恒益控股有限公司

HANG YICK HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1894

2020/21

ANNUAL REPORT

Contents

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Articles"	the amended and restated articles of association of the Company adopted on 19 September 2018 with effect from the Listing Date, and as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CDI Company"	Capital Development Investment Company Limited, a company incorporated in the BVI with limited liability which is an investment holding company wholly owned by Mr. Pang Ming, our former executive Director
"CDI HY GD"	CDI Hang Yick Guangdong Development Limited* (首建恒益(廣東)實業發展有限公司), a limited liability company established in the PRC, and as at the date of this annual report, an indirect non-wholly owned subsidiary of our Company
"CDI HY HK"	CDI Hang Yick (China) Construction Company Limited (首建恒益(中國)建築控股有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect non-wholly owned subsidiary of our Company
"CDI HY SZ"	CDI Hang Yick Construction Holdings Co. Ltd. SZ* (首建恒益(深圳)建築控股有限公司), a limited liability company established in the PRC, which is an indirect non-wholly owned subsidiary of our Company
"CDI Shankly"	CDI Shankly Capital Holdings Company Limited, a company incorporated in the BVI with limited liability which is an investment holding company wholly owned by Mr. Wu Hing Yin Remzi, a former senior management
"Company" or "our Company"	Hang Yick Holdings Company Limited (恒益控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2018
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Mr. Lee Sr., Ms. Lau and HY Steel
"Director(s)"	the director(s) of our Company
"Fujian Hejin"	Fujian Hejin Construction Engineering Limited* (福建禾金建設工程有限公司), a limited liability company established in the PRC, and as at the date of this annual report, an indirect non-wholly owned subsidiary of our Company
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

"HK$" or "HK dollars" or "cents"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Huizhou Hengyi"	Huizhou Hengyi Wujin Zhipin Limited* (惠州恒益五金製品有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of our Company
"Huizhou Yicun"	Huizhou Yicun Steel Structural Engineering Limited* (惠州市溢存鋼結構工程有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of our Company
"HY Capital"	HY Capital Holdings Company Limited, a company incorporated in the BVI with limited liability which is owned as to 60% by HY China, 25% by Capital Development and 15% by CDI Shankly
"HY China"	HY China Investment Company Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of our Company
"HY Gate"	Hang Yick Gate Engineering Limited (恒益捲閘工程有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of our Company
"HY Metal"	HY Metal Company Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of our Company
"HY Steel"	HY Steel Company Limited, a company incorporated in the BVI with limited liability which is owned as to 70% by Mr. Lee Sr. and 30% by Ms. Lau, as one of our Controlling Shareholders
"Listing Date"	12 October 2018
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Mr. Lee Sr."	Mr. Lee Pui Sun (李沛新先生), our former Chairman, former chief executive officer, former executive Director and Controlling Shareholder, the spouse of Ms. Lau
"Ms. Lau"	Ms. Lau Lai Ching (劉麗菁女士), our former executive Director and Controlling Shareholder, the spouse of Mr. Lee Sr.
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China"	The People's Republic of China
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shares"	ordinary shares of our Company with a nominal value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Shares
"Share Option Scheme"	a share option scheme passed pursuant to a written resolution by the Shareholder on 19 September 2018
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

The English names of marked with "" are unofficial English translations of the Chinese names of, among others, entities, laws or regulations or government authorities, that do not have official English names. If there is any inconsistency, the Chinese names shall prevail.*

This annual report is publish in both English and Chinese languages. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sin Kwok Chi Stephen *(Chief Executive Officer) (appointed as Chief Executive Officer on 9 June 2021 and appointed as Chairman on 21 October 2022, ceased to be Chairman on 18 January 2023)*

Mr. Ho Chi Yuen *(appointed on 18 January 2023)*

Mr. Lee Pui Sun *(duties as Chairman and Chief Executive Officer suspended on 5 May 2021, resigned on 14 September 2022)*

Mr. Lau Lai Ching *(duties suspended on 5 May 2021, resigned on 14 September 2022)*

Mr. Lee Ka Ho *(duties suspended on 5 May 2021, resigned on 14 September 2022)*

Mr. Pang Ming *(resigned on 29 September 2020)*

Non-executive Directors

Mr. Lee Ka Chun Benny *(appointed as interim Chairman on 5 May 2021, resigned on 21 October 2022)*

Mr. Zhang Chen *(resigned on 31 December 2020)*

Independent Non-executive Directors

Mr. Au Yeung Wai Key

Mr. Tse Ka Ching Justin

Mr. Cheung Chun Man Anthony *(appointed on 31 March 2021)*

Mr. Leung Fuk Shun *(Chairman) (appointed as Chairman on 18 January 2023)*

Mr. Wun Wai Yee Duncan *(appointed on 15 October 2020 and resigned on 31 March 2021)*

Hon Cheung Kwok Kwan, *JP* *(resigned on 25 September 2020)*

AUDIT COMMITTEE

Mr. Tse Ka Ching Justin *(Chairman)*

Mr. Au Yeung Wai Key

Mr. Cheung Chun Man Anthony

REMUNERATION COMMITTEE

Mr. Au Yeung Wai Key *(Chairman)*

Mr. Cheung Chun Man Anthony

Mr. Tse Ka Ching Justin

NOMINATION COMMITTEE

Mr. Cheung Chun Man Anthony *(Chairman)*

Mr. Au Yeung Wai Key

Mr. Tse Ka Ching Justin

COMPANY SECRETARY

Mr. Chui Man Lung Everett *(appointed on 18 November 2021)*

Mr. Lo Chu Wing *(appointed on 31 March 2021 and resigned on 18 November 2021)*

Mr. Leung Wing Lun *(HKICPA) (resigned on 31 March 2021)*

AUTHORISED REPRESENTATIVES (FOR THE PURPOSE OF THE LISTING RULES)

Mr. Sin Kwok Chi Stephen *(appointed on 21 July 2021)*

Mr. Chiu Man Lung Everett *(appointed on 18 November 2021)*

Mr. Lo Chu Wing *(appointed on 31 March 2021 and resigned on 18 November 2021)*

Mr. Lee Ka Ho *(HKICPA) (ceased on 21 July 2021)*

Mr. Leung Wing Lun *(HKICPA) (resigned on 31 March 2021)*

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, Upper G/F
Stage 4 Yau Tong Industrial Building
18–20 Sze Shan Street
Yau Tong, Kowloon, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

RSM Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Bank of China Huizhou Lilin Branch
Agricultural Bank of China Huizhou Lilin Branch

STOCK CODE

1894

COMPANY WEBSITE

http://www.hy-engineering.com

BUSINESS REVIEW AND EVENTS AFTER REPORTING PERIOD

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 Sr., 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 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 Huizhou Hengyi 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 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 ("IPO") 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 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 directors 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 Renminbi ("RMB")20,000,000 (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, excepted Hong Kong (the "PRC").

Transaction 4 — Kaihua project

RMB15,000,000 (equivalent to HK$17,750,000) advanced by the CDI HY SZ a non-wholly owned subsidiary of the Company, to CDI Holdings on 26 March 2019 as construction deposit 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 HY HK, 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 Fujian Hejin 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 HY GD 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 a former senior management ("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 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 of directors 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 recommendations 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.

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:

(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;

(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 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

(vii) 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 to the Stock Exchange.

On 16 December 2022, the Company received a 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 ("Review") pursuant to Chapter 2B of the Listing Rules. The hearing of the Review has been fixed on 24 March 2023. The directors of the Company 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, 29 December 2022 and 31 January 2023 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 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 Hong Kong Financial Reporting Standard ("HKFRS") 10 Consolidation Financial Statements.

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's 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 Group. 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 FY2021, 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	Tai Po
Private Commercial Development	Chek Lap Kok

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 FY2021, this segment recorded a revenue of approximately HK$193.9 million (2020: HK$174.8 million) and secured new contracts with aggregate contract sum of HK$231.2 million. As at 31 March 2021, the total value of contracts on hand which the performance obligations that were unsatisfied (or partially unsatisfied) was HK$268.9 million.

Sales of steel and metal products

Revenue from the sales of steel and metal products decreased by approximately 38% as a result of the decrease in demand of the collapsible gates.

PROSPECTS

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 increased by approximately 4.6% from approximately HK$200.4 million in FY2020 to approximately HK$209.6 million in FY2021, which was driven by the increase 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 the two segments revenue by amount and a percentage of the revenue for the periods presented:

	Year ended 31 March			
Segment Revenue	**2021**		2020	
	HK$'000	**%**	HK$'000	%
Provision of steel and metal engineering services	**193,873**	**92.5**	174,773	87.2
Sales of steel and metal products	**15,735**	**7.5**	25,607	12.8
	209,608	**100**	200,380	100

Provision of steel and metal engineering services

Revenue from the provision of steel and metal engineering services increased approximately 10.9%, from approximately HK$174.8 million in FY2020 to approximately by HK$193.9 million in FY2021.

The increase in revenue was primarily due to the completion of three short term projects during FY2021.

Sales of steel and metal products

Revenue from the sales of steel and metal products decreased by approximately 38.6% from approximately HK$25.6 million in FY2020 to approximately HK$15.7 million in FY2021. The decrease was driven by the decrease in the demand of the standardised collapsible gates and the steel and metal products as a result of the decrease in the demand during the 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 increased by approximately 27.3% from approximately HK$150.6 million in FY2020 to approximately HK$191.7 million in FY2021. The increase was mainly attributable to an increase in the labour costs.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 64.1% from approximately HK$49.8 million in FY2020 to approximately HK$17.9 million in FY2021 and the gross profit margin decreased from approximately 24.8% for FY2020 to approximately 9.3% for FY2021.

The decrease in gross profit margin was mainly due to the adverse economic environment caused by COVID-19 pandemic which led to an increase in operating expenses and the level of competition in the market.

Other income and other gains and losses

Other income and other gains and losses of the Group has increased from approximately loss of HK$0.2 million in FY2020 to approximately gain of HK$11.0 million in FY2021. The increase in other income was mainly due to the government subsidies of HK$6.7 million under the “Employment Support Scheme” and the Construction Industry Antiepidemic Fund provided by the Hong Kong Special Administrative Region Government during FY2021.

Loss on the Incident Transactions

In respect of key findings of the Independent Investigation of the alleged bogues transaction and the PPDA transactions, certain payments of prepayment, deposit and advances transactions 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 annual report, 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 separately as a line item 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 costs decreased from approximately HK$2.1 million in FY2020 to approximately HK$1.4 million in FY2021. 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 slightly increased by approximately 2.5% from approximately HK$29.9 million in FY2020 to approximately HK$30.7 million in FY2021.

Income tax credit/expense

Our income tax expense was HK$5.4 million in FY2020 while the Group recognised income tax credit of HK$0.8 million in FY2021.

The change was mainly due to deteriorated performance of the Group and recognition of deferred tax assets during FY2021.

(Loss)/profit 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 incurred loss attributable to the owners of the Company of approximately HK$81.6 million in FY2021 as against a profit of approximately HK$12.2 million in FY2020.

Although the Group suffered in this year's financial result, we had started to restructure the Group by simplifying the number of staff and fading out under-performing business. The Group has also secured a recorded high contract value of approximately HK$230 million in FY2021 and the contract on hand has surpassed the prior year level which offers a good basis for the Group to overcome the situation in near turn.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2021, the Group had total cash and cash equivalents of approximately HK$45.9 million (2020: HK$60.6 million), total assets of approximately HK$208.7 million (2020: HK$333.3 million) and total interest-bearing debts of approximately HK$44.2 million (2020: HK$64.4 million).

The gearing ratio of the Group, calculated based on the total interest-bearing debts (including bank borrowings) divided by the total equity attributable to owners of the Company as at the end of the respective years and multiplied by 100%, was approximately 25.4% (2020: approximately 25.9%). 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 a decrease in the balance of cash and cash equivalents of approximately HK$14.7 million from approximately HK$60.6 million as at 31 March 2020 to approximately HK$45.9 million as at 31 March 2021.

During FY2021, the Group has a net cash inflow of approximately HK$3.9 million in its operating activities (mainly due to the decrease in contract assets), a net cash inflow of approximately HK$1.1 million in its investing activities (mainly due to decrease in amount due from a related company), and a net cash outflow of approximately HK$23.1 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 2021, the Group had bank borrowings of approximately HK$44.2 million (2020: HK$64.4 million). During the year ended 31 March 2021, 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$44,180,000. The bank has not requested for the early repayment of the bank borrowings and the Group subsequently repaid HK$40,000,000 with its existing working capital. 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%–2.0% per annum.

CHARGE ON THE GROUP'S ASSETS

As at 31 March 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 (2020: HK$46.3 million) was pledged to the banks to secure the general facility granted to the Group.

LITIGATION, CLAIMS AND NON-COMPLIANCES

For FY2021, the Group was not engaged in any material litigation or arbitration and no material litigation or claim is known to the Directors to be pending or threatened against the Group.

FOREIGN EXCHANGE EXPOSURE

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

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

INTEREST RATE RISK

The Group is exposed to interest rate risk primary to the bank facilities with floating interest rate. For FY2020 and FY2021, 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 FY2021, the Group has contributed approximately HK$4.3 million in the acquisition of property, plant and equipment. The contributions are mainly for the expansion of our production capacity, of which approximately HK$4.3 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 2021, the Group had no expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of certain plant and equipment (2020: approximately HK$32.6 million).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2020 and 31 March 2021.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and associated companies during FY2021.

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group provides steel and metal engineering services ranging from design, manufacture, supply and installation of steel and metal products for construction projects in Hong Kong. The Group also sells its steel and metal products to customers, which the Group is not required to provide installation works and after-sale services. Details of the principal activities of the principal subsidiaries are set out in note 44 of the consolidated financial statements of the Group in this annual report.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 March 2021 and the discussion on the Group's future business development are set out in the section headed "Management Discussion and Analysis" in this annual report. The description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis" on pages 10 to 25 of this annual report.

The environmental policies and performance, and relationships with employees are set out in the Environmental, Social and Governance Report on pages 53 to 60 of this annual report.

Relationships with employees, customers and suppliers

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

Employees

Employees are regarded as important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing performance appraisal system, and to promote career development and progression by offering training and providing opportunities within the Group for career advancement.

Customers

The Group's principal customers are construction companies in Hong Kong who subcontract the steel and metal engineering works of their projects to us, as well as small and medium size contracts and engineering companies. The Group provides professional and quality services whilst maintaining long term profitability and business growth.

Suppliers

We firmly believe that our suppliers are equally important in cost control and increasing our bargaining power on procurement of materials, which further secures our competitive position when bidding for tenders. We proactively communicate with our subcontractors and suppliers to ensure they are committed to delivering high-quality and sustainable products and services. Unless the customers require us to engage subcontractors and suppliers nominated by them, we will select subcontractors and suppliers from our pre-qualified lists of subcontractors and suppliers. In addition, during the continuance of the contracts with our subcontractors, we will supply them with our internal guidelines on safety and environmental issues and require them to follow.

During the year ended 31 March 2021, there was no material dispute or disagreement between the Group and its employees, customers or suppliers.

Compliance with the relevant laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. So far as the Directors is aware, the Group has complied in all material respects with the relevant laws and regulations that have significant impact on the business of the Group.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report.

The Board did not recommended the payment of final dividend for the year ended 31 March 2021.

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 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 2021, the net proceeds from the global offering had been applied as follows:

	Planned (HK$'000)	**Net Proceeds Utilised as at 31 March 2020** (HK$'000)	**Net Proceeds Utilised during the year ended 31 March 2021** (HK$'000)	**Net Proceeds Utilised as at 31 March 2021** (HK$'000)	**Unutilised** (HK$'000)	**Estimated schedule** (Note)
Acquiring machines to replace and enhance the Group's production capacity	51,200	21,429	(8,639)	12,790	38,410	2021–2022
Expanding the Group's workforce in Hong Kong and the PRC	33,700	4,979	10,529	15,508	18,192	2021–2022
Renovation and re-design of the Group's existing production facilities	24,100	903	—	903	23,197	2021–2022
Purchasing delivery trucks	5,000	412	218	630	4,482	2020–2021
Upgrading the Group's information technology system and equipment	3,500	2,429	1,071	3,500	—	Fully utilised
General working capital	12,500	12,500	—	12,500	—	Fully utilised
	130,000	42,652	3,179	45,831	84,169	

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 2021, 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 were 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 2020 included an amount of HK$19.1 million related to the Alleged Bogus Transactions. The Group have recovered HK$9.6 million during the year and will continue to take action to recover the remaining 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.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the five financial years is set out on page 152 of this annual report. This summary does not form part of the Group's consolidated financial statements.

DONATIONS AND CONTRIBUTIONS

During the year, the Group did not make donations and contributions.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 March 2021 are set out in note 33 to the consolidated financial statements in this annual report.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2021.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DISTRIBUTABLE RESERVES

At 31 March 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$123,419,000 (2020: approximately HK$161,833,000).

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Sin Kwok Chi Stephen *(appointed as Chief Executive Officer on 9 June 2021 and appointed as Chairman on 21 October 2022, ceased to be Chairman on 18 January 2023)*
Mr. Ho Chi Yuen *(appointed on 18 January 2023)*
Mr. Lee Pui Sun *(duties as Chairman and Chief Executive Officer suspended on 5 May 2021 and resigned on 14 September 2022)*
Ms. Lau Lai Ching *(duties suspended on 5 May 2021 and resigned on 14 September 2022)*
Mr. Lee Ka Ho *(duties suspended on 5 May 2021 and resigned on 14 September 2022)*
Mr. Pang Ming *(resigned on 29 September 2019)*

Non-executive Directors

Mr. Lee Ka Chun Benny *(appointed as interim Chairman on 5 May 2021, resigned on 21 October 2022)*
Mr. Zhang Chen *(resigned on 31 December 2020)*

Independent Non-executive Directors

Mr. Au Yeung Wai Key
Mr. Tse Ka Ching Justin
Mr. Cheung Chun Man Anthony *(appointed on 31 March 2021)*
Mr. Leung Fuk Shun *(Chairman) (appointed as Chairman on 18 January 2023)*
Mr. Wun Wai Yee Ducan *(appointed on 15 October 2020 and resigned on 31 March 2021)*
Hon Cheung Kwok Kwan, JP *(resigned on 25 September 2020)*

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Sin Kwok Chi Stephen (appointed on 9 June 2021)

Sin Kwok Chi Stephen (冼國持) ("Mr. Sin"), aged 51, joined our Group in February 2004 and appointed as an executive director and chief executive officer of our Group since 9 June 2021. He oversees the strategic direction and supervision of the engineering department.

Mr. Sin obtained a diploma in mechanical engineering from Haking Wong Technical Institute (currently known as The Hong Kong Institute of Vocational Education (Haking Wong)) in August 1991. He also obtained a higher certificate in mechanical engineering and a bachelor's degree in building services engineering, from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) and Hong Kong Polytechnic University in November 1993 and November 2002, respectively.

Mr. Sin has more than 20 years' experience in the gate engineering industry. Prior to joining our Group, Mr. Sin was employed by Sanwa Shutter (HK) Limited from November 1993 to June 2003 with his last position as senior engineer manager.

Mr. Ho Chi Yuen (appointed on 18 January 2023)

Mr. Ho Chi Yuen (何志遠), aged 50, has over 20 years of experience in the construction industry. He is responsible for project estimation and procurement management of the Group. Prior to joining the Group, Mr. Ho worked in a number of main contractors and construction consultancy firms in Hong Kong since 1996 and he started his own business in 2016.

Mr. Ho obtained a bachelor's degree in civil engineering from Hong Kong Polytechnic University in November 1996. Mr. Ho has been a member of Institution of Structural Engineers since 2001 and a member of the Hong Kong Institution of Engineering since 2002.

Independent Non-Executive Directors

Mr. Leung Fuk Shun (appointed on 18 January 2023)

Mr. Leung Fuk Shun (梁福順), aged 74, was appointed as an independent non-executive Director and the chairman of our Board on 18 January 2023. He is responsible for supervising and providing independent advice to our Board. Mr. Leung has over 40 years of experience in the construction industry and worked in the Hong Kong Housing Department of the government, an executive arm of the Housing Authority which is responsible for the management of public housing in Hong Kong, for 35 years with his last position as Chief Technical Officer (Building Works).

Mr. Cheung Chun Man Anthony (appointed on 31 March 2021)

Mr. Cheung Chun Man Anthony (張俊文), aged 49, has approximately 18 years of experience in financial industry, including providing asset management services and advising on securities. Mr. Cheung is currently a licensed person and a responsible officer to carry out type 9 (asset management) regulated activities under the Securities and Futures Ordinance (the "SFO"). From April 2003 to May 2009, Mr. Cheung worked at Karl Thomson Investment Consultants Limited and was a registered representative for type 4 (advising on securities) (from April 2003 to May 2009) and type 9 (asset management) (from April 2005 to May 2009) regulated activities under the SFO. From May 2009 to June 2016, he worked at Karl Thomson Securities Company Limited and was a registered representative for type 1 (dealing in securities) (from May 2009 to June 2016) and type 9 (asset management) (from May 2009 to June 2016). From July 2016 to February 2017, he worked at Kaisa Asset Management Limited and a responsible officer for type 4 (advising on securities) (from July 2016 to February 2017) and type 9 (asset management) (from July 2016 to February 2017) regulated activities under the SFO. From July 2018 to September 2018, he worked at COFCO Asset Management (International) Company Limited and a registered representative for type 9 (asset management) (from July 2018 to September 2018). Since March 2019, Mr. Cheung has been working at Hill Ocean Capital Limited and is a director and a responsible officer (since March 2019) for type 9 (asset management) regulated activities under the SFO.

Mr. Tse Ka Ching Justin

Mr. Tse Ka Ching Justin (謝嘉政) ("Mr. Tse"), aged 35, was appointed as our independent non-executive Director on 19 September 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Tse is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Group. Mr. Tse worked in KPMG as an audit manager from August 2010 to April 2018. Mr. Tse has worked as senior finance manager at Pacific Tiger Group Limited since April 2018.

Mr. Tse obtained a bachelor of science degree with honours in human biology in the University of Toronto in Canada in June 2009. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2014.

Mr. Tse has been appointed as an independent non-executive director of Vicon Holdings Limited (stock code: 3878), a company whose shares are listed on the Main Board of the Stock Exchange, since May 2019.

Mr. Au Yeung Wai Key

Mr. Au Yeung Wai Key (歐陽偉基) ("Mr. Au Yeung"), aged 63, was appointed as the independent non-executive Director on 19 September 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. Mr. Au Yeung is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Au Yeung has more than 25 years' experience in handling various construction projects in Hong Kong, Macau and the PRC. He previously worked as a graduate engineer at Mott Connell Limited from October 1991 to June 1992. From July 1992 to July 1995, he worked as a structural engineering graduate at the Architectural Services Department. Mr. Au Yeung worked as engineer at Maunsell Consultants Asia Ltd from June 1995 to February 1997. He worked as a senior structural engineer in Ove Arup & Partners Hong Kong Ltd. from March 1997 to January 2002 and from December 2007 to October 2017. From March 2002 to September 2005, he worked as a project engineer at Greg Wong and Associates Ltd. He worked as a project manager at Yau Lee Construction Co., Ltd from September 2005 to December 2007. He has worked as a senior project engineer at the Airport Authority Hong Kong since October 2017.

Mr. Au Yeung obtained a bachelor's degree in civil engineering from the University of Westminster in the United Kingdom in July 1991 and a degree of master of science in engineering from the University of Hong Kong in December 1998. He has been a member of The Institute of Structural Engineers since October 1995, a member of The Hong Kong Institution of Engineers since September 1996, a member of The Institution of Engineers, Australia since March 1996 and a member of The Institution of Civil Engineer since July 1999. He worked as a part-time lecturer in Vocational Training Council Technical Institutes (currently known as Hong Kong Institute of Vocational Education) from March 1994 to July 2007 and from September 2016 to August 2017.

Senior Management

Mr. Lai Kam Fai

Mr. Lai Kam Fai (黎錦輝) ("Mr. Lai"), aged 49, joined our Group in March 2019 and is the technical director of our Group. He is primarily responsible for overseeing the engineering and technical aspects of various projects of our Group. Mr. Lai obtained a bachelor's degree in civil engineering from the University of Southern California in the United States in 1996 and a postgraduate diploma in Construction Law and Arbitration in 2003. Mr. Lai has been a member of Institution of Civil Engineers since 2002, a member of the Hong Kong Institution of Engineers since 2004 and a Registered Professional Engineer under the Hong Kong Engineers Registration Board since 2005. Mr. Lai has over 20 years' experience in handling civil engineering projects in Hong Kong and Macau.

Mr. Lee Ming To

Mr. Lee Ming To (利銘滔) ("Mr. M.T. Lee"), aged 47, joined the Group in March 2004, is currently a project manager of the Group and is responsible for the project management, quality control and construction in sites.

Mr. M.T. Lee has over 25 years of experience in the construction industry. He obtained a bachelor's degree in building services engineering from Hong Kong Polytechnic University in 2004.

Mr. Chui Man Lung Everett (appointed on 18 November 2021)

Mr. Chui Man Lung Everett (徐文龍) ("Mr. Chui"), aged 57, is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and member of the Institute of Chartered Accountants in England and Wales. Mr. Chui qualified as a Professional Accountant with KPMG, Hong Kong in 1990 and left KPMG in 1993. He was in charge of audits of banks, fashion retailers and manufacturers listed on the Main Board of the Stock Exchange and initial public offering ("IPO") audit for a major national corporation, and also participated in the restructuring of two banking groups.

Mr. Chui holds a Bachelor of Social Sciences (Hons) Degree in Business Economics & Accounting awarded by the University of Southampton in the United Kingdom.

DIRECTORS' SERVICE CONTRACTS

The executive Directors and the non-executive Director have entered into service agreements with the Company and each of the independent non-executive Directors signed an appointment letter with the Company. All Directors were appointed for a fixed period but subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Articles.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory obligations.

DEED OF NON-COMPETITION

The Company entered into a deed of non-competition with the Controlling Shareholders namely, Mr. Lee Sr., Ms. Lau and HY Steel on 19 September 2018 so as to better safeguard the Group from any potential competition and to formalise the principles for the management of potential conflicts between them and to enhance our corporate governance in connection with the Listing on 12 October 2018.

The independent non-executive Directors have reviewed compliance by the Controlling Shareholders and confirmed that based on the confirmation and information provided by each of the Controlling Shareholders, they were in compliance with the deed of non-competition during the year ended 31 March 2021.

EMOLUMENT POLICY

The Group has a total of 316 employees in Hong Kong and China as at 31 March 2021. The total salaries and related costs granted to employees amounted to approximately HK$91.0 million for the year ended 31 March 2021. 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 promotion.

The remuneration of the Directors is decided by the Board upon the recommendation from the Remuneration Committee after considering the relevant Director's qualifications, experience, responsibilities, duties and performance. The Company has adopted a Share Option Scheme as an incentive to eligible participants, details of which are set out below in the section headed "Share Option Scheme" in this report. The Group has also participated in the mandatory provident fund retirement benefit scheme in Hong Kong, and the central pension scheme operated by the local municipal government in China.

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 7(a) and 7(b) to the consolidated financial statements, respectively.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below, none of the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the year ended 31 March 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 March 2021.

CONNECTED TRANSACTIONS

The Group entered into certain related party transactions, which constituted fully exempted continuing connected transactions of the Group, during the year ended 31 March 2021, details of which are set out in note 38 to the consolidated financial statements of this annual report.

These transactions are de minimis transactions under Rule 14A.76(1) of the Listing Rules and therefore all of them are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION

The Auditor gave a disclaimer opinion on the consolidated financial statements for the year ended 31 March 2021 in relation to a) Issues arising from the Investigation, b) Insufficient accounting records of certain subsidiaries of the Group, and c) Opening balances and the comparative information. The Board considered that these were factual descriptions in nature as set out in detail in note 2 to the consolidated financial statements. Despite the effort made by the Company to address the concern, the Auditor issued the disclaimer of opinion. The Board has considered the Auditor's rationale and understood their consideration in arriving the disclaimer of opinion.

Set out below the basis for the disclaimers of opinion/conclusion issued by the Auditor on the consolidated financial statements of the Company for the year ended 31 March 2021, and actions taken/to be taken by the Company to address each of the basis for the disclaimers of opinion/conclusion:

	Disclaimer of opinion/conclusion	**Basis of disclaimer**	**Actions taken/to be taken**
1	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").	Matters relating to disclaimer of Issues arising from the Investigation have been resolved upon a full impairment provision made of the Incident Transactions during the year ended 31 March 2021. This audit qualification has been removed for the year ended 31 March 2022 while the comparative information are being qualified as a result of the possible effects on the comparability of the current year's figures and the corresponding figures.

Disclaimer of opinion/conclusion	Basis of disclaimer	Actions taken/to be taken
	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 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.	

Disclaimer of opinion/conclusion	Basis of disclaimer	Actions taken/to be taken
	The Auditor was 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, the Auditor was 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 financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2021 and the related disclosures.	

	Disclaimer of opinion/conclusion	Basis of disclaimer	Actions taken/to be taken
2	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 audit purposes. More specific business records and supporting explanations of the HY China Group's accounting records were needed for 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.	Matters relating to disclaimer of insufficient accounting records of certain subsidiaries of the Group will be resolved upon the formal appointment of provisional liquidators of HY China at which the Group will cease to have control over HY China, which will be de-consolidated from the Group during the year ending 31 March 2023. Based on the discussion with the Auditor, in view of the above de-consolidation happened during the year ending 31 March 2023, it is expected that — an unqualified opinion will be issued on the consolidated statement of financial position of the remaining subsidiaries which engaged in provision of steel and metal engineering services and sale of steel and metal products ("Retained Group") as at 31 March 2023, with a disclaimer of opinion on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Retained Group for the year ending 31 March 2023. — a qualified opinion will be issued on the consolidated financial statements of the Retained Group for the year ending 31 March 2024 as a result of the disclaimer opinion on the comparative figures for the year ending 31 March 2023 and unqualified opinion will be issued for the consolidated financial statements for the year ending 31 March 2025.

Disclaimer of opinion/conclusion	Basis of disclaimer	Actions taken/to be taken
	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, the Auditor has not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses for the year ended 31 March 2021 and the assets and liabilities as at 31 March 2021 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, the Auditor was 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 2021.	

	Disclaimer of opinion/conclusion	Basis of disclaimer	Actions taken/to be taken
3	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 the Incident Transactions and HY China Group, the Auditor was unable to obtain sufficient appropriate audit evidence over the account balances as at 31 March 2020 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 2020 and 1 April 2020 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 2021.	Upon the formal appointment of provisional liquidators of HY China, the Company will cease to have control over HY China and it will be deconsolidated from the Group during the year ending 31 March 2023. Only the provision of Steel and metal engineering services and sales of steel and metal products segment of the Group will be retained in the consolidated financial statements of the Group. Therefore, the matters relating to the disclaimer of opinion in relation to the opening balance and the comparative information, which relate to the HY China Group will be resolved following the deconsolidation of the HY China Group as explained in items 2 above. Based on the discussion with the Auditor, in view of the above de-consolidation to be happened during the year ending 31 March 2023, — an unqualified opinion will be issued on the consolidated statement of financial position of the Retained Group as at 31 March 2023, with a disclaimer of opinion on the consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Retained Group for the year ending 31 March 2023. — a qualified opinion will be issued on the consolidated financial statements of the Retained Group for the year ending 31 March 2024 as a result of the disclaimer opinion on the comparative figures for the year ending 31 March 2023 and unqualified opinion will be issued for the consolidated financial statements for the year ending 31 March 2025.

The Auditor expected that the audit qualifications above will be carried forward for the year ending 31 March 2023 in relation to (i) the gain/loss from the de-consolidation of subsidiaries of the Group during the year ending 31 March 2023 (by way of liquidation); (ii) profit and loss of the HY China Group which would be de-consolidated from the Group for the year ending 31 March 2023; and (iii) the opening balances of the Group as at 31 March 2022. The Auditor agreed that in the absence of the unforeseen circumstances, the consolidated financial statements of the Company for the year ending 31 March 2024 will not carry the audit modifications except for the qualification over the comparative figures for the profit and loss and cash flow statement for the year ending 31 March 2023.

THE AUDIT COMMITTEE'S VIEW TOWARDS THE DISCLAIMER OF OPINION

The members of the Audit Committee had critically reviewed the disclaimer of opinion, and the management's position, view and assessment concerning the disclaimer. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving its opinion. After careful deliberation, the Audit Committee agreed with the management's position based on the reasons above. Moreover, the Audit Committee requested the management to take all necessary actions to address the effect on the disclaimer so that no such Disclaimer will be issued in the forthcoming audited financial statements.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 March 2021, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be noticed the Company and the Stock Exchange, pursuant to the Model Code, were as follows:

Name of Director	**Capacity/Nature of interest**	**Number of Shares** (Note 1)	**Approximate percentage of shareholding in the Company**
Mr. Lee Sr. (Note 2)	Interest in a controlled corporation and interest of spouse	564,595,000(L)	73.55%
Ms. Lau (Note 3)	Interest in a controlled corporation and interest of spouse	564,595,000(L)	73.55%
Mr. Sin Kwok Chi	Personal	350,000(L)(Note 4)	0.05%

Notes:

1. The letter "L" denotes the director's long position in the Shares.

2. Mr. Lee Sr. beneficially owns 70% of the issued share capital of HY Steel. Mr. Lee Sr. is the spouse of Ms. Lau and is deemed to be interested in 30% of the issued share capital of HY Steel held by Ms. Lau. Therefore, Mr. Lee Sr. is deemed to be interested in all the Shares held by HY Steel for the purpose of the SFO. Mr. Lee Sr. is also a director of HY Steel.

3. Ms. Lau beneficially owns 30% of the issued share capital of HY Steel. Ms. Lau is the spouse of Mr. Lee Sr. and is deemed to be interested in 70% of the issued share capital of HY Steel held by Mr. Lee Sr.. Therefore, Ms. Lau is deemed to be interested in all the Shares held by HY Steel for the purpose of the SFO. Ms. Lau is also a director of HY Steel.

4. These interests represented share option granted to Mr. Sin Kwok Chi Stephen on 11 January 2019 under the Share Option Scheme which are exercisable during 11 January 2022 to 10 January 2024. Details of the Share Option Scheme are set out in the section below headed "Share Option Scheme".

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2021, so far as is known or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were record in the register required to be kept under section 336 of the SFO, were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company
HY Steel (Note 2)	Beneficial owner	564,595,000(L)	73.55%

Notes:

1. The letter "L" denotes the substantial shareholder's long position in the Shares.

2. HY Steel is owned by Mr. Lee Sr. and Ms. Lau as to 70% and 30%, respectively.

Save as disclosed above, as at 31 March 2021, the Directors of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme pursuant to a written resolution passed by its shareholder on 19 September 2018. The Share Option Scheme became unconditional upon the Listing Date. Summary of the principal terms of the Share Option Scheme is as follows:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise the contributions that participants have made or may make to the Group with a view to achieve the following objectives, (a) motivate participants to optimise their performance and efficiency for the benefit of the Group, and (b) attract and retain or otherwise maintain ongoing business relationship with the participants whose contributions are, will or expected to be beneficial to the Group.

(ii) Participants

The Board may at its discretion grant options to the following persons as it thinks fit: (a) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (c) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

(iii) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 76,000,000 Shares, being 10% of the shares in issue as at the Listing Date. 24,000,000 share options had been granted by the Company under the Share Option Scheme up to the date of this annual report. Therefore, the number of Shares available for issue under the Share Option Scheme is 52,000,000 Shares, representing approximately 6.77% of the issued shares capital of the Company as at the date of this annual report.

(iv) Maximum entitlement of each participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each participant under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being.

(v) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the offer date subject to the provisions of termination thereof.

(vi) Minimum period

The Board at its discretion may impose such terms and conditions of the offer of grant on a case-by-case basis including but not limited to the minimum period for which an option must be held.

(vii) Payment on acceptance of option

A consideration of HK$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company is payable by the participant who accepts the grant of an option in accordance with the terms of the Share Option Scheme on acceptance of the grant of an option.

(viii) Basis of determining the exercise price

The exercise price of the share option will be determined at the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be on a day on which the Stock Exchange is open for the business of dealing in securities; (b) an amount equivalent to the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the relevant option; and (c) the nominal value of a Share on the date of grant.

(ix) The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years, after which no further options may be issued but the provisions of the Share Option Scheme shall remain in force in all other respects.

The movements of share options during the year ended 31 March 2021 were as follows:

Category of grantees	Date of grant	Exercisable period	Exercise price per Share (HK$)	Granted	As at 31 March 2020	Exercised	Cancelled	Lapsed	Forfeited	As at 31 March 2021
Director, senior management and other employees	11 January 2019	11 January 2022 to 10 January 2024	1.53	4,400,000	4,325,000	—	(25,000)	—	(100,000)	4,225,000
		11 January 2023 to 10 January 2024	1.53	4,400,000	4,325,000	—	(25,000)	—	(100,000)	4,225,000
Consultant	11 January 2019	11 January 2019 to 10 January 2021	1.53	7,600,000	7,600,000	—	—	(7,600,000)	—	—

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, the aggregate revenue from the Group's largest customer and five largest customers accounted for approximately of 15.9% and 53.0% of the total revenue, respectively. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately of 14.4% and 41.8% of the total purchases for the year ended 31 March 2021, respectively.

None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the number of issued Shares in the Company) had any beneficial interest in the Group's five largest customers or suppliers.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

MATERIAL EVENT AFTER THE REPORTING PERIOD

Save as disclosed in the sections headed "Suspension of trading in shares of the Company and Independent Investigation" and "Listing status of the Company" above and in the announcements of the Company dated 20 October 2022 in relation to the interim results for the six months ended 30 September 2021 and the annual results for the year ended 31 March 2022, the Group had no other significant event requiring disclosure subsequent to 31 March 2021 and up to the date of this report.

PERMITTED INDEMNITY PROVISION

During the year ended 31 March 2021, a permitted indemnity provision as required by the Companies Ordinance (Chapter 622, the Laws of Hong Kong) was in force for the benefits of all Directors.

AUDITOR

Following the resignation of Messrs. Deloitte Touche Tohmatsu ("Deloitte") as the auditor of the Company on 18 December 2020, Baker Tilly Hong Kong Limited ("Baker Tilly") was appointed as the auditor of the Company to fill the casual vacancy arising from the resignation of Deloitte.

On 12 August 2021, Baker Tilly resigned and Elite Partners CPA Limited ("Elite Partners") was appointed as the auditor of the Company to fill the casual vacancy arising from the resignation of Baker Tilly. Elite Partners subsequently resigned on 8 December 2022.

On 15 December 2022, RSM Hong Kong ("RSM") was appointed as the auditor of the Company to fill the casual vacancy arising from the resignation of Elite Partners.

Save as disclosed above, there were no other changes in auditors of the Company during the past three years. The consolidated financial statements for the year ended 31 March 2021 have been audited by RSM who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

SIN Kwok Chi Stephen
Executive Director

Hong Kong, 31 January 2023

Corporate Governance Report

This Corporate Governance Report covered the year ended 31 March 2021 is prepared by the current Directors of the Company as at the date of this annual report based on the available information.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to protect the interest of its Shareholders and to place importance on its corporate governance system.

This report describes the Company's corporate governance practices and structures that were in place during the financial year ended 31 March 2021, with specific reference to the principles and guidelines of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

During the year ended 31 March 2021, in the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation as mentioned below:

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. However, the roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Lee Sr. Mr. Lee Sr. is the chairman of the Board who provides leadership and is responsible for the effective functioning and leadership of the Board. Mr. Lee Sr. is also one of the founders of the Group who performed the duty of chief executive officer and was responsible for overall and comprehensive leading management and supervision of the relevant business of the Group. 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.

As disclosed in the announcement of the Company dated 5 May 2021, all the duties and power of Mr. Lee Sr. had been suspended, pending the outcome of the Investigation.

At the Board meeting held on 5 May 2021, Mr. Lee Ka Chun Benny has been appointed as the interim Chairman and Mr. Sin Kwok Chi Stephen as the chief executive officer and the Company has complied code provision A.2.1 of the Corporate Governance Code.

FAILURE TO COMPLY WITH THE MAIN BOARD LISTING RULES

The Company failed to comply with the following financial reporting provisions under the Listing Rules in due course: (i) announce the annual results for the year ended 31 March 2021; and (ii) issue the annual report for the year ended 31 March 2021. Such delays constituted the violation of Rule 13.46(2)(a), Rule 13.49(1) and Rule 13.49(6) of the Listing Rules. The Company failed to hold the annual general meeting for the year ended 31 March 2021 within the time prescribed by the Listing Rules and the Company's Bye-laws. The Board is of the view that the aforesaid delays are one-off incidents and that the aforesaid matters had been/will be rectified eventually and the Company had complied with the Listing Rules in keeping the Shareholders and investors informed of the progress of the aforesaid matters.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

All the Directors confirmed, upon specific enquiry made, that they have complied with the Model Code during the year ended 31 March 2021 and up to the date of this report.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group, and delegates day-to-day operations to the management team of the Group. The Board provides directions to the management team by laying down strategies and plans, and then oversees the implementation performed by the management team. The Board also timely monitors the Group's operational and financial performance through monthly reports prepared by the management team of the Group. The Board also reviews the compensation policies, succession planning, internal control system and risk management system regularly through various committee established under the Board.

Composition

As at 31 March 2021, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Lee Pui Sun *(Chairman and Chief Executive) (duties suspended on 5 May 2021, resigned on 14 September 2022)*
Mr. Lau Lai Ching *(duties suspended on 5 May 2021, resigned on 14 September 2022)*
Mr. Lee Ka Ho *(duties suspended on 5 May 2021, resigned on 14 September 2022)*
Mr. Pang Ming *(resigned on 29 September 2020)*

Non-executive Directors

Mr. Lee Ka Chun Benny *(appointed as Interim Chairman on 5 May 2021, resigned on 21 October 2022)*
Mr. Zhang Chen *(resigned on 31 December 2020)*

The term of the non-executive director, Mr. Lee Ka Chun Benny, last for three years from 19 September 2018.

Independent Non-executive Directors

Mr. Au Yeung Wai Key
Mr. Tse Ka Ching Justin
Mr. Cheung Chun Man Anthony *(appointed on 31 March 2021)*
Mr. Wun Wai Yee Duncan *(appointed on 15 October 2020 and resigned on 31 March 2021)*
Hon Cheung Kwok Kwan, *JP (resigned on 25 September 2020)*

The relationships among members of the Board have been disclosed in the sub section headed "Biographies of Directors and Senior Management" under "Report of the Directors" in this annual report. During the year ended 31 March 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

Independence of the independent non-executive Directors

The Company has received annual written confirmations from all independent non-executive Directors with regard to their independence, and therefore the Company still consider, based on the guidelines set out in Rule 3.13 of the Listing Rules, that all independent non-executive Directors to be independent.

Continuous professional development

During the year ended 31 March 2021, all of the Directors participated in continuous professional development by either attending external seminars and conferences, or reading materials relating corporate governance practices, directors' duty and the Listing Rules.

Appointment & re-election of Directors

The procedures and process of appointment and re-election of the Directors are laid down in the Articles. Pursuant to the Articles, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by the Shareholders.

Indemnity of Directors

The Company has taken out directors and officers liability insurance to cover liabilities arising from legal action against the Directors during the financial year ended 31 March 2021.

Board Committees

The Board has established three Board committees, being the Audit Committee, the Nomination Committee and the Remuneration Committee, to oversee different areas of the Company's affairs. The terms of reference of the Board committees are published on the Company's website and the website of the Stock Exchange.

Audit Committee

Our Company established the Audit Committee on 19 September 2018 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee were, among other things, to review and supervise our financial reporting process, internal control and risk management system, nominate and monitor external auditors, provide advice and comments to the Board on matters related to corporate governance and perform other duties and responsibilities as assigned by the Board.

The Audit Committee is currently chaired by Mr. Tse Ka Ching Justin and the other members of the Audit Committee were Mr. Au Yeung Wai Key and Mr. Cheung Chung Man Anthony. All members of the Audit Committee are independent non-executive Directors.

The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The annual results for the year ended 31 March 2021 was reviewed by the current Audit Committee on 31 January 2023 before recommending them to the Board for approval on the same date. Therefore, the management's position, view and assessment on the disclaimer of opinion and the Audit Committee's view towards the disclaimer of opinion are further elaborated in the report of the directors for this year.

Remuneration Committee

The Remuneration Committee has clear terms of reference and is accountable to the Board. The principal role of the Remuneration Committee is to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy. The Remuneration Committee was chaired by Mr. Au Yeung Wai Key and the other members of the Remuneration Committee were Mr. Tse Ka Ching Justin and Mr. Cheung Chun Man Anthony. All members of the Remuneration Committee are independent non-executive Directors.

The work performed by the Remuneration Committee during the year ended 31 March 2021 comprises the followings:

— reviewed the remuneration of Directors and senior management; and

— assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration paid to the senior management by band for the year ended 31 March 2021 is set out below:

Remuneration bands	Number of individual(s)
HK$1,000,001 to HK$2,000,000	1
Below HK$1,000,000	6*

Details of remuneration of the Directors and the five highest paid individuals are set out in notes 10(a) and 10(b)) to the consolidated financial statements in this annual report, respectively.

* One senior manager was appointed as director on 9 June 2021, three senior managers resigned during the year ended 31 March 2021 and one senior manager resigned on 31 January 2023.

Nomination Committee

The Company established the Nomination Committee on 19 September 2018 with its written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are, among other things, to make recommendations to the Board on the appointment of Directors, to review the composition of the Board, and to assess the independence of independent non-executive Directors.

The Nomination Committee is currently chaired by Mr. Cheung Chun Man Anthony and the other members of the Nomination Committee were Mr. Au Yeung Wai Key and Mr. Tse Ka Ching Justin. All members of the Nomination Committee are independent non-executive Directors.

The work performed by the Nomination Committee during the year ended 31 March 2021 comprises the following:

— reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— made recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate;

— assessed the independence of independent non-executive Directors in accordance with the provisions of the Listing Rules and other relevant laws, rules and regulations; and

— reviewed the board diversity policy, developed and reviewed measurable objectives for implementing the board diversity policy and monitoring the progress on achieving these objectives.

Board Diversity Policy

The Board recognises the importance of diversity in the Board composition and has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In designing the Board's composition, selection of candidates has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has considered and reviewed the composition and diversity of the Board. All the executive Directors and non-executive Director possess extensive and diversified experience in management and industrial experience. The three independent non-executive Directors possess professional knowledge in management, finance, accounting and legal aspects. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its effectiveness.

Board and Board committee meetings

Code provision A.1.1 of the Corporate Governance Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

The attendance of each Director for the Board meetings and Board committee meetings held during the year ended 31 March 2021 is set out in the following table:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration committee**	**General meeting**
Executive Directors(Note)					
Mr. Lee Pui Sun *(Chairman and Chief Executive Officer)*	4/4	N/A	2/2	N/A	0/1
Ms. Lau Lai Ching	4/4	N/A	N/A	N/A	1/1
Mr. Lee Ka Ho	4/4	N/A	N/A	1/1	1/1
Mr. Pang Ming	2/2	N/A	N/A	N/A	0/1
Non-executive Directors					
Mr. Lee Ka Chun Benny	4/4	N/A	N/A	N/A	0/1
Mr. Zhang Chen	3/3	N/A	N/A	N/A	0/1
Independent non-executive Directors					
Mr. Au Yeung Wai Key	4/4	2/2	3/3	3/3	0/1
Hon Cheung Kwok Kwan, *JP*	2/2	2/2	1/1	1/1	0/1
Mr. Tse Ka Ching Justin	4/4	2/2	3/3	3/3	1/1

Note: Mr. Cheung Chun Man Anthony was appointed on 31 March 2021.

AUDITOR'S REMUNERATION

During the reporting period, the fees paid or payable to external auditor are set out as follows:

Services rendered	Remuneration paid/payable (HK$'000)
Payable to current Auditor	
Audit services	2,000
Non-audit services	47
	2,047
Payable to former Auditors	
Audit services	1,145
Non-audit services	54
	1,199

The fees attributable to the non-audit services above mainly include the tax compliance service.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the year ended 31 March 2021 that give a true and fair view of the state of affairs of the Group in accordance with HKFRSs. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibilities of the Company's auditor with regards to the consolidated financial statements of the Group are set out in the independent auditor's report as contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

COMPANY SECRETARY

Mr. Chui Man Lung Everett is the company secretary of the Company. The biographical details of Mr. Chui are set out under the section headed "Biographies of Directors and Senior Management" in this annual report.

During the year ended 31 March 2021, the company secretary has taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to send enquiries

Shareholders may at any time raise enquiries to the Board. The enquiries must be in writing with contact information of the Shareholder(s) and deposited at the principal place of the business of the Company in Hong Kong at Unit B, Upper G/F, Stage 4, Yau Tong Industrial Building, 18–20 Sze Shan Street, Yau Tong, Kowloon, Hong Kong for the attention of the company secretary of the Company.

Procedure for convening an extraordinary general meeting

Any one or more duly registered holder of the Shares holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Dividend policy

The Company may declare and distribute dividends to allow Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for further growth. In deciding whether to recommend the payment of dividend to Shareholders, the Board shall take into account, among others, the general financial condition of the Group, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios and the debt level, retained earnings and distributable reserves, the general market conditions and any other factors that the Board deems appropriate. The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion and the Board will review the dividend policy of the Company on a regular basis.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual report and interim report, notices, announcements and circulars that are available on Company's website at www.hy-engineering.com.

CONSTITUTIONAL DOCUMENTS

There is no significant changes in the constitutional documents of the Company during the year ended 31 March 2021.

REPORTING PRINCIPLES

To achieve sustainable development and improve our practices on ethical and transparent management style, the Group, throughout the year ended 31 March 2021, implemented various measures in relation to environment, social and governance into our daily operation. Though difficulties were present in the year under the COVID-19 pandemic, the Group is pleased to present this Environmental, Social and Governance Report (the "ESG Report") to provide an overview of the Group's measures and policies in relation to environment, social and governance, as well as the results achieved. This ESG Report's primary coverage includes the environmental, social and governance aspects of the Group's principal business, i.e. steel and metal engineering services and the sales of steel and metal products; while it is supplemented with information of the recent addition of our construction section.

The information disclosed in this ESG Report is derived from the Group's public information, official documents, and internal statistics, referring to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules as well.

The ESG Report comprises and explains the relevant information for the year ended 31 March 2021 quantitatively, in a consistent and material manner. Relevant comparison is made with information from the previous year. The ESG Report, as well as the information contained in the ESG Report, have been approved by the Board of Directors and management of the Group.

STAKEHOLDERS' FEEDBACK

The Group understands ESG issues are sufficiently important to our shareholders as well as other stakeholders. To ensure strong corporate governance, the Group continues to collect feedbacks from different stakeholders to continually improve its ESG approach and its sustainability performance.

Major stakeholders	Demands and expectations	Communication channels
Shareholders and investors	• Sustainable profitability • Prevention of operational risks	• Company announcements • Annual report and interim report • Annual general meetings
Government and regulatory bodies	• Regulatory compliance • Pollution conservation	• Supervision and evaluation • ESG Report • Inspection
Customers	• High standard of services • Quality control • Information security	• Business communication • Customer feedback
Employees	• Corporate governance on employee rights and interests • Improvement on employee remuneration and welfare • Career development	• Staff meetings and activities • Staff training • Recruitment
Media	• Transparent information • Corporate sustainability	• Company's website • News monitoring
Communities	• Higher community involvement • Supporting public welfare activities	• Charity activities

MATERIALITY ASSESSMENT

During the year ended 31 March 2021, the Company conducted a comprehensive materiality assessment to identify and prioritise the potential environmental, social and governance concerns brought by the Group's business.

The Group is aware that emissions from the Group's operation would bring pollution to the environment and is working on improving its operation to minimise such pollution.

OUR ENVIRONMENTAL POLICY

During the year ended 31 March 2021, the Group strictly complied with all the relevant rules and regulations on national and regional levels, in accordance to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Guangdong Province Environmental Protection Regulation, as well as the laws and regulations in Hong Kong in relation to environmental protection.

Although climate-change-related issues do not impact the Group's business operation particularly; the Group makes its best effort in achieving environmental efficiency in its business development so as to minimise negative impacts to the environment. Beyond compliance, the Group strives to control environmental pollution by adopting an Environmental Management System (EMS), and to monitor, manage and evaluate its performance towards pollution control and waste reduction at the same time. The EMS implemented in our main manufacturing facilities in Huizhou, Guangdong Province, has been certified to the ISO 14001:2015 international standard.

For the year ended 31 March 2021, the Group recorded four areas of environmental impact involved in its production: the management of air and gas emission, noise levels, sewage discharge and solid waste. Due to limitations in recording all items of consumptions and emissions, the following figures demonstrate the consumption data recorded from our offices, production facilities and vehicles.

Emissions and Wastes

Greenhouse Gases and Key Air Pollutants Emissions

	For the year ended 31 March 2021	
	Emission	Emission intensity per million Hong Kong dollars in revenue
Total greenhouse gases emissions (tonnes CO_2 equivalent)	784.69	3.74
NO_x (g)	1,690,576	8,065.73
PM (g)	121,449	579.43
SO_x (g)	2,196	10.48

The Group's production and operating activities involve welding fumes, electricity consumption and transportation of material. The Group's emissions of greenhouse gas in carbon dioxide (CO_2) equivalent mainly attribute to its electricity and fuel consumption, whereas emission of sulphur oxides (SO_x), nitrogen oxides (NO_x) and particulate matter (PM) primarily come from LPG consumption and the use of vehicles. Ventilation and filtering systems were adopted to reduce the concentration of pollutants in our production facility.

For the year ended 31 March 2021, alongside our business footprints, diesel consumption, electricity, water consumption, and packaging used, for instance, had increased. Such consumption has contributed to the increased emissions of greenhouse gases and other key air pollutants during the year ended 31 March 2021. During the course of our business development, we always stay alert on the balance between business achievements and energy efficiency. The Group will continue to monitor and revise our energy usage and logistic plans so as to minimise the emissions in the future.

Water Sourcing

There have been no issues for the Group to source water for its production for the year ended 31 March 2021.

Hazardous Sewage Discharge and Treatment

Sewage discharged from our production process contains hazardous waste. Following the regulatory guidelines issued by the local department of environmental protection in Mainland China, our amount and source of discharge from our production facility attained its required standard. The Group controls our usage strictly in each production stage.

Treatment steps:

Evaluation of the Group's hazardous sewage discharge → Report to the relevant agencies → Environmental Protection Bureau Approval → Waste declaration → Appointed Huizhou Dongjiang Environmental Protection Technology Limited as the third party → Wastes treated by Huizhou Dongjiang Environmental Protection Technology Limited → Transfer hazardous waste

	For the year ended 31 March 2021	
Source of sewage	Sewage discharged (tonnes)	Discharge destination
Huizhou Hengyi	5.6	Dong River

Contaminants are then removed from the hazardous discharges in the course of sewage treatment. Meanwhile, general sewage is gathered for safe disposal into the city's water treatment system.

Non-hazardous Waste

Our non-hazardous solid wastes consist of papers and other general wastes which are treated by Huizhou Dongjiang Environmental Protection Technology Limited. During the year ended 31 March 2021, our total non-hazardous waste amounted to 9.38 tonnes. We encourage our production staff to minimise and recycle all solid wastes.

Noise Levels

Due to the use of heavy machinery in our operation, our production process creates noise. To minimise the level of noise generated, production machines are inspected regularly to ensure they remain in optimal conditions. Meanwhile, we also have adopted sound-proofing designs and structures in the construction of production facilities.

Use of Resources

Fuel Consumption

Fuel	For the year ended 31 March 2021
LPG (L)	31,779
Diesel (L)	252,626
Unleaded petrol (L)	19,087
Total (L)	293,492

Consumption of Resources

Resources	For the year ended 31 March 2021 Consumption	Consumption intensity per million Hong Kong dollars in revenue
Electricity (kWh)	**762,013**	**3,635.56**
Water (m^3)	**8,488**	**40.50**
Paper (tonnes)	**2.59**	**0.01**
Plastic packaging (tonnes)	**0.54**	**<0.01**
Wooden packaging (tonnes)	**8.20**	**0.04**

The Group's consumption of resources was attributable to electricity, water, paper, as well as packaging with plastic, and wooden materials. During the year ended 31 March 2021, the Group's total fuel consumption including LPG, diesel, and unleaded petrol consumption decreased by approximately 4,231 litres as compared to that for the year ended 31 March 2020, and the consumption of electricity, water and plastic packaging was sightly increased. Such increases in resources consumption is expected in the course of business expansion, yet we will be focusing on our energy efficiency in the future, so as to sustain our business development with controllable energy consumption. During the year ended 31 March 2021, we paid effort in minimising the use of paper packaging to 0, and paper consumption were reduced from 3,402 kg to 2,590 kg. The implementation of Energy Management System has helped the Group in achieving energy efficiency by minimising wastage. Our production staff follows water-saving instructions for everyday usage and production.

EMPLOYMENT AND LABOUR PRACTICE

To safeguard our employees' lawful rights and well-being, we ensure strict compliance with the applicable laws and regulations in Hong Kong and Mainland China, including but not limited to Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), General Principles of the Civil Law of the People's Republic of China (《中華人民共和國民法通則》). Hence, a range of internal policies has been executed by the department of human resources under the supervision of the corporate governance team; while we include the updated policies in our internal publications to keep our employees well-informed.

For the year ended 31 March 2021, employee statistics of the Group categorised by job function, gender, age group, and employment location are shown below:

	For the year ended 31 March 2021
By Job Function	
Executive Directors and Senior Management	8
Project Management and Supervision	31
Finance and Accounting	7
Administrative and Human Resources	18
Production Workers	111
Site Workers	124
Warehouse and Logistics	17
By Gender	
Male	276
Female	40
By Age Group	
≤30	43
31–40	76
41–50	107
51–60	64
≥61	26
By Employment Location	
Mainland China	152
Hong Kong	164
Total	316

Employment Standards

The Group is committed to the principle of equal employment to protect employees and job applicants from discrimination of gender, age, family status, ethnicity or religion, where none of these factors but personal merit and vocational competence are considered in our recruitment, evaluation, or promotion processes. For the year ended 31 March 2021, the Group has not received any complaints regarding unequal employment. The Group strives to attain employee's diversity from different background, age group, and gender; yet gender diversity is a particular challenge in the construction industry with its labour-intensive work nature.

We highly respect human rights and prohibit any form of child labour or forced labour. The human resources department of the Group checks the identification documents of the job applicants to ensure that they meet the minimum working age requirements of local laws and regulations, and they hold legally authorised working permits. Internal guidelines and procedures are set to avoid ambiguity; it is every employee's obligation to report potential, suspected or actual violations of illegal labour. The management of each department could issue warnings, and we encourage all of our general employees to report to their managers under such situation. Any major issues must be reported to the board of directors. Any director or employee who violates the disciplinary code will be subject to disciplinary action, including termination of his/her duties. Criminal offences would be referred to the related law enforcement agencies.

In regard to insurance and benefits provision, the Group provides all mandatory insurances and retirement contributions for our employees, which include employees' compensation insurance and Mandatory Provident Fund that are implemented in Hong Kong, whilst social insurance is implemented in the Mainland China. Eligible employees are entitled to take maternity leaves as well as paternity leaves.

The Group provides a fair competing environment for career development and progression, where internal training opportunities are also open to employees of different ranks. The details of the Group's internal training will be discussed in the "Development and Training" section.

To reward and retain our employees, we implemented salary adjustment and merit point system for our production staff in Mainland China during the year ended 31 March 2021. They are also eligible for birthday gifts, bonuses, and certificates of commendations. We encourage a healthy work-life balance by aiming to reduce working hours; hence, the Group has the internal rule of not working overtime for more than 20 hours per month. Moreover, we organised a variety of extra-circular activities during the year. Such extra-circular activities include morning and evening exercises, quarterly galas, sports days, and reward trips for management staff.

During the year ended 31 March 2021, Happiness at Work Promotional Scheme was implemented at our Hong Kong office to boost employees' satisfaction and happiness at the workplace. The Group received the Happy Company Award from the Hong Kong Productivity Council and Promoting Happiness Index Foundation. We organised annual dinner, attended charitable events with staff, and implemented flexible work arrangements to show our care to employees' work-life balance.

Below are headcounts for the year ended 31 March 2021:

	Mainland China	**Hong Kong**	**Total**
Beginning of year	179	204	383
Recruits	62	181	243
Resignees	89	221	310
End of year	152	164	316

The table below sets out the employee turnover rate by gender, age group and geographical region for the year ended 31 March 2021:

	Employee turnover rate (%) for the year ended 31 March 2021
By gender	
Male	**90.5**
Female	**69.0**
By age group	
≤30	**116.7**
31–40	**68.4**
41–50	**73.1**
51–60	**98.6**
≥61	**125.4**
By geographical region	
Mainland China	**53.8**
Hong Kong	**120.1**
Total	**88.7**

Health and Safety

Considering the relatively high risk the construction industry poses to its frontline workers' safety and health, the Group is committed to protecting them as much as possible by improving its daily operation, particularly, safety standards of our workplace. During the year ended 31 March 2021, with the effort of our management team and supervisors of frontline workers, we managed to comply in material respects with all applicable laws and regulations in relation to health and safety, which include but not limited to the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Work Safety Law (《中華人民共和國安全生產法》), the Prevention and Control of Occupational Diseases Law of the People's Republic of China (《中華人民共和國職業病防治法》), and the Provisions on Fire Control Safety Education and Training (《社會消防安全教育培訓規定》) of the People's Republic of China.

As for employees' health protection, medical insurance coverage is provided, as well as annual health check-ups to encourage our production staff to monitor their health conditions. Caring for its employees, not only physical but also mental health is on top of the Group's concern; as such, we promote a healthy lifestyle at work by initiating daily morning exercise routines to boost morality. We worked closely with local authorities and organised a health seminar in our Huizhou factory to refresh our workers on the importance of a healthy lifestyle as well as relevant laws and regulations. During the year ended 31 March 2021, with the health threats from COVID-19, we had to give up our tradition of a corporate-wide friendly basketball match for our employees, still, we encouraged our employees to participate in the Virtual Happy Run held by Construction Industry Council instead.

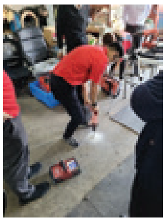


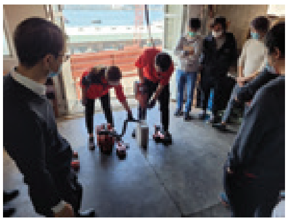
As an employer, the Group provides adequate health and safety information to our employees on workplace hazards to raise their awareness. For the new workers at the Group's production sites, safety awareness trainings are provided before they start on-site works, to ensure our employees are with the knowledge on how to avoid accidents by identifying occupational hazards at the workplace. To raise our staff's consciousness, we promote safety production in everyday morning assembly and regularly share occupational health and safety information with our employees via internal communication systems and on social media platforms. We also encourage them to attend occupational safety and health seminars held by the Labour Department, and we also share relevant information such as Site Safety Handbook, Occupational Health Handbook for Office Workers released by the Labour Department and guidelines on prevention of COVID-19.

In our human resources policies, detailed safety guidelines and accident reporting procedures are stated clearly. We developed occupational safety measures such as protective clothing, working instructions, and in-house safety rules to prevent harm and injury as well as to minimise their safety risks at the workplace. Workers of the Group are required to wear protective equipment including masks, gloves, earplugs, safety helmets, and other safety production items. Safety drills are practised twice a year to prepare our employees for emergencies.

During the year ended 31 March 2021, no serious or fatal incidents occurred in the Group's operations. There were 7 work-related injury cases and a total of 880 lost workdays. The injured workers are covered with medical insurance provided by the Group. The Group has an evaluation system when work-related injury cases occur, in order to prevent workplace injuries and continually improve the work environment.

	For the year ended 31 March 2021	For the year ended 31 March 2020	For the year ended 31 March 2019
Number of injured employees involved in occupational accidents	7	4	2
Number of deaths due to occupational accidents or occupational diseases	0	0	0
Number of workdays lost due to occupation injury	880	302.5	126





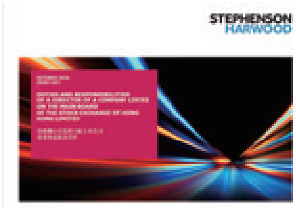
Development and Training

Our employees, from frontline and back-office staff, to our Directors, receive relevant training regularly. For example, we provided our frontline workers with trainings on occupational safety and technical skills, while management team and Directors attended courses on corporate governance, financial reporting, investor relations and public relations.

The table below summarises training statistics for the year ended 31 March 2021:

	For the year ended 31 March 2021
Number of employees trained	220
Total training hours of employees trained	1,698.5
Average number of training hours per employee	5.38

	For the year ended 31 March 2021	
	Number of employees trained	Average training hours for employees in relevant categories
Employees trained, by gender		
Male	192	7.7
Female	28	8.1
Employees trained, by job categories		
Executive Directors and senior management	10	4.2
Project management and supervision	6	1.4
Finance and accounting	5	8.0
Administrative and human resources	14	8.8
Manufacturing	166	8.0
Warehouse and Logistics	19	8.0



OPERATING PRACTICES

We adhere to fair and transparent operating practices by adopting internal policies which set out the selection and assessment procedures for suppliers and subcontractors according to the criteria that should be taken into account. Furthermore, we try to avoid engaging suppliers or subcontractors with questionable environmental practices or ethical standards.

Supply Chain Management

The long-term relationship established with our suppliers is one of our greatest strengths throughout the years. The table below summarises the number of suppliers for the year ended:

	For the year ended 31 Mar 2021
Number of suppliers in the PRC	208
Number of suppliers in Hong Kong	9
Number of suppliers in Korea	1

We maintain an approved list of suppliers and service providers. The potential suppliers and service providers must fulfil our assessment criteria before they are put into our approved list, and the criteria include, among others, price, quality, reputation in the industry, financial performance, delivery time, services as well as commitment to environmental and social responsibilities. With a growing database of suppliers, the Group demands strict regulations on procurement process. From time to time, our responsible staff will assess the performance of the suppliers and services providers, including, among others, cost competitiveness, ability to meet the delivery schedules, response to the instructions, quality of goods or services received. If the suppliers or service providers do not meet our assessment, they will be removed from our approved list.

Product Responsibility

We tailor-make products for clients, emphasising the importance of customisation and quality control. We strictly follow rules and regulations such as the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). We obtained ISO9001:2015 Quality Management System Certificate in recognition of our endeavour in producing the best possible products in strict standards. Our production line covers a wide range of procedures, from choosing the right material, metal-cutting, to meticulous final polishing, to safeguard the highest quality and standard of our products.

During the year ended 31 March 2021, the Group did not have any product recalls due to safety and health reasons, nor have we received any product and service-related complaints. To the best of the Group's knowledge, the Group did not commit any breach of intellectual property rights or consumer data protection and privacy policies.

Privacy

The Group strictly complies with relevant privacy provisions, and regards customer privacy protection as a vital matter. Therefore, the Group strives to protect confidential data of its customers as well as suppliers, which are forbidden from unauthorised access or disclosure.

Anti-corruption

In our corporate culture, accepting gifts from business partners is generally discouraged. Any form of corruption is strictly prohibited, including but not limited to bribery, extortion, fraud, money laundering or misappropriation of public funds. In case of acceptance of gifts, employees must report to their department heads if they receive gifts valued above HK$300; for gifts valued above HK$5,000, they shall report to the Directors to avoid possible conflicts of interest. To achieve our anti-corruption goals, we set up internal channels for anonymous reporting of incompliance of rules and have issued internal memo to raise awareness on anti-corruption.

COMMUNITY INVESTMENT

As a leading manufacturer in the industry with decades of history serving the local community, and a publicly-listed company now, the Group is committed to its social responsibilities more than ever. The Group understands the difficulties that occurred in various areas under the COVID-19 pandemic and supports our local community where our business rooted. However, amid numerous rounds of COVID-19 outbreaks in various locations, it was particularly difficult for the Group to hold or participate in physical community or charitable activities. Thus, during the year ended 31 March 2021, for the first time, the Group participated in the virtual social event held by Construction Industry Council — Virtual Happy Run 2021, which turned out to be very uplifting and encouraging.

The Group sponsored a women's football team aiming not only to promote an active lifestyle, but also to support the group of girls in the football team to achieve their ambitions, and more importantly, to raise our voice for women's rights and gender equality.

AWARDS AND CERTIFICATIONS

During the year ended 31 March 2021, the Group received several awards and certifications from various organisations for our charitable efforts and professional performances:

- *Certificate of Happy Company* by Hong Kong Productivity Council and Promoting Happiness Index Foundation
- *Certificate of Zero Accident* from Shui On Construction Group
- *Environmental Management System — Certificate of Approval* for meeting the requirements of GB/T 24001–2016/ISO 14001:2015 by DAS Certification
- *Quality Management System — Certificate of Approval* for meeting the requirements of GB/T 19001–2016/ISO 9001:2015 by DAS Certification

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DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Hang Yick Holdings Company Limited (the "Company"), and its subsidiaries (the "Group") set out on pages 65 to 151, which comprise the consolidated statement of financial position as at 31 March 2021, and the 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 then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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").

BASIS FOR DISCLAIMER OF OPINION — continued

Issues arising from the Investigation — continued

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 financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2021 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").

BASIS FOR DISCLAIMER OF OPINION — continued

Insufficient accounting records of certain subsidiaries of the Group — continued

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 Hong Kong Financial Reporting Standards ("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 2021 and the assets and liabilities as at 31 March 2021 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 2021.

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 the Incident Transactions and HY China Group, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 March 2020 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 2020 and 1 April 2020 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 2021.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 30 June 2020.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Wong Tak Man, Stephen.

Certified Public Accountants
31 January 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	8	**209,608**	200,380
Direct costs		**(191,713)**	(150,595)
Gross profit		**17,895**	49,785
Reversal of impairment loss/(impairment loss) under expected credit loss model on trade receivables, contract assets and other financial assets, net		**209**	(1,701)
Loss on the Incident Transactions	2(a)	**(111,983)**	—
Other income and other gains and losses	11	**11,459**	(217)
Administrative expenses		**(30,651)**	(29,889)
(Loss)/profit from operations		**(113,071)**	17,978
Finance costs	12	**(1,389)**	(2,098)
Share of loss of an associate		**—**	(281)
(Loss)/profit before taxation	13	**(114,460)**	15,599
Income tax credit/(expense)	14	**771**	(5,361)
(Loss)/profit for the year		**(113,689)**	10,238
Other comprehensive income for the year, net of tax			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**7,180**	(3,206)
Total comprehensive income for the year		**(106,509)**	7,032
(Loss)/profit for the year attributable to:			
Owners of the Company		**(81,620)**	12,245
Non-controlling interests		**(32,069)**	(2,007)
		(113,689)	10,238
Total comprehensive income for the year attributable to:			
Owners of the Company		**(74,966)**	9,059
Non-controlling interests		**(31,543)**	(2,027)
		(106,509)	7,032
(Loss)/earnings per share	16		
Basic		**HK$(10.6) cents**	HK$1.6 cents
Diluted		**HK$(10.6) cents**	HK$1.6 cents

Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	17	12,368	10,934
Right-of-use assets	18	4,089	5,337
Intangible assets	20	1,206	2,226
Interest in an associate	19	—	—
Loan to an associate	19	—	24,501
Financial asset at fair value through profit or loss	21	5,179	6,154
Deposits	24	44	36,979
Amount due from a related company	25	—	16,334
Deferred tax assets	32	743	178
		23,629	102,643
Current assets			
Inventories	22	19,165	18,999
Trade receivables	23	21,778	24,248
Other receivables, deposits and prepayments	24	5,834	4,166
Amount due from a related company	25	—	22,684
Contract assets	26	49,535	57,840
Current tax assets		2,601	1,983
Pledged bank deposits	27	40,218	40,157
Cash and cash equivalents	27	45,894	60,622
		185,025	230,699
Current liabilities			
Trade and other payables and accruals	28	23,246	19,999
Contract liabilities	26	40	242
Lease liabilities	30	257	1,381
Bank borrowings	29	44,180	64,400
Current tax liabilities		366	756
		68,089	86,778
Net current assets		116,936	143,921
Total assets less current liabilities		140,565	246,564

As at 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Provisions	31	47	47
Lease liabilities	30	66	323
		113	370
NET ASSETS		140,452	246,194
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	33	7,676	7,676
Reserves		166,346	240,545
		174,022	248,221
Non-controlling interests		(33,570)	(2,027)
TOTAL EQUITY		140,452	246,194

The consolidated financial statements on pages 71 to 151 were approved and authorised for issue by the board of directors on 31 January 2023 and are signed on its behalf by:

Mr. Sin Kwok Chi Stephen
Director

Mr. Ho Chi Yuen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Statutory surplus reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	(Accumulated loss)/retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		(note 35(b)(i))	(note 35(b)(ii))	(note 35(b)(iii))		(note 35(b)(iv))				
At 31 March 2019	7,676	154,701	—	2,819	10	(1,700)	80,259	243,765	—	243,765
Profit/(loss) for the year	—	—	—	—	—	—	12,245	12,245	(2,007)	10,238
Exchange difference arising on translation of foreign operations	—	—	—	—	—	(3,186)	—	(3,186)	(20)	(3,206)
Total comprehensive income for the year	—	—	—	—	—	(3,186)	12,245	9,059	(2,027)	7,032
Transfer to statutory surplus reserve	—	—	663	—	—	—	(663)	—	—	—
Dividends recognised as distribution (note 15)	—	—	—	—	—	—	(6,141)	(6,141)	—	(6,141)
Recognition of equity-settled share-based payments (note 41)	—	—	—	1,538	—	—	—	1,538	—	1,538
At 31 March 2020 and 1 April 2020	7,676	154,701	663	4,357	10	(4,886)	85,700	248,221	(2,027)	246,194
Loss for the year	—	—	—	—	—	—	(81,620)	(81,620)	(32,069)	(113,689)
Exchange difference arising on translation of foreign operations	—	—	—	—	—	6,654	—	6,654	526	7,180
Total comprehensive income for the year	—	—	—	—	—	6,654	(81,620)	(74,966)	(31,543)	(106,509)
Recognition of equity-settled share-based payments (note 41)	—	—	—	767	—	—	—	767	—	767
At 31 March 2021	7,676	154,701	663	5,124	10	1,768	4,080	174,022	(33,570)	140,452

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(114,460)	15,599
Adjustments for:			
Depreciation of property, plant and equipment	13	3,103	3,008
Depreciation of right-of-use assets	13	1,565	1,611
Amortisation of intangible assets	13	1,164	951
Equity-settled share option expenses	13	767	1,538
Loss on disposal of property, plant and equipment	13	144	—
Fair value loss on financial asset at fair value through profit or loss	11	975	—
Loss on the Incident Transactions	2(a)	111,983	—
Finance costs	12	1,389	2,098
Interest income	11	(3,172)	(1,784)
Share of loss of an associate	19	—	281
Reversal of impairment loss/(impairment loss) under expected credit loss model on trade receivables, contract assets and other financial assets, net		(209)	1,701
Reversal of provisions	31	—	(150)
Operating profit before working capital changes		3,249	24,853
Decrease/(increase) in trade receivables		2,557	(14,020)
Increase in other receivables, deposits and prepayments		(12,395)	(21,034)
(Increase)/decrease in inventories		(166)	3,228
Decrease/(increase) in contract assets		8,439	(10,622)
Increase in trade and other payables and accruals		3,349	9,005
Decrease in contract liabilities		(202)	(673)
Cash generated from/(used in) operations		4,831	(9,263)
Income tax paid		(849)	(2,835)
Interest on lease liabilities		(33)	(79)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		3,949	(12,177)

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Bank interest received		20	791
Placement of pledged bank deposits		—	(15,157)
Withdrawal of pledged bank deposits		—	15,000
Withdrawal of short-term bank deposits		—	60,000
Advance to an associate		—	(25,253)
Placement of deposits for securing construction contracts		—	(35,100)
Repayment of deposit for securing a construction contract		—	17,550
Payment for acquisition of an associate	19	—	(277)
Decrease in amount due from a related company		4,991	—
Purchases of property, plant and equipment		(4,347)	(1,460)
Deposits paid for acquisition of property, plant and equipment		—	(20,602)
Acquisition of intangible assets through acquisition of a subsidiary	38	—	(3,276)
Proceeds from disposal of property, plant and equipment		400	—
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		1,064	(7,784)
CASH FLOW FROM FINANCING ACTIVITIES			
Interests paid		(1,458)	(1,917)
Dividends paid		—	(6,141)
New bank borrowings raised		75,000	84,400
Repayments of bank borrowings		(95,220)	(50,000)
Principal elements of lease payments	39(b)	(1,399)	(1,414)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(23,077)	24,928
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(18,064)	4,967
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		60,622	54,977
Effect of foreign exchange rate changes		3,336	678
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		45,894	60,622
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		45,894	60,622

1. GENERAL INFORMATION

Hang Yick Holdings Company Limited (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 set out in note 44. The address of the Company's registered office and principal place of business are disclosed in the corporate information section of the annual report.

In the opinion of the directors of the Company, HY Steel Company Limited, a company incorporated in the British Virgin Islands ("BVI") and owned as to 70% equity interest held by Mr. Lee Pui Sun ("Mr. Lee Sr."), who was the chairman and executive director of the Company, and 30% equity interest held by Ms. Lau Lai Ching ("Ms. Lau"), the spouse of Mr. Lee Sr., who was the executive director of the Company (collectively, the "Controlling Shareholders"), is the immediate and ultimate parent of the Company. On 14 September 2022, Mr. Lee Sr. resigned as the chairman and executive director and Ms. Lau resigned as executive director of the Company.

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 Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the "Group") are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(a) 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 Sr., 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.

2. BASIS OF PREPARATION — continued

(a) Suspension of trading in shares of the Company and Investigation — continued

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.

2. BASIS OF PREPARATION — continued

(a) Suspension of trading in shares of the Company and Investigation — continued

The Alleged Bogus Transactions — continued

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 Wujin Zhipin Limited) ("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 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 ("IPO") 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 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 directors 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.

2. BASIS OF PREPARATION — continued

(a) Suspension of trading in shares of the Company and Investigation — continued

The PPDA transactions

Transaction 3 — Strategic cooperation framework agreement

An aggregate amount of Renminbi ("RMB")20,000,000 (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, excepted 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 deposit 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.

2. BASIS OF PREPARATION — continued

(a) Suspension of trading in shares of the Company and Investigation — continued

The PPDA transactions — continued

Transaction 9 — Loan to a former senior management ("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 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.

2. BASIS OF PREPARATION — continued

(a) Suspension of trading in shares of the Company and Investigation — continued

Actions taken by the board of directors 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 recommendations 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.

2. BASIS OF PREPARATION — continued

(a) Suspension of trading in shares of the Company and Investigation — continued

Financial impact of the Incident Transactions — continued

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 (approximately 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

A total aggregate of 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 for the year ending 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.

2. BASIS OF PREPARATION — continued

(a) Suspension of trading in shares of the Company and Investigation — continued

Financial impact of the Incident Transactions — continued

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 (approximately 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. 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 receivables

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 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 the amount will not need to be repaid.

For the loan 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.

2. BASIS OF PREPARATION — continued

(a) Suspension of trading in shares of the Company and Investigation — continued

Financial impact of the Incident Transactions — continued

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. The details of the loss on the Incident Transactions are as follows:

	HK$'000
Alleged Bogus Transactions	
Transaction 2 — EF deposit	**9,566**
The PPDA transactions	
Transaction 3 — SCFA	**17,684**
Transaction 4 — Kaihua project	**17,712**
Transaction 6 — Wanwei project	**13,644**
Transaction 7 — Foshan project	**17,712**
Transaction 8 — Loan to an associate	**26,563**
Transaction 8 — Interest receivables	**4,102**
Transaction 9 — Loan to Mr. A	**5,000**
Loss on the Incident Transactions	**111,983**

(b) 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:

(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;

(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;

2. BASIS OF PREPARATION — continued

(b) Listing status of the Company — continued

(vi) 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

(vii) 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 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 of the Company 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.

2. BASIS OF PREPARATION — continued

(c) 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. The summarised financial information below represents amounts before intragroup eliminations.

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

	2021 **HK$'000**	2020 HK$'000
Impairment loss under expected credit loss ("ECL") model on other financial assets, net	**(2)**	(298)
Loss on the Incident Transactions	**(84,733)**	—
Other income and other gains and losses	**7,255**	463
Administrative expenses	**(2,968)**	(4,677)
Loss from operations	**(80,448)**	(4,512)
Share of loss of an associate	**—**	(281)
Loss before taxation	**(80,448)**	(4,793)
Income tax credit/(expense)	**250**	(245)
Loss for the year	**(80,198)**	(5,038)
Other comprehensive income for the year, net of tax		
Item that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	**1,264**	(51)
Total comprehensive income for the year	**(78,934)**	(5,089)

2. BASIS OF PREPARATION — continued

(c) Voluntary winding up and de-consolidation of the PRC business — continued

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

	2021 HK$'000	2020 HK$'000
Loss for the year attributable to:		
Owners of the Company	(48,129)	(3,031)
Non-controlling interests	(32,069)	(2,007)
	(80,198)	(5,038)
Total comprehensive income for the year attributable to:		
Owners of the Company	(47,391)	(3,062)
Non-controlling interests	(31,543)	(2,027)
	(78,934)	(5,089)

Statement of financial position as at 31 March

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	—	109
Intangible assets	1,206	2,226
Interest in an associate	—	—
Loan to an associate	—	24,501
Deposits	—	16,333
Amount due from a related company	—	16,334
	1,206	59,503
Current assets		
Other receivables, deposits and prepayments	30	1,276
Cash and cash equivalents	4,307	24,014
	4,337	25,290
Current liabilities		
Other payables and accruals	5,485	173
Amounts due to intragroup companies	84,108	89,548
Current tax liabilities	—*	239
	89,593	89,960
Net current liabilities	(85,256)	(64,670)
NET LIABILITIES	(84,050)	(5,167)

* Amount less than HK$1,000

3. ADOPTION OF NEW AND REVISED 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 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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 HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

(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 2020. 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 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 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. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (i.e. certain financial instruments that are measured at fair value).

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(a) Consolidation — continued

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss.

(b) Acquisition of a subsidiary not constituting a business

When the Group acquires an asset that does not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price to the identifiable asset on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(c) Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(c) Associate — continued

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets ("HKAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Transactions and balances in each entity's financial statements

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the entity initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(d) Foreign currency translation — continued

(i) Transactions and balances in each entity's financial statements — continued

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(ii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(e) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Owned properties	Over the shorter of the lease terms, or 10–19 years
Leasehold improvement	Over the shorter of the lease terms, or 5 years
Plant and machinery	10%–20%
Office equipment, furniture and fixtures	20%–33%
Motor vehicles	20%–30%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(f) Leases — the Group as a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment/the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(f) Leases — the Group as a lessee — continued

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(g) Other intangible assets

Intangible assets acquired separately — construction licenses

Construction licenses with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the acquisition less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for construction licenses is recognised on a straight-line basis over their estimated useful lives of 34 months, which is the remaining life of the licenses from the date of the acquisition.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

(i) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 4(y) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(k) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(k) Financial assets — continued

Debt instruments

Debt instruments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method. Typically trade receivables, other receivables, bank and cash balances are classified in this category.

— Fair value through other comprehensive income ("FVTOCI") — recycling, if the contractual cash flows of the instrument comprise solely payments of principal and interest and the instrument is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVTPL if the instrument does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the instrument (including interest) are recognised in profit or loss.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The Group provides engineering services on steel and metal works under long-term contracts with customers. Such contracts are entered into before the engineering services begin. Under the terms of the contracts, the Group is contractually restricted from redirecting the steel and metal works to another customer and has an enforceable right to payment for work completed to date. Revenue from provision of steel and metal engineering services is therefore recognised over time using output method, i.e. based on surveys of steel and metal work completed by the Group to date as certified architects, surveyors or other representatives appointed by the customers or estimated with reference to the progress payment application submitted by the Group to the customers in relation to the work completed by the Group to the customers in relation to the work completed by the Group. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS Revenue form Contracts with Customers ("HKFRS 15").

Revenue from the sales of steel and metal products is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(r) Revenue and other income — continued

Revenue from the sales of scrap materials is recognised when control of the scrap materials has transferred to the customer, being at the point the scrap materials are delivered to the customer.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(t) Share-based payments

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on an assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(t) Share-based payments — continued

Share options granted to employees — continued

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

When share options are cancelled, the amount that would otherwise have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

(u) Borrowing costs

All borrowing costs other than those directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

(v) Government subsidies

A government subsidy is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government subsidies that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(w) Taxation — continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(y) Impairment of financial assets and contract assets

The Group recognises a loss allowance for ECL on financial assets that are measured at amortised cost including trade receivables, contract assets, deposits, other receivables, loan to an associate, amount due from a related company, pledged bank deposits and cash and cash equivalents. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. Trade receivables and contract assets that are arising from the provision of steel and metal engineering services or credit-impaired are assessed for ECL individually. The ECL on remaining trade receivables and contract assets are estimated by applying simplified approach using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(y) Impairment of financial assets and contract assets — continued

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor; and

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(y) Impairment of financial assets and contract assets — continued

Significant increase in credit risk — continued

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "low risk". Low risk means that the counterparty has a low risk of default and does not have any past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(y) Impairment of financial assets and contract assets — continued

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. SIGNIFICANT ACCOUNTING POLICIES — continued

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Revenue from contracts with customers

The Group applied the judgements that significantly affect the determination of the amount and timing of revenue from contracts with customer.

The Group has recognised revenue from provision of steel and metal engineering services over time, using output method, to measure progress towards complete satisfaction of the service because the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. Under output method, revenue is recognise based on direct measurements of the value of units delivered or surveys of work performed. This method involves the use of management judgements and estimation uncertainty, including estimating the progress towards completion of the services, scope of deliveries and services required and direct measurements of the value of units delivered or surveys of work performed.

(b) Significant increase in credit risk

As explained in note 4(y) to the consolidated financial statements, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES — continued

Key sources of estimation uncertainty

The Group has considered the impact arising from the COVID-19 pandemic when preparing the consolidated financial statements. Assumptions and estimates are based on circumstances and conditions available when the consolidated financial statements were prepared and, in particular, the Group has assessed that the current market condition as a result of the COVID-19 pandemic is not a long-term norm. Given the severity, duration and economic consequences of the COVID-19 pandemic are uncertain, actual impact may differ significantly from the Group's estimates. The Group will remain alert and cautious on the ongoing development of the COVID-19 pandemic that may cause further volatility and uncertainty in the global financial market, economy and business environment, and will take necessary measures to address the impact arising therefrom.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Revenue and profit recognition

As explained in policy note 4(r), revenue from provision of steel and metal engineering services is recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which the work is considered to be sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 26 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date. During the year, approximately HK$193,873,000 (2020: HK$174,773,000) of revenue from provision of steel and metal engineering services was recognised.

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, approximately HK771,000 of income tax was credited (2020: approximately HK$5,361,000 of income tax was charged) to profit or loss based on the estimated profit from operations.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES — continued

Key sources of estimation uncertainty — continued

(c) Impairment assessment on trade receivables and contract assets

The management of the Group assesses ECL of trade receivables and contract assets individually for those arising from the provision of steel and metal engineering services or balances that are credit-impaired. The management of the Group estimates the amount of lifetime ECL of the remaining trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. The loss allowance amount of the credit-impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables and contract assets involves high degree of estimation uncertainty.

At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates.

As at 31 March 2021, the carrying amount of trade receivables was approximately HK$21,778,000, net of allowance for credit losses of HK$1,018,000 (2020: HK$24,248,000, net of allowance for credit losses of HK$1,105,000), and carrying amount of contract assets was approximately HK$49,535,000, net of allowance for credit losses of HK$1,235,000 (2020: HK$57,840,000, net of allowance for credit losses of HK$1,369,000).

Details of the Group's assessment of ECL and the Group's trade receivables and contract assets are disclosed in notes 6(c), 23 and 26 to the consolidated financial statements respectively.

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 31 March 2021 (2020: Nil).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Categories of financial instruments at 31 March

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at FVTPL	5,179	6,154
Financial assets at amortised cost	109,879	206,926
Financial liabilities		
Financial liabilities at amortised cost	67,426	84,339

(b) Market risk

(i) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities in HK$ and RMB. Accordingly, the Group is not exposed to significant foreign currency risk, except for the bank deposits and deposit placed for a life insurance policy denominated in United States Dollars ("US$") and inter-company balances of certain Group entities denominated in RMB. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

As HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rates.

As at 31 March 2021, if HK$ had strengthened/weakened by 10% against the RMB with all other variables held constant, the Group's consolidated loss after tax for the year would have been HK$4,000 lower/higher, mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalents denominated in RMB.

As at 31 March 2020, if HK$ had strengthened/weakened by 10% against the RMB with all other variables held constant, the Group's consolidated profit after tax for the year would have been approximately HK$4,113,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of intra-group balances denominated in RMB.

6. FINANCIAL RISK MANAGEMENT — continued

(b) Market risk — continued

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk relates primarily to pledged bank deposits, lease liabilities and loan to an associate which bear interests at fixed interest rates.

The Group's exposure to cash flow interest rate risk relates to its bank deposits and certain of its bank borrowings which bear interests of variable rates that varied with the then prevailing market conditions.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable interest rate instruments.

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole period. No sensitivity analysis is provided on variable-rate bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

A 50 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If the interest rate of variable-rate borrowings had been 50 basis point higher/lower and all other variables were held constant, the Group's consolidated loss after tax for the year would increase/decrease by HK$184,000 (2020: consolidated profit after tax for the year would decrease/increase by HK$269,000).

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk exposures are primarily attributable to trade receivables and contract assets arising from contracts with customers, other receivables and deposits, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

6. FINANCIAL RISK MANAGEMENT — continued

(c) Credit risk — continued

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating (Note c)	12-month or lifetime ECL	Gross carrying amounts 2021 HK$'000	Gross carrying amounts 2020 HK$'000
Financial assets at amortised cost						
Trade receivables	23	N/A	Note a	Lifetime ECL — not credit-impaired (individually assessed)	19,511	22,551
	23	N/A	Note a	Lifetime ECL — not credit-impaired (provisional matrix)	2,528	2,035
	23	N/A	Loss (Note a)	Lifetime ECL — credit-impaired	757	767
					22,796	25,353
Loan to an associate	19	N/A	Low risk	12-month ECL	—	24,626
Amount due from a related company	25	N/A	Low risk	12-month ECL	—	39,218
Other receivables and deposits	24	N/A	Low risk	12-month ECL	1,989	18,522
Pledged bank deposits	27	2021: Aa3 (2020: Aa3)	N/A	12-month ECL	40,218	40,157
Bank balances	27	2021: Baa3–Aa3 (2020: Baa1–Aa3)	N/A	12-month ECL	45,840	60,569
Other item						
Contract assets	26	N/A	Note a	Lifetime ECL — not credit-impaired (individually assessed)	49,850	58,289
	26	N/A	Loss (Note a)	Lifetime ECL — credit-impaired	920	920
					50,770	59,209

Notes:

(a) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the credit loss allowance at lifetime ECL. Except for debtors arising from provision of steel and metal engineering services or balances that are credit-impaired which are assessed individually, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating.

(b) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

6. FINANCIAL RISK MANAGEMENT — continued

(c) Credit risk — continued

Notes: — continued

(c) The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

(i) Trade receivables and contract assets arising from contracts with customers

Management adopted a policy on providing credit facilities to customers. A credit investigation, including assessment of financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

In order to minimise the credit risk on trade receivables and contract assets, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on trade receivable and contract assets. The Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables and contract assets, other than those balances that are arising from the provision of steel and metal engineering services or are credit-impaired which are assessed individually, the remaining balances have been grouped based on shared credit risk characteristics with details disclosed in this note, respectively. In this regard, the management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

The Group has concentration of credit risks with exposure limited to certain customers. For trade receivables, the Group's largest debtor contributed approximately 31.1% (2020: 36.0%) of the Group's trade receivables and the Group's five largest debtors contributed approximately 72.4% (2020: 82.7%) of the Group's trade receivables. For contract assets, the Group's largest customer contributed approximately 21.2% (2020: 22.4%) of the Group's contract assets and the Group's five largest customers contributed approximately 72.6% (2020: 65.4%) of the Group's contract assets as at 31 March 2021. All these top five debtors are customers located in Hong Kong.

6. FINANCIAL RISK MANAGEMENT — continued

(c) Credit risk — continued

(i) Trade receivables and contract assets arising from contracts with customers — continued

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to provision of steel and metal engineering services and sales of steel and metal products. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2021 and 2020 within lifetime ECL.

Internal credit rating	2021 Average loss rate	2021 Trade receivables HK$'000	2020 Average loss rate	2020 Trade receivables HK$'000
Doubtful	2.98%	2,528	3.07%	2,035

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) Trade receivables HK$'000	Lifetime ECL (not credit-impaired) Contract assets HK$'000	Lifetime ECL (Credit-impaired) (note) Trade receivables HK$'000	Lifetime ECL (Credit-impaired) (note) Contract assets HK$'000	Total HK$'000
At 31 March 2019	92	175	2,407	920	3,594
Transferred to credit impaired	(29)	—	29	—	—
Impairment loss recognised	310	312	738	—	1,360
Impairment loss reversed	(35)	(38)	—	—	(73)
Write-off	—	—	(2,407)	—	(2,407)
At 31 March 2020 and 1 April 2020	**338**	**449**	**767**	**920**	**2,474**
Impairment loss recognised	**258**	**175**	**—**	**—**	**433**
Impairment loss reversed	**(335)**	**(309)**	**—**	**—**	**(644)**
Write-off	**—**	**—**	**(10)**	**—**	**(10)**
At 31 March 2021	**261**	**315**	**757**	**920**	**2,253**

Note:

The lifetime ECL recognised for credit-impaired trade receivables and contract assets are resulting from a debtor went into liquidation process during the year. The gross amounts of credit-impaired trade receivables and contract assets are approximately HK$757,000 and HK$920,000 (2020: HK$767,000 and HK$920,000), respectively.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

6. FINANCIAL RISK MANAGEMENT — continued

(c) Credit risk — continued

(ii) Other receivables and deposits, loan to an associate and amount due from a related company

The management of the Group makes individual assessment on the recoverability of other receivables and deposits and amount due from a related company based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive and forward-looking information.

For the loan to an associate, the Group regularly monitors the business performance of the associate. The Group's credit risk in the balance is mitigated through the value of the assets held by the entities and the power to participate the relevant activities of the entities.

The following tables show reconciliation of loss allowances that has been recognised for loan to an associate, amount due from a related company, other receivables and deposits.

	Loss allowance for		
	Loan to an associate HK$'000	**Amount due from a related company** HK$'000	**Other receivables and deposits** HK$'000
At 1 April 2019	—	—	—
Impairment losses recognised	125	200	89
At 31 March 2020 and 1 April 2020	**125**	**200**	**89**
Write-off	**(125)**	**(200)**	**(89)**
At 31 March 2021	**—**	**—**	**—**

(iii) Pledged bank deposits and bank balances

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No loss allowance provision for pledged bank deposits and bank balances was recognised as the amount is insignificant. The Group has limited exposure to any single financial institution.

6. FINANCIAL RISK MANAGEMENT — continued

(d) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time bend regardless of the probability of the banks choosing to exercise their rights.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand	Within 3 months	4–12 months	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2021							
Non-derivative financial liabilities							
Trade and other payables and accruals	N/A	—	23,246	—	—	23,246	23,246
Bank borrowings	2.08	44,180	—	—	—	44,180	44,180
		44,180	23,246	—	—	67,426	67,426
Lease liabilities	3.60	—	66	198	66	330	323
As at 31 March 2020							
Non-derivative financial liabilities							
Trade and other payables and accruals	N/A	—	19,999	—	—	19,999	19,999
Bank borrowings	3.56	64,400	—	—	—	64,400	64,400
		64,400	19,999	—	—	84,399	84,399
Lease liabilities	3.60	—	386	1,028	330	1,744	1,704

During the year ended 31 March 2021, the Group 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$44,180,000.

Details of the breach of financial covenant is set out in note 29 to the consolidated financial statements.

6. FINANCIAL RISK MANAGEMENT — continued

(e) Fair values

Management of the Group estimates the fair value of its financial assets and financial liabilities carried at amortised cost using discounted cash flow analysis.

Management of the Group considers that the carrying amounts of the financial assets and financial liabilities has recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. FAIR VALUES MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair values:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

(a) Disclosures of level in fair value hierarchy as at 31 March:

Description	**Fair value measurements using: Level 2 HK$'000**	**Total 2021 HK$'000**
Recurring fair value measurements:		
Financial assets		
Financial asset at FVTPL		
Deposit placed for a life insurance policy	**5,179**	**5,179**
Total	**5,179**	**5,179**

Description	Fair value measurements using: Level 2 HK$'000	Total 2020 HK$'000
Recurring fair value measurements:		
Financial assets		
Financial asset at FVTPL		
Deposit placed for a life insurance policy	6,154	6,154
Total	6,154	6,154

7. FAIR VALUES MEASUREMENTS — continued

(b) Disclosure of valuation techniques and inputs used in fair value measurements as at 31 March 2021:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The financial controller reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors at least twice a year.

Description	**Valuation techniques**	**Inputs**
Deposit placed for a life insurance policy classified as financial assets at FVTPL	Expected cash flows	Cash value quoted by the insurance company

8. REVENUE

(a) Disaggregation of revenue

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

	2021 **HK$'000**	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Provision of steel and metal engineering services	**193,873**	174,773
Sales of steel and metal products		
— Standardised collapsible gates	**127**	4,180
— Other steel and metal products	**15,608**	21,427
	15,735	25,607
Total	**209,608**	200,380

8. REVENUE — continued

(a) Disaggregation of revenue — continued

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	
For the year ended 31 March	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Timing of revenue recognition						
Products transferred at a point in time	**—**	—	**15,735**	25,607	**15,735**	25,607
Products and services transferred over time	**193,873**	174,773	**—**	—	**193,873**	174,773
Total	**193,873**	174,773	**15,735**	25,607	**209,608**	200,380

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.

	2021 HK$'000	2020 HK$'000
Provision of steel and metal engineering services	**268,960**	930,311

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 2021 will be recognised as revenue during the years ending 31 March 2022 to 2024 (2020: 31 March 2021 to 2023).

9. 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 2021	**Provision of steel and metal engineering services HK$'000**	**Sales of steel and metal products HK$'000**	**Total HK$'000**
Segment revenue	**193,873**	**15,735**	**209,608**
Segment profit	**11,526**	**4,351**	**15,877**
Impairment loss under ECL model			**(2)**
Other income and other gains and losses			**11,459**
Loss on the Incident Transactions			**(111,983)**
Administrative expenses			**(28,422)**
Finance costs			**(1,389)**
Loss before taxation			**(114,460)**

Year ended 31 March 2020	Provision of steel and metal engineering services HK$'000	Sales of steel and metal products HK$'000	Total HK$'000
Segment revenue	174,773	25,607	200,380
Segment profit	42,924	5,574	48,498
Impairment loss under ECL model			(414)
Other income and other gains and losses			(217)
Administrative expenses			(29,889)
Finance costs			(2,098)
Share of loss of an associate			(281)
Profit before taxation			15,599

9. SEGMENT INFORMATION — continued

Segment revenue and results — continued

The accounting policies of the operating segments are the same as the Group's accounting policies set out in note 4. Segment results represents profit earned/losses incurred by each segment, without allocation of impairment loss under ECL model on other financial assets, certain other income and other gains and losses, loss on the Incident Transactions, certain administrative expenses, certain finance costs, share of loss of an associate and income tax (credit)/expense.

Other segment information

	Provision of steel and metal engineering services HK$'000	**Sales of steel and metal products** HK$'000	**Unallocated** HK$'000	**Total** HK$'000
Amounts charged or (expense) included in the measures of segment results:				
For the year ended 31 March 2021				
Depreciation and amortisation	**4,082**	**533**	**1,217**	**5,832**
(Reversal of impairment loss)/impairment loss under ECL model on trade receivables, contract assets and other financial assets, net	**(185)**	**(26)**	**2**	**(209)**
For the year ended 31 March 2020				
Depreciation and amortisation	1,886	657	3,027	5,570
Impairment loss under ECL model on trade receivables, contract assets and other financial assets, net	397	890	414	1,701

9. SEGMENT INFORMATION — continued

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:

	2021 HK$'000	2020 HK$'000
Hong Kong	**209,597**	200,364
The PRC	**11**	16
	209,608	200,380

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:

	2021 HK$'000	2020 HK$'000
Hong Kong	**3,738**	29,819
The PRC	**13,925**	15,380
	17,663	45,199

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:

	2021 HK$'000	2020 HK$'000
Customer A (note b)	**32,152**	32,765
Customer B (note a)	**49,207**	58,667
Customer C (note b)	**23,227**	N/A*
Customer D (note b)	**23,474**	24,241

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.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid to or received by each of the directors and the chief executive whether of the Company or its subsidiary undertaking are as follows:

Name of directors	For the year ended 31 March 2021			
	Fees HK$'000	Salaries and other benefit HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors				
Lee Pui Sun (note a)	—	1,200	18	1,218
Lau Lai Ching (note b)	—	1,200	18	1,218
Lee Ka Ho (note c)	—	660	13	673
Pang Ming (note d)	—	500	8	508
Non-executive directors				
Lee Ka Chun Benny (note e)	—	600	—	600
Zhang Chen (note f)	—	90	—	90
Independent non-executive directors				
Au Yeung Wai Key	180	—	—	180
Tse Ka Ching Justin	180	—	—	180
Cheung Chun Man Anthony (note g)	—	—	—	—
Cheung Kwok Kwan (note h)	90	—	—	90
Wun Wai Yee Duncan (note i)	83	—	—	83
	533	4,250	57	4,840

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS — continued

(a) Directors' and chief executive's emoluments — continued

	For the year ended 31 March 2020			
Name of directors	Fees HK$'000	Salaries and other benefit HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors				
Lee Pui Sun (note a)	—	930	16	946
Lau Lai Ching (note b)	—	930	16	946
Lee Ka Ho (note c)	—	504	11	515
Pang Ming (note d)	—	630	12	642
Non-executive directors				
Lee Ka Chun Benny (note e)	—	465	—	465
Zhang Chen (note f)	—	45	—	45
Independent non-executive directors				
Au Yeung Wai Key	180	—	—	180
Tse Ka Ching Justin	180	—	—	180
Cheung Kwok Kwan (note h)	180	—	—	180
	540	3,504	55	4,099

Notes:

(a) Mr. Lee Pui Sun was also the chairman and chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as chairman and chief executive officer. His duties were suspended on 5 May 2021 and he resigned as executive director on 14 September 2022.

(b) Ms. Lau Lai Ching's duties were suspended on 5 May 2021 and she resigned as executive director on 14 September 2022.

(c) Mr. Lee Ka Ho was appointed as executive director on 28 June 2019. His duties were suspended on 5 May 2021 and he resigned as executive director on 14 September 2022.

(d) Mr. Pang Ming was appointed as executive director on 28 June 2019 and he resigned as executive director on 29 September 2020.

(e) Mr. Lee Ka Chun, Benny was appointed as interim chairman of the Company on 5 May 2021 and he ceased to be interim chairman and resigned as non-executive director on 21 October 2022.

(f) Mr. Zhang Chen was appointed as non-executive director on 1 January 2020 and he resigned as non-executive director on 31 December 2020.

(g) Mr. Cheung Chun Man, Anthony was appointed as independent non-executive director on 31 March 2021.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS — continued

(a) Directors' and chief executive's emoluments — continued

Notes: — continued

(h) Hon Cheung Kwok Kwan, JP resigned as independent non-executive director on 25 September 2020.

(i) Mr. Wun Wai Yee, Duncan was appointed as independent non-executive director on 15 October 2020 and he resigned as independent non-executive director on 31 March 2021.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. For the year ended 31 March 2021, Mr. Lee Ka Ho (2020: all the executive directors and Mr. Lee Ka Chun, Benny) waived emoluments with an aggregate amount of HK$300,000 (2020: HK$1,161,000). Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2021 and 2020.

During both years, no directors were granted share options in respect of their services to the Group under the share option scheme of the Company.

(b) Employees' emoluments

The five highest paid individual of the Group during the year included two directors (2020: two), details of whose remuneration are set out in note 10(a) above. Details of the remuneration for the year of the remaining three (2020: three) highest paid individual who are neither a director nor chief executive of the Company are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and other benefits	**2,256**	2,256
Discretionary bonus (note)	**188**	178
Equity-settled share option expenses	**64**	126
Retirement benefit scheme contributions	**54**	54
	2,562	2,614

Note: The discretionary bonuses are determined with references to the performance of individual employee and of the Group.

The number of the highest paid individual who are not directors of the Company whose remuneration fell within the following brands is as follows:

	Number of individual	
	2021	2020
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. OTHER INCOME AND OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Other income		
Interest income from bank deposits	81	794
Interest income from loan to an associate	3,091	990
Government subsidies (note)	6,816	84
Sales of scrap materials	361	173
Others	628	155
	10,977	2,196
Other gains and losses		
Fair value loss on financial asset at FVTPL (note 21)	(975)	—
Net foreign exchange gains/(losses)	1,514	(2,413)
Loss on disposal of property, plant and equipment	(57)	—
	482	(2,413)
	11,459	(217)

Note:

During the year, the Group recognised government grants of approximately HK$6,816,000 (2020: HK$50,000) 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.

12. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	1,356	2,019
Interest on lease liabilities (note 18)	33	79
	1,389	2,098

13. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging:

	2021 HK$'000	2020 HK$'000
Auditor's remuneration	**3,145**	1,800
Depreciation of property, plant and equipment (note 17)	**3,103**	3,008
Depreciation of right-of-use assets (note 18)	**1,565**	1,611
Direct costs	**191,713**	150,595
Loss on disposal of property, plant and equipment (included in direct costs and administrative expenses)	**144**	—
Amortisation of intangible assets (note 20)	**1,164**	951
Loss on the Incident Transactions (note 2(a))	**111,983**	—
Employee benefits expenses inclusive of directors' emoluments:		
Directors' emoluments (note 10(a))	**4,840**	4,099
Other staff costs:		
Salaries, wages and other benefits	**101,878**	72,047
Retirement benefits scheme contributions	**3,161**	4,171
Equity-settled share option expenses	**767**	1,538
	105,806	77,756

Direct cost for the year ended 31 March 2021 includes approximately HK$96,213,000 (2020: HK$71,963,000) relating to staff costs, depreciation 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.

14. INCOME TAX (CREDIT)/EXPENSE

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

	2021 HK$'000	2020 HK$'000
Current tax:		
Hong Kong Profits Tax	**—**	2,597
The PRC Enterprise Income Tax ("EIT")	**—**	3,038
Over-provision in prior years	**(206)**	(31)
	(206)	5,604
Deferred tax (note 32)		
Origination and reversal of temporary differences	**(565)**	(243)
	(771)	5,361

14. INCOME TAX (CREDIT)/EXPENSE — continued

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.

The reconciliation between the income tax (credit)/expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2021 HK$'000	2020 HK$'000
(Loss)/profit before taxation	**(114,460)**	15,599
Tax at the Hong Kong Profits Tax rate of 16.5%	**(18,886)**	2,574
Tax effect of income that is not taxable	**(1,177)**	(31)
Tax effect of expenses that are not deductible	**20,130**	2,437
Over-provision in prior years	**(206)**	(31)
Effect of different tax rate of subsidiaries	**(632)**	597
Tax concession	**—**	(165)
Others	**—**	(20)
Income tax (credit)/expense	**(771)**	5,361

15. DIVIDENDS

	2021 HK$'000	2020 HK$'000
2020 Interim of HK0.3 cents per ordinary share paid	**—**	2,303
2019 Final of HK0.5 cents per ordinary share paid	**—**	3,838
	—	6,141

The directors of the Company did not recommend payment of any dividend for the year ended 31 March 2021.

16. (LOSS)/EARNINGS PER SHARE

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

	2021 HK$'000	2020 HK$'000
(Loss)/earnings:		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	(81,620)	12,245
	Number of shares	**Number of shares**
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	767,600,000	767,600,000
Effect of dilutive potential ordinary shares arising from share options issued by the Company (note)	—	7,893,306
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	767,600,000	775,493,306

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 year ended 31 March 2021 did not exceed the exercise price of the then outstanding share options, hence they were anti-dilutive and ignored in the calculation of diluted (loss)/earnings per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Owned properties HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Office equipment, furniture and fixtures HK$'000	Total HK$'000
Cost						
At 1 April 2019	8,231	806	8,529	10,301	400	28,267
Additions	—	126	411	570	353	1,460
Exchange realignment	(531)	(4)	(26)	(518)	(26)	(1,105)
At 31 March 2020 and 1 April 2020	7,700	928	8,914	10,353	727	28,622
Additions	—	—	1,383	944	2,020	4,347
Disposals	—	—	(705)	(1,446)	(176)	(2,327)
Exchange realignment	646	11	32	660	40	1,389
At 31 March 2021	8,346	939	9,624	10,511	2,611	32,031
Accumulated depreciation						
At 1 April 2019	4,254	13	7,171	3,521	170	15,129
Provided for the year (note 13)	539	181	862	1,328	98	3,008
Exchange realignment	(287)	—	(9)	(145)	(8)	(449)
At 31 March 2020 and 1 April 2020	4,506	194	8,024	4,704	260	17,688
Provided for the year (note 13)	527	180	522	1,072	802	3,103
Disposals	—	—	(450)	(1,157)	(176)	(1,783)
Exchange realignment	397	2	14	227	15	655
At 31 March 2021	5,430	376	8,110	4,846	901	19,663
Carrying amount						
At 31 March 2021	2,916	563	1,514	5,665	1,710	12,368
At 31 March 2020	3,194	734	890	5,649	467	10,934

18. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Total HK$'000
As at 1 April 2019	4,089	2,415	6,504
Additions	—	752	752
Depreciation (note 13)	(180)	(1,431)	(1,611)
Exchange realignment	(260)	(48)	(308)
As at 31 March 2020 and 1 April 2020	3,649	1,688	5,337
Depreciation (note 13)	**(184)**	**(1,381)**	**(1,565)**
Exchange realignment	**300**	**17**	**317**
As at 31 March 2021	**3,765**	**324**	**4,089**

	2021 HK$'000	2020 HK$'000
Depreciation expenses on right-of-use assets (note 13)	**1,565**	1,611
Interest expense on lease liabilities (included in finance costs) (note 12)	**33**	79
Expenses relating of short-term lease (included in direct costs and administrative expenses)	**1,683**	707

Details of total cash outflow for leases is set out in note 39(b) to the consolidated financial statements.

For both years, the Group leases warehouse, showroom, factory and office premises for its operations. Lease contracts are entered into for fixed term ranged from two years to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several factory and office premises. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Restrictions or covenants on leases

In addition, lease liabilities of approximately HK$323,000 (2020: HK$1,704,000) are recognised with related right-of-use assets of approximately HK$324,000 (2020: HK$1,688,000) as at 31 March 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. INTEREST IN AN ASSOCIATE AND LOAN TO AN ASSOCIATE

Interest in an associate

	2021 HK$'000	2020 HK$'000
Cost of investment in an associate	277	277
Share of post-acquisition losses	(281)	(281)
Exchange realignment	4	4
	—	—

On 24 October 2019, the Group acquired 25% equity interest in 佛山市臻裕置業投資有限公司 ("Foshan Zhenyu"), a private limited liability company established in the PRC, from 首建城業 (深圳) 實業有限公司 at a cash consideration of RMB250,000 (equivalent to HK$277,000). 首建城業 (深圳) 實業有限公司 was indirectly wholly owned by Mr. Pang Ming, an executive director of the Company since 28 June 2019, and thus it is a related party transaction of the Group. Mr. Pang Ming resigned as executive director of the Company on 29 September 2020.

Details of the Group's associate at the end of the reporting period is as follow:

Name of entity	Country of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activities
			2021	2020	2021	2020	
佛山市臻裕置業投資有限公司	The PRC	The PRC	25%	25%	25%	25%	Property development

Loan to an associate

During the year ended 31 March 2020, the Group entered into a loan agreement with the associate. The Group has agreed to provide shareholder's loan facility amounting to RMB30,000,000 to the associate for a term of 24 months from the advance date and maturing on the final maturity date with any outstanding accrued interest. The loan to an associate is unsecure, interest bearing at 12% per annum with interest payable in arrears every three months.

As at 31 March 2020, RMB22,500,000 (equivalent to HK$24,626,000) of the facility was utilised and an impairment loss under ECL model of approximately HK$125,000 was recognised.

Upon consideration of the findings of the Investigation, the loan to an associate was identified as part of the Incident Transactions. The Group recognised an impairment loss on the Incident Transactions of approximately HK$26,563,000 during the year ended 31 March 2021 to fully write down the balance of loan to an associate.

Details of Investigation and the summary of loss on the Incident Transactions are set out in note 2(a) to the consolidated financial statements.

20. INTANGIBLE ASSETS

	The PRC construction licenses HK$'000
Cost	
At 1 April 2019	—
Addition through acquisition of a subsidiary (note 38)	3,371
Exchange realignment	(218)
At 31 March 2020, 1 April 2020 and 31 March 2021	**3,153**
Accumulated amortisation	
At 1 April 2019	—
Amortisation for the year (note 13)	951
Exchange realignment	(24)
At 31 March 2020 and 1 April 2020	927
Amortisation for the year (note 13)	**1,164**
Exchange realignment	**(144)**
At 31 March 2021	**1,947**
Carrying amount	
At 31 March 2021	**1,206**
At 31 March 2020	2,226

The PRC construction licenses included the main contractor of construction works (level two) and the main contractor of municipal public construction works (level three). Such intangible assets are amortised on a straight-line basis over the remaining life of the licenses, which is 34 months from the date of the acquisition.

21. FINANCIAL ASSET AT FVTPL

	2021 HK$'000	2020 HK$'000
Financial asset mandatorily measured at FVTPL:		
Unlisted investment		
Deposit placed for a life insurance policy	**5,179**	6,154
Analysed as:		
Non-current assets	**5,179**	6,154

In March 2020, the Group entered into a life insurance policy with an insurance company to insure an executive director of the Company. Under the policy, the beneficiary and policyholder is HY Gate and the total insured sum is US$5,000,000 (equivalent to approximately HK$39,000,000). HY Gate was required to pay an upfront deposit of approximately US$790,000 (equivalent to approximately HK$6,154,000) including a premium charge at the inception of the policy amounting to approximately US$47,000 (equivalent to approximately HK$369,000). HY Gate can terminate the policy at any time and receive cash value of the policy at the date of withdrawal, which is determined by the upfront payment of US$790,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value"). In addition, if withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge. The insurance company will pay HY Gate an interest of 4.25% per annum on the outstanding Cash Value of the policy for the first year. Commencing on the 2nd year, the interest will be a variable return with minimum guaranteed interest rate of 2% per annum by the insurance company on an annual basis.

The directors of the Company consider that the Group will not terminate the policies nor withdraw cash prior to the 7th year of the surrender period on the life insurance policy entered during the year ended 31 March 2020, accordingly, the amount is presented as non-current asset in the consolidated statement of financial position.

During the year ended 31 March 2021, the fair value loss of approximately HK$975,000 (2020: Nil) was charged to profit or loss.

As at 31 March 2021, the carrying amount of a deposit placed for a life insurance policy pledged as security for certain bank borrowings amounted to approximately HK$4,180,000 (2020: approximately HK$4,400,000).

The carrying amount of a deposit placed for a life insurance policy is denominated in US$.

22. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**13,356**	11,364
Work-in-progress	**1,456**	2,604
Finished goods	**4,353**	5,031
Total	**19,165**	18,999

23. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**22,796**	25,353
Less: Allowance for credit losses	**(1,018)**	(1,105)
Total	**21,778**	24,248

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 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:

	2021 HK$'000	2020 HK$'000
0–30 days	**3,338**	5,754
31–60 days	**11,317**	11,047
61–90 days	**1,304**	3,346
Over 90 days	**5,819**	4,101
	21,778	24,248

As at 31 March 2021, included in the Group's trade receivables balance are receivables with aggregate carrying amount of approximately HK$8,119,000 (2020: HK$13,848,000) which are past due as at the end of the reporting period. Out of the past due balances, approximately HK$5,555,000 (2020: HK$3,789,000) 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.

Details of impairment assessment of trade receivables are set out in note 6(c)(i) to the consolidated financial statements.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Deposits for acquisition of property, plant and equipment (note a)	—	20,602
Deposit for securing a construction contract (note b)	—	16,333
Other receivables	974	1,297
Interest receivables (note c)	—	965
Other deposits	1,462	1,782
Prepayments	3,442	166
Total	5,878	41,145
Analysed as:		
Non-current assets	44	36,979
Current assets	5,834	4,166
Total	5,878	41,145

Notes:

(a) As at 31 March 2020, included in the deposits for acquisition of property, plant and equipment were balances of approximately HK$9,536,000 and HK$9,566,000 being deposits paid to Golden Fort and EF respectively, for the procurement of machinery for the Group's production plant in the PRC. Both Golden Fort and EF had failed to supply the machinery or refund the deposits to the Group. In September 2020, the Group received payment as compensation of the loss from Mr. Lee Sr. to offset the balance of deposit paid to Golden Fort.

Upon consideration of the findings of the Investigation, the deposits paid to Golden Fort and EF were identified as part of the Incident Transactions. The Group recognised an impairment loss on the Incident Transactions of approximately HK$9,566,000 during the year ended 31 March 2021 to fully write down the balances due from EF.

(b) During the year ended 31 March 2020, Fujian Hejin has entered into a memorandum with Hubei Ruiyitai, an independent third party, pursuant to which Fujian Hejin agreed to pay a deposit of RMB15,000,000 (equivalent to HK$16,400,000) to secure a contract of the residential and commercial complex project with car park located in Foshan City, Guangdong Province, with a contract sum of not less than RMB150 million. The deposit paid is unsecured, interest-free and refundable within 3 months upon the completion of construction.

As at 31 March 2020, the carrying amount of deposit for securing a construction contract was approximately HK$16,333,000, net of allowance for credit losses of approximately HK$84,000.

Upon consideration of the findings of the Investigation, the deposit for securing a construction contract was identified as part of the Incident Transactions. The Group recognised an impairment loss on the Incident Transactions of approximately HK$17,712,000 during the year ended 31 March 2021 to fully write down the balances of the deposit paid.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS — continued

Notes: — continued

(c) As at 31 March 2020, included in the interest receivable was a balance of approximately HK$961,000 being interest receivable on the loan to an associate, of which the directors of the Company expected such amount was recoverable within twelve months from the end of the reporting period.

Upon consideration of the findings of the Investigation, the loan to an associate together with the corresponding interest receivable on the loan to an associate were identified as part of the Incident Transactions. The Group recognised an impairment loss on the Incident Transactions of approximately HK$4,102,000 during the year ended 31 March 2021 to fully write down the balances of interest receivable from an associate.

Details of Investigation and the summary of loss on the Incident Transactions are set out in note 2(a) to the consolidated financial statements.

25. AMOUNT DUE FROM A RELATED COMPANY

	2021 **HK$'000**	2020 HK$'000
Amount due from a related company	—	39,218
Less: Allowance for credit losses	—	(200)
	—	39,018
Analysed as:		
Non-current assets	—	16,334
Current assets	—	22,684
	—	39,018

Strategic cooperation framework agreement

On 21 December 2018, HY Gate entered into a non-legally binding SCFA with CDI Holdings pursuant to which CDI Holdings shall, among others, make use of its favourable connections and resources, introduce and propose property investment projects and construction projects in the PRC to the Group.

CDI Holdings is considered as a related company of the Group since 50% of its equity interest is owned by Mr. Pang Ming, an executive director of the Company since 28 June 2019. Mr. Pang Ming resigned as executive director of the Company on 29 September 2020.

Pursuant to the SCFA, HY Gate shall pay CDI Holdings a sum of RMB20,000,000 (equivalent to HK$22,800,000) as earnest money and the SCFA shall remain in effect for 12 months (21 December 2018 to 21 December 2019) (the "Term"). Upon the expiry of the Term, the parties may agree to extend the Term in writing for not more than 24 months from the date of the SCFA. The earnest money paid is unsecured, interest-free and refundable within 3 business days upon the expiry or termination of the SCFA.

25. AMOUNT DUE FROM A RELATED COMPANY — continued

Strategic cooperation framework agreement — continued

During the year ended 31 March 2019, an aggregate amount of HK$22,800,000 of earnest money was paid by HY Gate to CDI Holdings. On 20 December 2019, HY Gate and CDI Holdings entered into a supplemental agreement to extend the Term for another 12 months until 21 December 2020. The SCFA has expired on 22 December 2020 and was not further extended. In December 2020, CDI Holdings repaid HK$5,000,000 to HY Gate and as at 31 March 2021, approximately HK$17,800,000 (2020: HK$22,800,000) remained overdue.

Upon consideration of the findings of the Investigation, the earnest money paid to CDI Holdings was identified as part of the Incident Transactions. The Group recognised an impairment loss on the Incident Transactions of approximately HK$17,684,000 during the year ended 31 March 2021 to fully write down the balance of earnest money paid to CDI Holdings.

Kaihua project

During the year ended 31 March 2020, CDI HY SZ paid a deposit of RMB15,000,000 (equivalent to HK$17,750,000) pursuant to a memorandum entered in 20 March 2019 with CDI Holdings, to secure a new contract of a sports and tourism complex project in Kaihua, Zhejiang Province, with a contract sum of approximately RMB550 million ("Kaihua Project"). The deposit paid is unsecured, interest-free and refundable within 3 months upon the completion of construction.

As at 31 March 2020, the carrying amount of deposit for Kaihua Project was approximately HK$16,334,000, net of allowance for credit losses of approximately HK$83,000. The deposit paid is unsecured, interest-free and refundable within 3 months upon the completion of construction.

Upon consideration of the findings of the Investigation, the deposit for Kaihua Project was identified as part of the Incident Transactions. The Group recognised an impairment loss on the Incident Transactions of approximately HK$17,712,000 during the year ended 31 March 2021 to fully write down the balance of deposit for Kaihua Project.

Details of Investigation and the summary of loss on the Incident Transactions are set out in note 2(a) to the consolidated financial statements.

26. CONTRACT ASSETS/CONTRACT LIABILITIES

Contract assets

	2021 HK$'000	2020 HK$'000
Unbilled revenue from engineering services contracts	23,983	32,966
Retention receivables	26,787	26,243
Less: Allowance for credit losses	(1,235)	(1,369)
	49,535	57,840
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade receivables"	21,778	24,248

The Group's engineering service contracts include payment schedules which require stage payments over the contract period once certain specified milestones based on surveyors' assessment are reached.

The Group has rights to considerations from customers for the provision of steel and metal engineering services. Contract assets arise when the Group has right to consideration for completion of engineering services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time.

Retention receivables represents the monies withheld by customers of contract works and are unsecured, interest-free and recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.

The retention receivables, net of allowance for credit losses, are to be settled, based on the expiring of the defect liability period, at the end of the reporting period as follows:

	2021 HK$'000	2020 HK$'000
On demand or within one year	3,065	2,121
After one year	22,623	23,039
	25,688	25,160

Details of impairment assessment of contract assets are set out in note 6(c)(i) to the consolidated financial statements.

For the year ended 31 March 2021

26. CONTRACT ASSETS/CONTRACT LIABILITIES — continued

Contract liabilities

	2021 HK$'000	2020 HK$'000
Billings in advance of performance obligation		
— Provision of steel and metal engineering services	40	192
— Sales of steel and metal products	—	50
	40	242

Contract liabilities relating to sales of steel and metal products arise when the Group has obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount of consideration is due) from the customer.

Contract liabilities relating to provision of steel and metal engineering services arises when the progress payment exceeds the revenue recognised to date under output method.

There were no significant changes in the contract liabilities balances during the reporting period.

Movements in contract liabilities:

	2021 HK$'000	2020 HK$'000
Balance at 1 April	242	676
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	(242)	(676)
Increase in contract liabilities as a result of receiving advance payment from customers	40	242
Balance at 31 March	40	242

No billings in advance of performance received that is expected to be recognised as income after more than one year (2020: Nil).

27. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

Pledged bank deposits and bank balances of the Group carry interest at market rates per annum at the end of the reporting period are as follows:

	2021	2020
Pledged bank deposits	**0.1%–1%**	0.1%–1%
Bank balances	**0.01%**	0.01%

The carrying amounts of the Group's pledged bank deposits and cash and cash equivalents are denominated in the following currencies:

	2021 **HK$'000**	2020 HK$'000
Pledged bank deposits		
HK$	**40,218**	40,157
Cash and cash equivalents		
HK$	**34,855**	36,014
US$	**417**	20
RMB	**10,622**	24,588
	45,894	60,622

The Group's pledged bank deposits represent deposits pledged to secure certain bank borrowings of the Group as set out in note 29 to the consolidated financial statements.

As at 31 March 2021, pledged bank deposits and bank balances and cash of the Group in the PRC denominated in RMB amounted to approximately HK$10,622,000 (2020: HK$24,588,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Details of impairment assessment are set out in Note 6(c)(iii) to the consolidated financial statements.

28. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Trade payables	**6,266**	10,878
Accrued staff costs	**7,789**	6,816
Accruals and others	**9,191**	2,305
	23,246	19,999

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:

	2021 HK$'000	2020 HK$'000
0–30 days	**2,797**	7,578
31–60 days	**625**	2,229
61–90 days	**2,242**	1,065
Over 90 days	**602**	6
	6,266	10,878

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	**5,355**	9,246
US$	**747**	1,228
RMB	**164**	404
	6,266	10,878

As at 31 March 2021, included in accruals and other payables were amounts due to the ultimate parent and a director of approximately HK$264,000 (2020: Nil) and HK$87,000 (2020: Nil) respectively which are unsecured, interest-free and repayable on demand.

As at 31 March 2021, included in accruals and other payables was amount due to a non-controlling interest of a subsidiary of the Group of HK$5,000,000 (2020: Nil). In the opinion of the directors of the Company, notwithstanding the uncertainty as the validity of the transaction, the Group has recorded the balance as amount due to a non-controlling interest of a subsidiary until it is certain the amount will not need to be repaid.

29. BANK BORROWINGS

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

	2021 HK$'000	2020 HK$'000
Within one year	40,220	60,220
Portion of borrowings that are due for repayment after one year but contain a repayment on demand clause	3,960	4,180
Amount due for settlement within 12 months (shown under current liabilities)	44,180	64,400

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:

	2021 HK$'000	2020 HK$'000
Deposit placed for a life insurance policy (note 21)	5,179	6,154
Pledged bank deposits (note 27)	40,218	40,157
	45,397	46,311

During the year ended 31 March 2021, 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$44,180,000. The bank has not requested for the early repayment of the bank borrowings and the Group subsequently repaid HK$40,000,000 with its existing working capital. 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:

	2021	2020
Variable interest rate:		
— Bank borrowings	0.97%–2.13%	1.94%–4.43%

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

For the year ended 31 March 2021

30. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**264**	1,414	**257**	1,381
More than one year but not exceeding two years	**66**	264	**66**	257
More than two years but not exceeding five years	**—**	66	**—**	66
	330	1,744	**323**	1,704
Less: Future finance charges	**(7)**	(40)	**N/A**	N/A
Present value of lease obligations	**323**	1,704	**323**	1,704
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(257)**	(1,381)
Amount due for settlement after 12 months			**66**	323

The Group's weighted average incremental borrowing rates applied to lease liabilities at 3.6% (2020: 3.6%).

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2021	2020
	HK$'000	HK$'000
HK$	**323**	1,322
RMB	**—**	382
	323	1,704

31. PROVISIONS

	Long service payments HK$'000
At 1 April 2019	197
Reversal on provision	(150)
At 31 March 2020, 1 April 2020 and 31 March 2021	**47**

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. Provisions recognised in respect of long service payments are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to end of each reporting period. Any changes in the provisions' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss.

32. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset. The following are the deferred tax (liabilities)/assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	**Provision for long service payment** HK$'000	**ECL provision** HK$'000	**Share-based payments** HK$'000	**Unused tax losses** HK$'000	**Total** HK$'000
At 1 April 2019	(141)	32	44	—	—	(65)
Credit/(charged) to profit or loss (note 14)	55	(25)	105	108	—	243
At 31 March 2020 and 1 April 2020	(86)	7	149	108	—	178
(Charged)/credit to profit or loss (note 14)	(281)	—	(54)	54	846	565
At 31 March 2021	(367)	7	95	162	846	743

At the end of the reporting period the Group has estimated unused tax losses of approximately HK$7,942,000 (2020: HK$833,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$5,129,000 (2020: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$2,813,000 (2020: HK$833,000) due to the unpredictability of future profit streams.

Included in unrecognised tax losses of approximately HK$833,000 (2020: HK$833,000) may be carried forward indefinitely. Other tax losses of approximately HK$1,980,000 (2020: Nil) will expire after 5 years from the year of assessment they related to.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately HK$1,968,000 (2020: HK$5,964,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020 and 31 March 2021	3,800,000,000	38,000
Issued and fully paid:		
At 1 April 2019, 31 March 2020 and 31 March 2021	767,600,000	7,676

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The externally imposed capital requirements for the Group are: (a) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (b) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2021, over 25% (2020: over 25%) of the shares were in public hands.

The Group is subject to the maintenance of a specified financial requirement on its consolidated tangible net worth. Consolidated tangible net worth consists of issued capital, share premium, statutory surplus, special reserve and retained profits attributable to owners of the Company less intangible assets and deferred tax as disclosed in the consolidated financial statements. During the year, the Company's subsidiary, HY Gate had breached certain financial covenants of certain loan agreements with a bank as disclosed in note 29 to the consolidated financial statements.

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position of the Company

	2021 HK$'000	2020 HK$'000
Non-current assets		
Investments in subsidiaries	—*	—*
Amounts due from subsidiaries	74,004	109,700
	74,004	109,700
Current assets		
Amounts due from subsidiaries	56,739	54,835
Bank balances	583	5,139
	57,322	59,974
Current liabilities		
Other payables and accruals	231	165
Net current assets	57,091	59,809
NET ASSETS	131,095	169,509
Capital and reserves		
Share capital (note 33)	7,676	7,676
Reserves	123,419	161,833
TOTAL EQUITY	131,095	169,509

* Amount less than HK$1,000

Approved by the board of director of the Company on 31 January 2023 and are signed on its behalf by:

Mr. Sin Kwok Chi Stephen *Director*	**Mr. Ho Chi Yuen** *Director*

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY — continued

Reserves movement of the Company

	Share premium HK$'000	Share option reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
	(note 35(b)(i))	(note 35(b)(iii))		
At 31 March 2019	154,701	2,819	12,829	170,349
Loss and total comprehensive income for the year	—	—	(3,913)	(3,913)
Recognition of equity-settled share based payments (note 41)	—	1,538	—	1,538
Dividends recognised as distribution (note 15)	—	—	(6,141)	(6,141)
At 31 March 2020 and 1 April 2020	154,701	4,357	2,775	161,833
Loss and total comprehensive income for the year	—	—	**(39,181)**	**(39,181)**
Recognition of equity-settled share based payments (note 41)	—	**767**	—	**767**
At 31 March 2021	**154,701**	**5,124**	**(36,406)**	**123,419**

35. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on their shares shall be transferred to share premium account. The application of the share premium account is governed by the Companies Law of the Cayman Islands. Share premium of the Company is distributable to shareholders subject to the provisions of the Company's Memorandum and Articles of Association and provided that immediately following the distribution the Company is able to pay its debts as they fall due in the ordinary course of business.

35. RESERVES — continued

(b) Nature and purpose of reserves — continued

(ii) Statutory surplus reserve

Statutory surplus reserves include statutory surplus reserve and discretionary surplus reserve.

According to the relevant rules and regulations in the PRC, subsidiaries of the Company established in the PRC are required to transfer 10% of their profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

Moreover, upon approval by the equity owner, a subsidiary of the Company transfers 10% of its profit after tax, as determined in accordance with the PRC accounting and regulations, to the discretionary surplus reserve.

(iii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(t) to the consolidated financial statements.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(d)(ii) to the consolidated financial statements.

36. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group regularly entered into short-term leases for showroom, factory and office premises. As at 31 March 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 18 to the consolidated financial statements.

37. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group participates in defined contribution schemes which are registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (the "MPFSO") in December 2000. The assets of the scheme are held, separately from those of the Group, in funds under the control of independent trustees.

The Group contributes 5% (2020: 5%) of relevant payroll costs to the MPF Scheme, which contributions are matched by the employees. The maximum monthly amount of contributions is limited to HK$1,500 (2020: HK$1,500) per employee. The Group has participated in a master trust MPF Scheme since December 2000 and made contributions to the MPF Scheme in accordance with the statutory requirements of the MPFSO.

The PRC

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries in the PRC have joined defined contribution retirement schemes for the employees arranged by local municipal government labour and security authorities (the "PRC Retirement Schemes"). The subsidiaries in the PRC make contributions to the PRC Retirement Schemes at the applicable rates ranged from 13% to 14% (2020: 13%) based on the amounts stipulated by the local municipal government organisations. Upon retirement, the local municipal government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

During the years ended 31 March 2021 and 2020, the Group had no forfeited contributions under the MPF Scheme and PRC Retirement Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available as at 31 March 2021 and 2020 under the MPF Scheme and PRC Retirement Scheme which may be used by the Group to reduce the contribution payable in future years.

During the year, the retirement benefits scheme contributions charged to consolidated statement of profit or loss were approximate HK$3,218,000 (2020: HK$4,226,000).

38. ACQUISITION OF A SUBSIDIARY

On 29 May 2019, CDI HY SZ completed the acquisition of the entire equity interests of Fujian Hejin, a private company established in the PRC, at a cash consideration of RMB2,800,000 (equivalent to approximately HK$3,276,000). At the date of completion of such acquisition, Fujian Hejin was inactive and had an insignificant assets and liabilities with insignificant net carrying amount of less than HK$1,000. The reason for the Group for such acquisition was to acquire the relevant licenses held by Fujian Hejin for conducting construction services business in the PRC. As Fujian Hejin has no business operation at the completion of the such acquisition, the directors of the Company are of the opinion that the acquisition of Fujian Hejin do not constitute a business combination as defined in HKFRS 3, therefore, such acquisition have been accounted for as acquisition of assets through acquisition of a subsidiary. Details of this acquisition were disclosed in the Company's announcement dated 31 May 2019.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	**Bank borrowings** HK$'000	**Dividend payable** HK$'000	**Total** HK$'000
At 31 March 2019	—	30,000	—	30,000
Adjustment upon application of HKFRS 16	2,415	—	—	2,415
At 1 April 2019 (restated)	2,415	30,000	—	32,415
Cash flows	(1,493)	32,381	(6,141)	24,747
Finance costs (note 12)	79	2,019	—	2,098
New lease entered	752	—	—	752
Exchange realignments	(49)	—	—	(49)
Dividends declared	—	—	6,141	6,141
At 31 March 2020 and 1 April 2020	1,704	64,400	—	66,104
Cash flows	**(1,432)**	**(21,576)**	**—**	**(23,008)**
Finance costs (note 12)	**33**	**1,356**	**—**	**1,389**
Exchange realignments	**18**	**—**	**—**	**18**
At 31 March 2021	**323**	**44,180**	**—**	**44,503**

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2021 **HK$'000**	2020 HK$'000
Within operating cash flows	**1,716**	786
Within financing cash flows	**1,399**	1,414
	3,115	2,200

These amounts relate to the following:

	2021 **HK$'000**	2020 HK$'000
Lease rental paid	**3,115**	2,200

40. RELATED PARTY TRANSACTIONS

The Group had the following transactions and balances with its related parties:

(a) Transactions with related parties

	2021 HK$'000	2020 HK$'000
Short term lease payments to the Controlling Shareholders	756	—
Short term lease payments to a related company (note)	550	—
Interest income from loan to an associate	3,091	990

Note:

It is considered as a related company of the Group as the company is controlled by Mr. Lee Sr.

During the year ended 31 March 2020, the Group acquired an associate from a related party. Details are disclosed in note 19.

During the year ended 31 March 2021, the Group received payment as compensation of loss from Mr. Lee Sr. to offset the balance of deposit paid to Golden Fort. Details are disclosed in note 2(a) to the consolidated financial statements.

(b) Balances with related parties

	2021 HK$'000	2020 HK$'000
Amount due from a related company (note 25)	—	16,334
Amount due to a director (note 28)	87	—
Amount due to the ultimate parent (note 28)	264	—
Amount due to a non-controlling interest of a subsidiary (note 28)	5,000	—
Lease liabilities to a related company (note)	—	389
Accrued expenses to a related company (note)	142	—
Lease liabilities to the Controlling Shareholders	—	744
Loan to an associate (note 19)	—	24,501
Interest receivables from an associate	—	961

Note:

It is considered as a related company of the Group as the company is controlled by Mr. Lee Sr.

40. RELATED PARTY TRANSACTIONS — continued

(c) Compensation of key management personnel

The remuneration of directors of the Company, who are also the key management of the Group during the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other short-term employee benefits	**8,097**	8,228
Equity-settled share option expenses	**95**	188
Retirement benefits costs	**144**	161
	8,336	8,577

The remuneration of directors of the Company is determined by the remuneration committee having regard to the performance of individuals and market trends.

As at 31 March 2021, included in accrued charges was an accrued remuneration of HK$29,000 (2020: HK$296,000) in relation to key management personnel which is unsecured, interest-free and settled in cash.

41. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 19 September 2018 for the primary purpose of providing incentives to eligible participants, and shall be valid and effective for a period of 10 years. Under the Scheme, the board of directors of the Company may grant options to eligible participants to subscribe for shares in the Company.

At 31 March 2021, the number of ordinary shares in respect of which options had been granted and remained outstanding under the Scheme was 8,450,000 (2020: 16,300,000), representing 1.1% (2020: 2.1%) of the total ordinary shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the listing date and 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The table below discloses movement of the Company's share options granted under the Scheme during the years ended 31 March 2021 and 2020:

	Exercise period	At 1 April 2019	Forfeited during the year (note)	At 31 March 2020	**Forfeited during the year (note)**	**Expired during the year**	**At 31 March 2021**
Number of share options outstanding							
— Employees	11 January 2022 to 10 January 2024	4,350,000	(25,000)	4,325,000	**(100,000)**	**—**	**4,225,000**
	11 January 2023 to 10 January 2024	4,350,000	(25,000)	4,325,000	**(100,000)**	**—**	**4,225,000**
— Consultant	11 January 2019 to 10 January 2021	7,600,000	—	7,600,000	**—**	**(7,600,000)**	**—**
		16,300,000	(50,000)	16,250,000	**(200,000)**	**(7,600,000)**	**8,450,000**
Number of share options exercisable		7,600,000		7,600,000			**—**

41. SHARE-BASED PAYMENTS — continued

Note:

During the year ended 31 March 2021, 200,000 (2020: 50,000) share options of the Company previously granted to employees were forfeited as such employees resigned during the year.

A total of 24,000,000 share options were granted on 11 January 2019 with exercise price of HK$1.53 per share, out of which 15,200,000 shares are vested immediately on grant date, 4,400,000 shares will be vested in three years from the grant date and the remaining 4,400,000 shares will be vested in four years from the grant date. The exercise price was determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The fair value of the options determined at the date of grant using the Binomial option pricing model was HK$9,348,000.

The following assumptions were used to calculate the fair values of share options at the date of grant on 11 January 2019:

	Group 1 Employees	**Group 2 Employees**	**Group 3 Consultant**
Share options granted at grant date	8,800,000	7,600,000	7,600,000
Spot price per share on grant date	HK$1.53	HK$1.53	HK$1.53
Exercise price	HK$1.53	HK$1.53	HK$1.53
Life to expiration (Note a)	5 years	1 year	2 years
Expected volatility (Note b)	49.359%	37.063%	37.010%
Dividend yield	1.307%	1.307%	1.307%
Risk-free interest rate (Note c)	1.769%	1.577%	1.652%

Notes:

(a) Life to expiration: Being the period commencing on the date of grant based on the contractual terms of the share options to the expiring date.

(b) Expected volatility: Estimated with reference to historical price volatilities of 4 comparable companies as extracted from Bloomberg for a period equal to the life to expiration as of the valuation date.

(c) Risk-free interest rate: Determined with reference to the yields of Hong Kong Sovereign Curve with a maturity life equal to the life to expiration as of the valuation date.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of reporting period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share options reserve.

The share-based payment expenses of approximately HK$767,000 for the year ended 31 March 2021 (2020: HK$1,538,000) was recognised in profit or loss (included in direct costs and administrative expenses according to the nature of work these employees and consultant are employed/engaged for).

42. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	—	32,569

43. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2021 and 31 March 2020.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2021 and 2020 as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued share capital/ paid-up capital	Attributable equity interest of the Group as at 31 March 2021	2020	Principal activities
Directly held by the Company:						
HY Metal Company Limited	BVI	Hong Kong	Ordinary share of US$1	100%	100%	Investment holding
HY China Investment Company Limited	BVI	Hong Kong	Ordinary share of US$1	100%	100%	Investment holding
Indirectly held by the Company:						
HY Gate	Hong Kong	Hong Kong	Ordinary share of HK$10,000	100%	100%	Design, manufacture, supply and installation of steel and metal products for construction projects
Huizhou Hengyi#*	The PRC	The PRC	Paid up capital of HK$25,000,000	100%	100%	Manufacture and sales of steel and metal products
CDI HY SZ#*	The PRC	The PRC	Paid up capital of RMB3,904,819	60%	60%	Design and installation for construction and decoration projects
Fujian Hejin#*	The PRC	The PRC	Paid up capital of RMB1,415,485	60%	60%	Design and installation for construction and decoration projects

\# Being a wholly foreign-owned entity established in the PRC

* The English name of these companies are used for identification purpose only. The official name of this entity is in Chinese.

Except for Huizhou Hengyi which have a financial year end of 31 December, all subsidiaries are limited liability companies and have adopted 31 March as their financial year end date.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at any time during both years or at the end of the reporting period.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES — continued

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests As at 31 March		Loss for the year allocated to non-controlling interests Year ended 31 March		Accumulated non-controlling interests As at 31 March	
		2021	2020	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
HY Capital Holdings Company Limited ("HY Capital") and its subsidiaries	BVI/PRC	**40%**	40%	**(31,543)**	(2,007)	**(33,570)**	(2,027)

The summarised financial information for the year ended 31 March 2021 and 2020 in respect of the HY Capital and its subsidiaries that have material non-controlling interest is similar to the financial results and positions of the HY China Group disclosed in note 2(c) to the consolidated financial statements.

45. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) Impact of new coronavirus pneumonia epidemic

The outbreak of the COVID-19 pandemic since January 2020 have brought disruptions to the Group's operation and the construction industry. The consequential precautionary and control measures released by the local government and authorities have temporarily stunt the logistics activities across the country which has once delayed the manufacturing activities and progress of the construction works.

Given the ease of the precautionary and control measures and the resumption of normal traveller clearance between Hong Kong and PRC, the operation and productions is expected to resume to normal in the near future. The Company will pay close attention to the development of the COVID-19 pandemic and perform further assessment on its impact if there is any new wave of pandemic.

(b) Investigation

As set out in note 2(a) to the consolidated financial statement, the Company has established the SIC and engaged RSM Advisory to undertake the Investigation on certain issues. RSM Advisory issued a report in relation to its findings on the Investigation on 1 September 2022.

45. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD — continued

(c) Listing status of the Group

As set out in note 2(b) to the consolidated financial statement, the Company received the Letter from the Stock Exchange notifying the Company that the Listing Committee of the Stock Exchange, 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.

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 of the Company would like to remind the shareholders and potential investors of the Company that the outcome of such review is uncertain.

(d) Voluntary winding up and de-consolidation of the PRC business

As set out in note 2(c) to the consolidated financial statement, after due and careful consideration, the Company took into account the findings of the Investigation and considered the relevant information and supporting evidence available, the Company resolved to voluntarily wind up HY China on 18 January 2023.

HY China is a company incorporated in the BVI with limited liability. The Company is in the progress of appointing the joint and several liquidators of HY China who is expected to be appointed by February 2023.

Details of the above events were disclosed in the announcements of the Company dated 5 May 2021, 7 July 2021, 2 September 2022 and 29 December 2022 respectively.

46. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year’s presentation.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is as follows:

RESULT

	Year ended 31 March				
	2021 **HK$'000**	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**209,608**	200,380	181,926	199,199	161,483
(Loss)/profit before taxation	**(114,460)**	15,599	23,099	62,534	46,488
Income tax credit/(expense)	**771**	(5,361)	(7,038)	(10,310)	(8,395)
(Loss)/profit for the year	**(113,689)**	10,238	16,061	52,224	38,093

ASSET AND LIABILITIES

	As at 31 March				
	2021 **HK$'000**	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total assets	**208,654**	333,342	286,343	117,682	144,390
Total liabilities	**(68,202)**	(87,148)	(42,578)	(19,125)	(74,486)
Net assets	**140,452**	246,194	243,765	98,557	69,904