	406	30
Cash and cash equivalents	2,565	4,307
	<u>2,971</u>	<u>4,337</u>
Current liabilities		
Other payables and accruals	5,530	5,485
Amounts due to intragroup companies	78,600	84,108
Current tax liabilities	—*	—*
	<u>84,130</u>	<u>89,593</u>
Net current liabilities	<u>(81,159)</u>	<u>(85,256)</u>
NET LIABILITIES	<u><u>(81,159)</u></u>	<u><u>(84,050)</u></u>

* Amount less than HK\$1,000

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

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by 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 HKFRS 9, HKAS 39, Interest Rate Benchmark Reform — Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

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.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The amendments do not have an impact on these consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 April 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination — Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines for the year is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Disaggregated by major products or service lines</i>		
Provision of steel and metal engineering services	<u>186,914</u>	<u>193,873</u>
Sales of steel and metal products		
— Standardised collapsible gates	—	127
— Other steel and metal products	<u>16,684</u>	<u>15,608</u>
	<u>16,684</u>	<u>15,735</u>
Total	<u><u>203,598</u></u>	<u><u>209,608</u></u>

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major products or service lines:

	Provision of steel and metal engineering services		Sales of steel and metal products		Total	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
For the year ended 31 March						
Products transferred at a point in time	—	—	16,684	15,735	16,684	15,735
Products and services transferred over time	<u>186,914</u>	193,873	—	—	<u>186,914</u>	193,873
Total	<u><u>186,914</u></u>	<u><u>193,873</u></u>	<u><u>16,684</u></u>	<u><u>15,735</u></u>	<u><u>203,598</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.

(b) Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of steel and metal engineering services	<u>334,801</u>	<u>268,960</u>

Based on the information available to the Group at the end of the reporting period, the directors of the Company expect the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of steel and metal engineering services as of 31 March 2022 will be recognised as revenue during the years ending 31 March 2023 to 2025 (2021: 31 March 2022 to 2024).

5. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision makers (“CODM”) (being the executive directors of the Company) 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 results

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>	Sales of steel and metal products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>186,914</u>	<u>16,684</u>	<u>203,598</u>
Segment profit	<u>35,646</u>	<u>5,721</u>	41,367
Other income and other gains and losses			9,959
Administrative expenses			(26,682)
Finance costs			<u>(285)</u>
Profit before taxation			<u>24,359</u>

Year ended 31 March 2021

	Provision of steel and metal engineering services <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>193,873</u>	<u>15,735</u>	<u>209,608</u>
Segment profit	<u>11,526</u>	<u>4,351</u>	15,877
Impairment loss under expected credit loss model			(2)
Loss on the Incident Transactions			(111,983)
Other income and other gains and losses			11,459
Administrative expenses			(28,422)
Finance costs			<u>(1,389)</u>
Loss before taxation			<u>(114,460)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents profit earned/losses incurred by each segment, without allocation of impairment loss under expected credit loss model on other financial assets, certain other income and other gains and losses, loss on the Incident Transactions, certain administrative expenses, certain finance costs, and income tax expense/(credit).

	Provision of steel and metal engineering services <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts (credited) or charged included in the measures of segment results:				
<i>For the year ended 31 March 2022</i>				
Depreciation and amortisation	3,244	556	1,231	5,031
Reversal of impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net	<u>(9)</u>	<u>(21)</u>	<u>—</u>	<u>(30)</u>
<i>For the year ended 31 March 2021</i>				
Depreciation and amortisation	4,082	533	1,217	5,832
(Reversal of impairment loss)/ impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net	<u>(185)</u>	<u>(26)</u>	<u>2</u>	<u>(209)</u>

Entity-wide information

Geographical information

The Group's revenue is derived from Hong Kong and the PRC based on the location of goods delivered and services provided as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	203,039	209,597
The PRC	<u>559</u>	<u>11</u>
	<u><u>203,598</u></u>	<u><u>209,608</u></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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	3,720	3,738
The PRC	<u>15,216</u>	<u>13,925</u>
	<u><u>18,936</u></u>	<u><u>17,663</u></u>

Information about major customers

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A (<i>note b</i>)	N/A*	32,152
Customer B (<i>note a</i>)	25,653	49,207
Customer C (<i>note b</i>)	19,822	23,227
Customer D (<i>note b</i>)	N/A*	23,474
Customer E (<i>note b</i>)	36,859	N/A*
Customer F (<i>note b</i>)	33,963	N/A*
Customer G (<i>note b</i>)	<u>30,135</u>	<u>N/A*</u>

Notes:

- (a) Consist of revenue from provision of steel and metal engineering services and sales of steel and metal products.
- (b) Consist of revenue 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.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income		
Interest income from bank deposits	52	81
Interest income from loan to an associate	—	3,091
Government subsidies (<i>note</i>)	419	6,816
Sales of scrap materials	257	361
Others	499	628
	<u>1,227</u>	<u>10,977</u>
Other gains and losses		
Fair value gain/(loss) on financial asset at fair value through profit or loss	164	(975)
Recovery of loss on the Incident Transactions (<i>note 2</i>)	7,344	—
Net foreign exchange gains	774	1,514
Gain/(loss) on disposal of property, plant and equipment	450	(57)
	<u>8,732</u>	<u>482</u>
	<u>9,959</u>	<u>11,459</u>

Note:

During the year ended 31 March 2022, the Group recognised government grants of approximately HK\$419,000 in respect of Ex-gratia Payment Scheme for phasing out Euro IV diesel commercial vehicles. During the year ended 31 March 2021, the Group recognised government grants of approximately HK\$6,816,000 in respect of COVID-19 related subsidies, of which approximately HK\$2,602,000 and HK\$4,124,000 relates to the Employment Support Scheme and the Construction Industry Anti-epidemic Fund respectively provided by the Hong Kong Special Administrative Region Government. The Group did not have any unfulfilled conditions or contingencies relating to these subsidies.

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	278	1,356
Interest on lease liabilities	7	33
	<u>285</u>	<u>1,389</u>

8. PROFIT/(LOSS) BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss) before taxation has been arrived at after charging/ (crediting):		
Auditor's remuneration	3,510	3,145
Depreciation on property, plant and equipment	3,353	3,103
Depreciation of right-of-use assets	445	1,565
Direct costs	160,289	191,713
(Gain)/loss on disposal of property, plant and equipment (included in direct costs and administrative expenses)	(450)	144
Amortisation of intangible assets	1,233	1,164
Loss on the Incident Transactions	—	111,983
Employee benefits expenses inclusive of directors' emoluments:		
Directors' emoluments	1,779	4,840
Other staff costs:		
Salaries, wages and other benefits	70,750	101,878
Retirement benefits scheme contributions	3,447	3,161
Equity-settled share option expenses	—	767
	<u>74,197</u>	<u>105,806</u>

Direct cost for the year ended 31 March 2022 includes approximately HK\$50,883,000 (2021: HK\$70,187,000) relating to staff costs, depreciations and loss on disposal of property, plant and equipment, which amount is also included in the respective total amount disclosed separately above for each of these types of expenses.

9. INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) has been recognised in profit or loss as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	2,503	—
The PRC Enterprise Income Tax ("EIT")	3	—
Under/(over)-provision in prior years	63	(206)
	<u>2,569</u>	<u>(206)</u>
Deferred tax — Origination and reversal of temporary differences	822	(565)
	<u>3,391</u>	<u>(771)</u>

Under the two-tiered Profits Tax regime, the first HK\$2,000,000 of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profits Tax rate regime will continue to be taxed at a rate of 16.5%.

The Company's subsidiaries in the PRC are subject to EIT rate at 25%.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

According to the PRC EIT law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

10. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 March 2022 (2021: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share (profit/(loss) for the year attribute to owners of the Company)	<u>19,678</u>	<u>(81,620)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted earnings/(loss) per share	<u>767,600,000</u>	<u>767,600,000</u>

Note:

There were no adjustments for the effects of potential ordinary shares arising from outstanding share options as the respective average share price of the Company during the years ended 31 March 2021 and 2022 did not exceed the exercise price of the then outstanding share options, hence they were anti-dilutive and ignored in the calculation of diluted earnings/(loss) per share.

12. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	21,884	22,796
Less: Allowance for credit losses	<u>(941)</u>	<u>(1,018)</u>
Total	<u><u>20,943</u></u>	<u><u>21,778</u></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 denominated in HK\$ and presented based on the date of payment certificate on progress payments of contract works or the invoice date which approximates the date of revenue recognition for sales of metal and steel products at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	8,206	3,338
31–60 days	5,163	11,317
61–90 days	951	1,304
Over 90 days	<u>6,623</u>	<u>5,819</u>
	<u><u>20,943</u></u>	<u><u>21,778</u></u>

As at 31 March 2022, included in the Group's trade receivables balance are receivables with aggregate carrying amount of approximately HK\$15,038,000 (2021: HK\$8,119,000) which are past due as at the end of the reporting period. Out of the past due balances, approximately HK\$7,108,000 (2021: HK\$5,555,000) has been past due 90 days or more and is not considered as in default because the receivables were related to a number of independent customers with long term business relationship that have good repayment records with the Group. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	3,807	6,266
Accrued staff costs	9,085	7,789
Accruals and others	<u>13,251</u>	<u>9,191</u>
	<u><u>26,143</u></u>	<u><u>23,246</u></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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	2,180	2,797
31–60 days	825	625
61–90 days	10	2,242
Over 90 days	<u>792</u>	<u>602</u>
	<u><u>3,807</u></u>	<u><u>6,266</u></u>

14. BANK BORROWINGS

The carrying amounts of the Group's bank borrowings are repayable as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	220	40,220
Portion of borrowings that are due for repayment after one year but contain a repayment on demand clause	<u>3,740</u>	<u>3,960</u>
Amount due for settlement within 12 months (shown under current liabilities)	<u><u>3,960</u></u>	<u><u>44,180</u></u>

At the end of the reporting period, the bank borrowings are secured by the following assets of the Group and a corporate guarantee granted by the Company:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deposit placed for a life insurance policy	5,343	5,179
Pledged bank deposits	—	40,218
	<u>5,343</u>	<u>45,397</u>

During both years, HY Gate had breached certain financial covenant terms in relation to the debt-asset ratio requirements of the Group which constitute an early repayment option by the bank in relation to bank borrowings with an aggregate amount of approximately HK\$3,960,000 (2021: HK\$44,180,000). The bank has not requested for the early repayment of the bank borrowings and the Group repaid HK\$40,000,000 with its existing working capital during the year 2022. Notwithstanding the above, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

All borrowings are denominated in HK\$.

The ranges of the interest rates per annum at the end of the reporting period are as follows:

	2022	2021
Variable interest rate:		
— Bank borrowings	<u>1.06%</u>	<u>0.97%–2.13%</u>

The bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The directors estimate that the carrying amounts of the Group's borrowings are not materially different from their fair value as at 31 March 2022 and 2021.

15. SHARE CAPITAL

	As at 31 March	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:		
3,800,000,000 ordinary shares of HK\$0.01 each	<u>38,000</u>	<u>38,000</u>
Issued and fully paid:		
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 the years ended 31 March 2022 and 2021.

AUDIT OPINION

RSM Hong Kong, the independent auditor of the Company, has issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 March 2022. An extract of the independent auditor's report is set out below.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Issues arising from the Investigation

As explained in the section entitled "*Suspension of trading in shares of the Company and Investigation*" in note 2(a) to the consolidated financial statements, three executive directors of the Company (the "**Involved Former Directors**") were arrested for suspected market misconduct and fraud by the Securities and Futures Commission, the Commercial Crime Bureau of the Hong Kong Police Force and the Independent Commission Against Corruption (collectively the "**Authorities**") in April 2021 and July 2021 respectively. The Involved Former Directors were alleged to have conspired to use bogus transactions to embezzle funds of the Company (the "**Alleged Bogus Transactions**").

As at the date of this report, no formal charge has been made against the Involved Former Directors and each of the Involved Former Directors has resigned from his/or her position as executive director of the Company 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.

In response to this, the board of directors of the Company established a special investigation committee (the "**SIC**") in May 2021 to carry out an independent investigation and engaged an independent forensic accountant to conduct an independent forensic investigation to assist the SIC in addressing the incidents leading to the investigations by the Authorities (collectively, the "**Independent Investigation**").

Upon consideration of the findings of the Independent Investigation, the SIC identified that the Alleged Bogus Transactions and certain payments of prepayments, deposits and advances (“**PPDA**”) transactions that occurred during the years ended 31 March 2019 and 2020 (collectively, the “**Incident Transactions**”) related to irregularities which involved the Involved Former Directors, a former director, a former employee and/or their business associates.

The board of directors of the Company as of the date of this report (the “**Newly-Constituted Board**”) were of the opinion that the Incident Transactions were suspicious and the nature of these transactions may be different from what was stated on the relevant underlying documents. Despite the recovery actions taken, the Newly Constituted Board considered that it was highly uncertain to recover the outstanding balances. Accordingly, the Group recognised an impairment loss on the Incident Transactions of approximately HK\$111,983,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021.

We were unable to obtain sufficient appropriate audit evidence to ascertain:

- (i) the business rationale and commercial substance of the Incident Transactions;
- (ii) the completeness, accuracy and validity of the underlying documents of the Incident Transactions;
- (iii) the completeness, accuracy and validity of the carrying amounts of the resulting balances of the Incident Transactions carried forward from previous years;
- (iv) whether the counterparties of the Incident Transactions were related parties of the Group in accordance with Hong Kong Accounting Standard (“**HKAS**”) 24 “Related Party Disclosures” or connected parties as defined under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”); and
- (v) whether the impairment loss on the Incident Transactions of approximately HK\$111,983,000 was properly recorded for the year ended 31 March 2021.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of the Incident Transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2022 and the related disclosures.

Insufficient accounting records of certain subsidiaries of the Group

As explained in the section entitled “*Voluntary winding up and de-consolidation of the PRC business*” in note 2(c) to the consolidated financial statements, the Newly-Constituted Board advised that since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of the PRC business subsidiary, HY China Investment Company Limited (“**HY China**”), a wholly-owned subsidiary of the Company and its subsidiaries (the “**HY China Group**”) in 2020, who the Group were unable to contact after their departure, the Company has retained the basic business records of the HY China Group, including but not limited to management accounts, ledgers and sub-ledgers accounts, certain vouchers, bank statements, certain agreements and documentation (collectively referred to as the “**Basic Records**”), that were left behind by the former management and accounting departments of the HY China Group as far as possible. The Basic Records were not considered to be of a sufficient level for our audit purposes. More specific business records and supporting explanations of the HY China Group’s accounting records were needed for our audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the “**Specific Records**”).

In the absence of the Specific Records of the HY China Group following the departure of certain former key management personnel in 2020, the Newly-Constituted Board considered that they could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting department and they were unable to determine whether these Specific Records were complete in the first place, and they had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records.

The Newly-Constituted Board has resolved to voluntarily wind up HY China on 18 January 2023. The Company is in progress of appointing the joint and several liquidators of HY China (the “**HY China Liquidators**”) who are expected to be appointed by February 2023. Upon appointment of the HY China Liquidators, the Group will lose control over HY China. HY China Group will therefore be de-consolidated from the consolidated financial statements of the Group in accordance with the requirements of HKFRS 10 “Consolidation Financial Statements”.

As a result of the above matters, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the year ended 31 March 2022 and the assets and liabilities as at 31 March 2022 as detailed in note 2(c) in the section entitled “*Voluntary winding up and de-consolidation of the PRC business*” and other related disclosure notes in relation to the HY China Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2022.

Opening balances and the comparative information

As described in the preceding paragraphs, due to the absence of sufficient supporting documents and more detailed explanations in relation to the accounting records in connection to the opening balances and comparative information made available to the Newly-Constituted Board from the former management of the Group in respect of Incident Transactions and HY China Group, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 March 2021 and the transactions and notes to financial statements of the Group and Company for the year then ended. Any adjustments that might have been found necessary to the Group's consolidated statement of financial position as at 31 March 2021 and 1 April 2021 would have a consequential effect on the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2022.

MAJOR VARIANCE BETWEEN AUDITED RESULTS AND UNAUDITED RESULTS

Listed out below are the variances between Audited Results and Unaudited Results:

	Audited Results <i>HK\$'000</i>	Unaudited Results <i>HK\$'000</i>	Variance <i>HK\$'000</i>	<i>Note</i>
RESULTS				
Revenue	203,598	205,507	(1,909)	1
Cost of sales	<u>(160,289)</u>	<u>(159,301)</u>	(988)	2
Gross profit	43,309	46,206		
Other income and other gains and losses	9,959	2,104	7,855	3
Other expenses, net	<u>(32,300)</u>	<u>(30,926)</u>	(1,374)	4
Profit for the year	20,968	17,384		
ASSETS AND LIABILITIES				
Total assets	193,132	219,186	(26,054)	5
Total liabilities	<u>31,049</u>	<u>27,450</u>	3,599	6
Total equity	<u><u>162,083</u></u>	<u><u>191,736</u></u>		

Notes:

1. The difference mainly arose in the timing difference of revenue recognition.
2. The difference mainly arose in the increase in cost of staff cost accrued for the PRC factory.
3. The difference mainly arose in the other gains and losses from recovery from Incident Transactions during the year.
4. The difference mainly arose from the increase in auditor's remuneration after changing the auditor of the Group from Elite Partners CPA Limited to RSM.
5. The difference mainly arose from the aggregate effect of:
 - (i) the allowances for Transaction 6 of approximately RMB11,500,000 (equivalents to HK\$13,644,000). The Board did not make such provision in the unaudited result as the Group was in primary discussion regarding the refund of deposits while it was unlikely for the Group to recover the entire amount and the Board considered it is more appropriate to make provision in full as at the year ended 31 March 2021;
 - (ii) the increase in allowances for Transaction 3 and 7 of approximately HK\$6,372,000 which was not provided in the unaudited result. The Board considered that further provision is required as the recoverability of such balances are remote as at 31 March 2021 and the subsequent repayment should have been recorded to profit or loss in subsequent financial years.
6. The difference mainly arose from the increase in accrued staff cost and auditor's remuneration as mentioned in (2) and (4) above.

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):

Project type	Location
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\$186.9 million (2021: HK\$193.9 million) and secured new contracts with aggregate contract sum of HK\$228.9 million. As at 31 March 2022, the total value of contracts on hand which the performance obligations that were unsatisfied (or partially unsatisfied) was HK\$334.8 million.

Sales of steel and metal products

Revenue from the sales of steel and metal products decreased by approximately 6% as a result of the decrease in demand of the collapsible gates.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Save as disclosed in the sections headed "RESUMPTION GUIDANCE" and "INDEPENDENT INVESTIGATION" below and in the announcements of the Company dated 30 November 2022 in relation to the interim results for six months ended 30 September 2022, the Group had no other significant event requiring disclosure subsequent to 31 March 2022 and up to the date of this announcement.

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 2.9% from approximately HK\$209.6 million in FY2021 to approximately HK\$203.6 million in FY2022, which was driven by the decrease in revenue from the provision of steel and metal engineering services.

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>%</i>	<i>HK\$'000</i>	<i>%</i>
Provision of steel and metal engineering services	186,914	91.8	193,873	92.5
Sales of steel and metal products	16,684	8.2	15,735	7.5
	<u>203,598</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 3.6%, from approximately HK\$193.9 million in FY2021 to approximately HK\$186.9 million in FY2022.

Sales of steel and metal products

Revenue from the sales of steel and metal products increased by approximately 6.0% from approximately HK\$15.7 million in FY2021 to approximately HK\$16.7 million in FY2022. The increase was mainly attributable to increase in construction activities after the ease of COVID-19 pandemic.

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 16.4% from approximately HK\$191.7 million in FY2021 to approximately HK\$160.3 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 142.0% from approximately HK\$17.9 million in FY2021 to approximately HK\$43.3 million in FY2022 and the gross profit margin increased from approximately 8.5% for FY2021 to approximately 21.3% 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 and other gains and losses

Other income of the Group has decreased from approximately HK\$11.4 million in FY2021 to approximately HK\$9.9 million in FY2022.

The decrease in other income and other gains and losses was mainly due to the decrease in government subsidies from HK\$6.8 million to HK\$0.4 million and the decrease in interest income from associate of HK\$3.1 million while offset by the increase in recovery of loss on the Incident Transactions of HK\$7.3 million.

Loss on the Incident Transactions

In respect of key findings of the Independent Investigation of the Alleged bogues transaction and the PPDA transactions, certain PPDA 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 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\$112.0 million have been made and recorded it separately in FY2021.

The Board will continue to update the status of the progress and the amount that have been recovered by the Company.

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 6.5% from approximately HK\$30.7 million in FY2021 to approximately HK\$28.7 million in FY2022.

Income tax expense/credit

Our income tax expense was HK\$3.4 million in FY2022 while the Group recognised tax credit of HK\$0.8 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\$19.7 million in FY2022 as against a loss attributable to the owner of the Company of approximately HK\$81.6 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\$193.1 million (2021: HK\$208.7 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 Group as at the end of the respective years and multiplied by 100%, was approximately 2% (2021: approximately 25.4%). 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\$15.2 million in its operating activities, a net cash inflow of approximately HK\$35.0 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\$40.8 million in its financing activities (mainly due to repayment of bank borrowings).

Borrowings

The major source of debt financing of the Group was mainly borrowings from banks. As at 31 March 2022, the Group had bank borrowings of approximately HK\$4.0 million (2021: HK\$44.2 million). During both years, HY Gate had breached certain financial covenant terms in relation to the debt-asset ratio requirements of the Group which constitute an early repayment option by the bank in relation to bank borrowings with an aggregate amount of approximately HK\$3,960,000 (2021: HK\$44,180,000). The bank has not requested for the early repayment of the bank borrowings and the Group repaid HK\$40,000,000 with its existing working capital during the year 2022. Notwithstanding

the above, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group. 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\$5.3 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\$45.4 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 dollars 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\$0.6 million (2021: Nil).

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:

	Planned (HK\$'000)	Net Proceeds Utilised as at 31 March 2021 (HK\$'000)	Net Proceeds Utilised during the year ended 31 March 2022 (HK\$'000)	Net Proceeds Utilised as at 31 March 2022 (HK\$'000)	Unutilised (HK\$'000)	Estimated Schedule (Note)
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.

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\$75.9 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 31 March 2021	Forfeited	As at 31 March 2022
Senior management and other employees	11 January 2019	11 January 2022 to 10 January 2024	1.53	4,400,000	4,225,000	(375,000)	3,850,000
		11 January 2023 to 10 January 2024	1.53	4,400,000	4,225,000	(375,000)	3,850,000

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 Advisory 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 Advisory;

- (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) has published the audited 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 and 30 September 2022;
- (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 Former Directors and ensure that none of the Involved Former Directors and their respective associates hold any position in the board of directors and/or senior management of the Group;
- (vi) appointed new executive Directors to oversee the management and daily operation of the Group and an independent non-executive Chairman since the suspension of duties of the Involved Former 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 Advisory (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 Advisory 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 Former Directors, the Board has resolved that the Involved Former Directors were no longer suitable in holding any position within the Group. Each of the Involved Former 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 has resolved to voluntarily wind up HY China and 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 OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 March 2022, including the accounting principles and practices adopted by the Group, have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and audited by the auditor of the Company (the “**Auditor**”), RSM Hong Kong.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

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 year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect 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 RSM Hong Kong on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report will be dispatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The Company will issue a separate announcement regarding the date of the upcoming AGM, and the dates of closure of register of members 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
Leung Fuk Shun
Chairman

Hong Kong, 31 January 2023

As at the date of this announcement, the Board comprises Mr. Sin Kwok Chi, Stephen, and Mr. Ho Chi Yuen as executive Directors, and Mr. Leung Fuk Shun, Mr. Au Yeung Wai Key, Mr. Cheung Chun Man Anthony and Mr. Tse Ka Ching Justin as independent non-executive Directors.