

恒益控股有限公司

HANG YICK HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

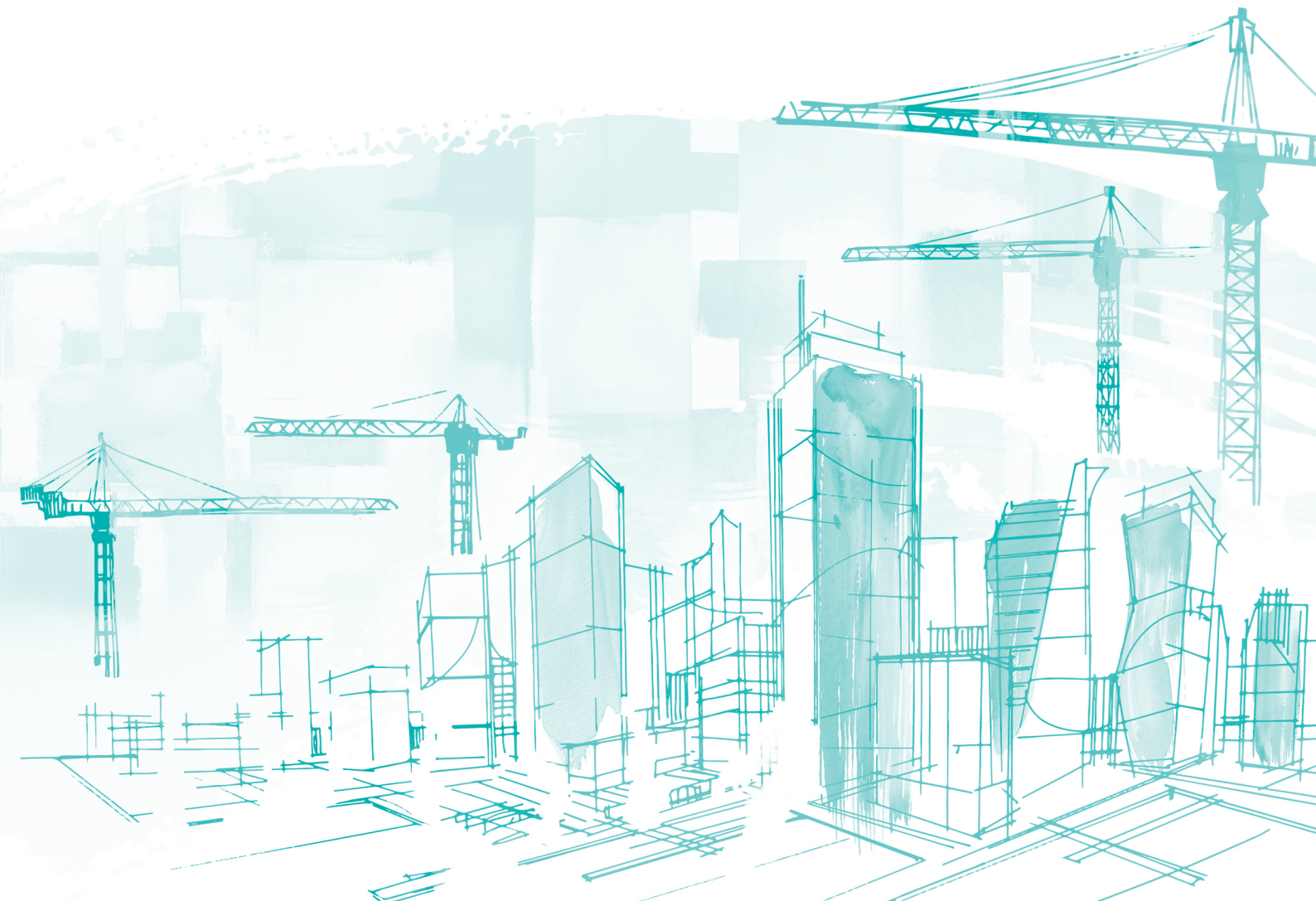
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2024
INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sin Kwok Chi Stephen (*Chief Executive Officer*)

Mr. Law Hok Yu (*appointed on 20 May 2024*)

Independent Non-executive Directors

Mr. Deng Chaowen (*Chairman*)

Mr. Shi Jianwen (*appointed on 20 May 2024*)

Mr. Chan Man Kit (*appointed on 25 November 2024*)

AUDIT COMMITTEE

Mr. Chan Man Kit (*Chairman*)

Mr. Deng Chaowen

Mr. Shi Jianwen

REMUNERATION COMMITTEE

Mr. Chan Man Kit (*Chairman*)

Mr. Deng Chaowen

Mr. Shi Jianwen

Mr. Law Hok Yu

NOMINATION COMMITTEE

Mr. Shi Jianwen (*Chairman*)

Mr. Deng Chaowen

Mr. Chan Man Kit

Mr. Law Hok Yu

COMPANY SECRETARY

Mr. Law Hok Yu

AUTHORISED REPRESENTATIVES (FOR THE PURPOSE OF THE LISTING RULES)

Mr. Sin Kwok Chi Stephen

Mr. Law Hok Yu

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6/F, Sunray Industrial Centre

610 Cha Kwo Ling Road

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

17/F, Far East Finance Centre,

16 Harcourt Road,

Hong Kong

AUDITOR

Global Link CPA Limited

Registered Public Interest Entity Auditor

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>

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

For the Reporting Period, the Group generated revenue of approximately HK\$78.8 million as compared with that of HK\$85.0 million for the corresponding period, representing a decrease of approximately 7.3%. The challenging market conditions and intense competition have placed considerable pressure on the Group's operations. It is anticipated that these difficulties will persist for the foreseeable future, while the Board remains committed to navigating through this situation.

As at 30 September 2024, the Group's total amount of contract on hand for provision of steel and metal engineering services was approximately HK\$307.9 million (31 March 2024: HK\$321.7 million).

FINANCIAL REVIEW

Revenue

For the Reporting Period, the overall revenue of the Group has decreased by approximately HK\$6.2 million, or approximately 7.3% as compared to the corresponding period in 2023, from approximately HK\$85.0 million to approximately HK\$78.8 million.

Revenue from the provision of steel and metal engineering services increased by approximately HK\$10.0 million, or approximately 15.6%, from approximately HK\$64.0 million to approximately HK\$74.0 million for the Reporting Period.

Revenue from the sales of steel and metal products decreased by approximately HK\$16.2 million, or approximately 77.1% from approximately HK\$21.0 million to approximately HK\$4.8 million for the Reporting Period.

Direct costs

The Group's direct costs primarily consist of direct material costs, direct labour costs, installation service fees, and other costs.

During the Reporting Period, the Group's direct costs amounted to approximately HK\$78.4 million, representing an increase of approximately HK\$5.2 million or approximately 7.1% as compared to the direct costs of approximately HK\$73.2 million from the corresponding period.

Gross profit and gross profit margin

For the Reporting Period, the gross profit of the Group decreased by approximately HK\$11.4 million, or approximately 96.6% as compared to the corresponding period, from approximately HK\$11.8 million to approximately HK\$0.4 million. The gross profit margin decreased from approximately 13.9% to approximately 0.5% for the Reporting Period. The decrease in the gross profit for the Reporting Period is caused by the rising costs of materials and labor, together with the price competition continues to post challenges on the operation which adversely affecting the gross profit margin during the Reporting Period.

During the Reporting Period, the Board acknowledge the liquidity issue and financial conditions regarding certain customers and the construction industry as a whole. Considering the recent repayment trends and the rise in payment delays, additional expected credit losses on long-aged trade receivables of HK\$1.9 million is recognised during the Reporting Period. This adjustment reflects the deterioration in credit risk and the uncertainty of the construction industry.

Management Discussion and Analysis

Other income and other gains and losses

Other income and other gains and losses decreased from approximately HK\$6.4 million to approximately HK\$0.1 million for the Reporting Period. The decrease was mainly attributable to the non-recurring income of HK\$6.3 million received in the corresponding period while there was no such income during the Reporting Period.

(Loss)/profit for the period

As a result of the foregoing, loss for the Reporting Period was approximately HK\$10.6 million as compared to the profit of approximately HK\$6.6 million for the corresponding period.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

As at 30 September 2024, the capital structure of the Group consisted of equity approximately HK\$159.4 million (31 March 2024: approximately HK\$160.0 million) and no bank borrowings as at 30 September 2024 and 31 March 2024.

As at 30 September 2024, the Group had total cash and cash equivalents of approximately HK\$43.5 million (31 March 2024: approximately HK\$63.6 million).

The Group's gearing ratio, calculated by dividing total borrowings by total equity, was approximately 0.15% (31 March 2024: 0.25%).

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in Hong Kong dollars (“**HK\$**”) and incurs costs in Renminbi (“**RMB**”) and HK\$. The Group is exposed to foreign exchange risk based on fluctuations between HK\$ and RMB arising from its core operation in the People's Republic of China (the “**PRC**”). In order to minimise the foreign currency risk exposure brought by the exchange between these two currencies, the Group generally maintains cash balances in both currencies that are sufficient to meet three to four months of operating cash flows requirements of the Group. The Group had not experienced any material effects on its operation or liquidity as a result of fluctuations in currency exchange rates and had not adopted any currency hedging policy or any hedging instrument during the Reporting Period. The Group will continue to monitor foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

FUTURE PLAN FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 28 September 2018 (the “**Prospectus**”) and in the section headed “Use of Proceeds” in this report, the Group did not have other plans for material investment or capital assets as at the date of this report.

CAPITAL EXPENDITURE AND COMMITMENTS

During the Reporting Period, the Group invested approximately HK\$3.5 million for the capital expenditure of property, plant and equipment.

As at 30 September 2024, the Group do not had expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of acquisition of certain plant and equipment (31 March 2024: approximately HK\$0.3 million).

CHARGE ON GROUP ASSETS

As at 30 September 2024 and 31 March 2024, no group asset was pledged.

LITIGATION, CLAIMS AND NON-COMPLIANCES

As at 30 September 2024 and 31 March 2024, the Group had not been involved in claims or litigation which had material adverse effect on our business, results of operations or financial condition or on the Company.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2024 (31 March 2024: Nil).

INTERIM DIVIDEND

The Board did not propose an interim dividend for the Reporting Period (six months ended 30 September 2023: Nil).

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2024, the Group had a total of 335 full-time employees, 180 of which are located in Hong Kong, and the rest are located in the PRC. 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 increments, bonuses and promotions.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company has raised gross proceeds of approximately HK\$161.5 million through the global offering upon the listing (the “**Listing**”) of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). After deducting the listing expenses, the net proceeds amounted to approximately HK\$130.0 million (“**Net Proceeds**”). 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, the below table sets out the proposed application and the status of utilisation.

Management Discussion and Analysis

As stated in the Company's announcement dated 27 September 2024 (the "Announcement"), after careful consideration and detailed evaluation by the Company of the operation and business strategy, the Board has resolved to change the use of the unutilised net proceeds amounted to approximately HK\$47.7 million (the "Unutilised Net Proceeds") as at the date of the Announcement.

As at 30 September 2024, details of the use of the Unutilised Net Proceeds subsequent to the change in use are as follows:

	Planned use of Net Proceeds allocation (HK\$'000)	Balance of unutilised Net Proceeds before the change in use of Net Proceeds (HK\$'000)	Revised allocation of unutilised Net Proceeds (HK\$'000)	Net Proceeds utilised as at 30 September 2024 (HK\$'000)	Balance of unutilised Net Proceeds as at 30 September 2024 (HK\$'000)	Estimated schedule (Note)
Acquiring machines to replace and enhance the Group's production capacity	51,200	21,200	26,200	(21,200)	5,000	On or before 31 March 2025
Expanding the Group's workforce in Hong Kong and the PRC	33,700	33,700	33,700	(33,700)	–	N/A
Renovation and re-design of the Group's existing production facilities	24,100	6,390	9,100	(6,390)	2,710	On or before 31 March 2025
Purchasing delivery trucks	5,000	5,000	5,000	(5,000)	–	N/A
Upgrading the Group's information technology system and equipment	3,500	3,500	3,500	(3,500)	–	N/A
Settlement of debts included in accruals trade and other payables	–	–	7,000	–	7,000	On or before 31 December 2024
For the preliminary site expenses including design costs and prepayments to sub-contractors	–	–	13,000	–	13,000	On or before 31 December 2024
General working capital	12,500	12,500	32,500	(17,305)	15,195	On or before 31 December 2024
	<u>130,000</u>	<u>82,290</u>	<u>130,000</u>	<u>(87,095)</u>	<u>42,905</u>	

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

The Net Proceeds utilised and the Unutilised Net Proceeds were/will be utilised according to the proposed application as specified in the section headed "Future Plans and Use of Proceeds" in the Prospectus and the change in use of proceeds as stated in the Company's Announcement dated 27 September 2024.

As at 30 September 2024, the unutilised net proceeds were deposited in the licensed banks in Hong Kong and the PRC.

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

As stated in the Company's announcement dated 23 May 2024 and the supplemental announcement (the "**Supplemental Announcement**") dated 5 June 2024, the Company and the placing agent entered into the placing agreements pursuant to which the Company conditionally agreed to issue up to 153,520,000 shares (the "**Placing Shares**"), and the placing agent conditionally agreed, on a best effort basis, to procure the placees to subscribe for the Placing Shares at HK\$0.054 per Placing Share (the "**Placing Price**") and on the terms and subject to the conditions set out in the placing agreement (the "**Placing**").

The Placing Shares will be allotted and issued pursuant to the general mandate and will be allotted to not less than six placees. The conditions of the Placing have been fulfilled and completion took place on 19 June 2024. All the Placing Shares have been successfully placed by the placing agent to not less than six Placees at the Placing Price pursuant to the terms and conditions of the Placing Agreement.

The net proceeds from the Placing (after deduction of the placing commission in respect of the Placing and other related expenses including, among others, the professional fees) are approximately HK\$7.8 million, which will be used for the purpose as set out in the Supplemental Announcement dated 5 June 2024. As at 30 September 2024, the net proceeds from the Placing are fully utilised.

SHARE OPTION SCHEME

In order to recognise the contributions that eligible participants have made or may make to the Group, to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group, and to attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group, the Company has conditionally adopted a share option scheme on 19 September 2018 ("**Share Option Scheme**") which became unconditional upon the Listing.

As at 30 September 2024, no share option outstanding after the cancellation of 6,710,000 share options during the year ended 31 March 2024. Summary of the details of the cancellation and principal terms of the Share Option Scheme were disclosed in the page 21 to 23 of the Annual Report 2023/24.

Corporate Governance and Other Information

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

As at 30 September 2024, 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 30 September 2024, the Directors and the chief executive 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.

BOARD DIVERSITY POLICY

For the Reporting Period, the Company maintained an effective Board comprising members of diverse professional background and industry experience. Nevertheless, the Company has a single gender Board consisting after Ms. Mak Suet Man, the former independent non-executive director's retirement and her cessation of offices in board committees after the annual general meeting held on 30 August 2024. Under the Rule 13.92 of the Listing Rules, a single gender Board will not be considered by the Stock Exchange to have achieved board diversity. In compliance with the Listing Rules, the Company targets to appoint a suitable female candidate as Director within three months from the date of the retirement of Ms. Mak in order to ensure compliance by the Company with the requirement under Rule 13.92 of the Listing Rules. Further announcement will be made by the Company as and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required dealing standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. The Board is of the view that the Company has complied with all the applicable code provisions of the CG Code during the six months ended 30 September 2024.

During the Reporting Period, the Company complied with all applicable code provisions set out in the CG Code, except for the following deviation from the CG Code.

	Code Provision	Deviation	Considered Reason for Deviation
C.1.8	The Company should arrange appropriate insurance cover in respect of legal action against the Directors.	The Company has not arranged for appropriate insurance cover in respect of legal action against its directors for the period from 1 September 2024 to 30 September 2024.	The Company is in the course of arranging renewal of the director’s and officers liability insurance with the insurance company in accordance with the requirement under the CG Code.

PUBLIC FLOAT

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

Corporate Governance and Other Information

REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the “**Audit Committee**”) comprises all the independent non-executive Directors, namely Mr. Chan Man Kit (chairman), Mr. Deng Chaowen and Mr. Shi Jianwen.

The Audit Committee had reviewed with management and approved the Group’s unaudited condensed consolidated financial statements for the Reporting Period, accounting principles and practices adopted by the Group and this report.

CHANGE OF DIRECTORS’ INFORMATION

Upon specific enquiry by the Company and following confirmations from the Directors, save as disclosed hereunder, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company’s last published annual report.

Changes in Directors’ positions held with the Company:

Directors	Changes in Positions held with the Company
Ms. Mak Suet Man	Retired as an independent non-executive director and cessation of offices in Board committees after the annual general meeting held on 30 August 2024.
Mr. Chan Man Kit	Appointed as an independent non-executive Director and the chairman of each of the Audit Committee and the remuneration committee of the Company, and a member of nomination committee of the Company with effect from 25 November 2024.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2024

	Notes	Unaudited Six months ended 30 September	
		2024 HK\$'000	2023 HK\$'000
Revenue	4	78,794	85,041
Direct costs		(78,376)	(73,237)
Gross profit		418	11,804
Other income and other gains and losses	5	55	6,360
Administrative expenses		(10,834)	(10,595)
Finance costs	6	(7)	(39)
(Loss)/profit before taxation	7	(10,368)	7,530
Income tax expense	8	(293)	(904)
(Loss)/profit for the period attributable to owners of the Company		(10,661)	6,626
Other comprehensive (expenses)/income for the period, net of tax			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		2,205	(1,443)
Total comprehensive (expenses)/income for the period attributable to owners of the Company		(8,456)	5,183
(Loss)/earning per share			
Basic and diluted	9	(HK\$1.2 cents)	HK\$0.9 cent

Condensed Consolidated Statement of Financial Position

As at 30 September 2024

	Notes	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		21,335	19,299
Right-of-use assets		3,126	3,282
Financial asset at fair value through profit or loss		5,793	5,703
Deferred tax assets		439	439
		<u>30,693</u>	<u>28,723</u>
Current assets			
Inventories		28,241	21,885
Trade receivables	11	19,524	20,099
Other receivables, deposits and prepayments		4,057	4,862
Contract assets		55,420	47,711
Current tax assets		1,555	1,555
Cash and cash equivalents		43,482	63,556
		<u>152,279</u>	<u>159,668</u>
Current liabilities			
Trade and other payables and accruals	12	18,613	18,613
Contract liabilities		4,286	9,135
Lease liabilities		239	155
		<u>23,138</u>	<u>27,903</u>
Net current assets		<u>129,141</u>	131,765
Total assets less current liabilities		<u>159,834</u>	160,488

Condensed Consolidated Statement of Financial Position

As at 30 September 2024

	Notes	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Non-current liabilities			
Provisions		280	280
Lease liabilities		–	239
		<u>280</u>	<u>519</u>
NET ASSETS		<u>159,554</u>	<u>159,969</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	13	9,211	7,676
Reserves		<u>150,343</u>	<u>152,293</u>
TOTAL EQUITY		<u>159,554</u>	<u>159,969</u>

Condensed Consolidated Statement of Changes in Equity

As at 30 September 2024

	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	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
For the six months ended 30 September 2024 (unaudited)										
At 1 April 2024 (audited)	<u>7,676</u>	<u>154,701</u>	<u>663</u>	<u>-</u>	<u>10</u>	<u>(1,014)</u>	<u>(2,067)</u>	<u>159,969</u>	<u>-</u>	<u>159,969</u>
Loss for the period	-	-	-	-	-	-	(10,661)	(10,661)	-	(10,661)
Exchange differences arising on translation of foreign operation	-	-	-	-	-	2,205	-	2,205	-	2,205
Total comprehensive income (expense) for the period	-	-	-	-	-	2,205	(10,661)	(8,456)	-	(8,456)
Issue of shares	1,535	6,755	-	-	-	-	-	8,290	-	8,290
Share issue expenses	-	(249)	-	-	-	-	-	(249)	-	(249)
At 30 September 2024 (unaudited)	<u>9,211</u>	<u>161,207</u>	<u>663</u>	<u>-</u>	<u>10</u>	<u>1,191</u>	<u>(12,728)</u>	<u>159,554</u>	<u>-</u>	<u>159,554</u>
For the six months ended 30 September 2023 (unaudited)										
At 1 April 2023 (audited)	<u>7,676</u>	<u>154,701</u>	<u>663</u>	<u>5,124</u>	<u>10</u>	<u>(127)</u>	<u>2,051</u>	<u>170,098</u>	<u>-</u>	<u>170,098</u>
Profit for the period	-	-	-	-	-	-	6,626	6,626	-	6,626
Exchange differences arising on translation of foreign operation	-	-	-	-	-	(1,443)	-	(1,443)	-	(1,443)
Total comprehensive (expense) income for the period	-	-	-	-	-	(1,443)	6,626	5,183	-	5,183
At 30 September 2023 (unaudited)	<u>7,676</u>	<u>154,701</u>	<u>663</u>	<u>5,124</u>	<u>10</u>	<u>(1,570)</u>	<u>8,677</u>	<u>175,281</u>	<u>-</u>	<u>175,281</u>

Condensed Consolidated Statement of Cash Flows

As at 30 September 2024

	For the six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net cash used in operating activities	(26,023)	(999)
CASH FLOW FROM INVESTING ACTIVITIES		
Bank interest received	644	189
Purchases of property, plant and equipment	(3,493)	(7,001)
Proceeds from disposal of property, plant and equipment	70	–
Net cash used in investing activities	(2,779)	(6,812)
CASH FLOW FROM FINANCING ACTIVITIES		
Interests paid	–	(25)
Proceeds from issue of shares	8,290	–
Share issue expenses	(249)	–
Repayments of bank borrowings	–	(3,740)
Repayment of lease liabilities	(155)	(149)
Net cash from/(used in) financing activities	7,886	(3,914)
Net decrease in cash and cash equivalents	(20,916)	(11,725)
Cash and cash equivalents at beginning of the period	63,556	79,386
Effect of foreign exchange rate changes	842	458
Cash and cash equivalents at end of the period represented by bank balances and cash	43,482	68,119

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 6/F, Sunray Industrial Centre, 610 Cha Kwo Ling Road, Yau Tong, Kowloon, Hong Kong, respectively.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial information are consistent with those set out in the Group's audited consolidated financial statements for the year ended 31 March 2024 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the revised HKFRSs as stated in note 3 to this unaudited condensed consolidated interim financial information below. This unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which has been measured at fair value, and is presented in Hong Kong dollars (“HK\$”), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except when otherwise indicated.

This unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended 31 March 2024. This condensed consolidated interim financial information has not been audited or reviewed by the Company's external auditor, but has been reviewed by the audit committee of the Company (the “Audit Committee”).

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period. None of these developments have had a material effect on how the Group's result and financial position for the current or prior periods have prepared or presented in this report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue from contracts with customers by major products or service lines for the period is as follows:

	For the six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Disaggregated by major products or service lines</i>		
Provision of steel and metal engineering services	74,016	64,046
Sales of steel and metal products	4,778	20,995
	<u>78,794</u>	<u>85,041</u>

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

	Provision of steel and metal engineering services		Sales of steel and metal products		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Timing of revenue recognition						
Products transferred at a point in time	–	–	4,778	20,995	4,778	20,995
Products and services transferred over time	74,016	64,046	–	–	74,016	64,046
	<u>74,016</u>	<u>64,046</u>	<u>4,778</u>	<u>20,995</u>	<u>78,794</u>	<u>85,041</u>

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

4. REVENUE AND SEGMENT INFORMATION — continued

(b) Segment Information

For the purpose of resources allocation and performance assessment, the chief operating decision makers, have been identified as the executive directors of the Company, review the segment results of the Group. In the current period, the Group's operations in relation to provision of steel and metal engineering services and sales of steel and metal products which were presented as separate reportable segments in the prior periods are considered as a single operating segment in a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment. Accordingly, the information of these operations has been aggregated into a single reportable segment and no segment analysis is presented other than entity-wide disclosures.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Other income		
Interest income from bank deposits	644	189
Others	—	143
	<u>644</u>	<u>332</u>
Other gains and losses		
Net exchange loss	(778)	(272)
Gain/(loss) on disposal of property, plant and equipment	70	(98)
Fair value gain on financial asset at fair value through profit or loss	90	98
Others	29	6,300
	<u>(589)</u>	<u>6,028</u>
	<u>55</u>	<u>6,360</u>

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For the six months ended 30 September 2024

6. FINANCE COSTS

	For the six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Interest on bank borrowing	–	25
Interest on lease liabilities	7	14
	<u>7</u>	<u>39</u>

7. (LOSS)/PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
(Loss)/profit before taxation has been arrived at after charging:		
Impairment loss under expected credit loss model on trade receivables and contract assets, net (included in administrative expenses)	1,915	42
Depreciation of property, plant and equipment	1,875	2,001
Depreciation of right-of-use assets	239	240
Cost of inventories recognised as an expense	<u>49,559</u>	<u>17,618</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

8. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	–	51
The People's Republic of China (the "PRC") Enterprise Income Tax	293	787
	293	838
Deferred taxation	–	66
	293	904

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime applies to years of assessment commencing on or after 1 April 2018. Under the two-tiered profits tax rates regime, the first HK\$2.0 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%.

The profits of group entities operating in Hong Kong but not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the loss for the period attributable to owners of the Company of HK\$10,661,000 (30 September 2023: profit for the period attributable to owners of the Company of HK\$6,626,000) and weighted average number of 854,482,198 ordinary shares (30 September 2023: 767,600,000 ordinary shares) in issue during the Reporting Period.

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 period ended 30 September 2024 and 2023 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)/earning per share.

10. DIVIDENDS

No dividend was approved and paid during the Reporting Period (six months ended 30 September 2023: Nil).

The Board has resolved not to declare the payment of an interim dividend for the Reporting Period (six months ended 30 September 2023: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

11. TRADE RECEIVABLES

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 to, 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 aging 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:

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
0–30 days	13,937	13,356
31–60 days	1,088	490
61–90 days	1,010	100
Over 90 days	3,489	6,153
	19,524	20,099

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
Trade payables	5,475	7,365
Accrued staff costs	10,109	8,227
Accruals and others	3,029	3,021
	18,613	18,613

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days.

The following is an aging analysis of trade payables presented based on the invoice date at the end of the Reporting Period:

	As at 30 September 2024 HK\$'000 (Unaudited)	As at 31 March 2024 HK\$'000 (Audited)
0–30 days	1,592	4,764
31–60 days	2,029	1,112
61–90 days	1,577	1,426
Over 90 days	277	63
	5,475	7,365

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

13. SHARE CAPITAL

Details of movements of share capital are as follows:

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2023, 31 March 2024, 1 April 2024 and 30 September 2024	3,800,000	38,000
Issued and fully paid:		
At 1 April 2023, 31 March 2024, 1 April 2024	767,600	7,676
Issue of shares (Note)	153,520	1,535
At 30 September 2024	921,120	9,211

Note: The Company issued 153,520,000 ordinary shares of HK\$0.01 each to independent third parties at a subscription price of HK\$0.054 in June 2024.

14. COMPARATIVE FIGURES

Certain comparative financial information has been reclassified in order to conform with current period's presentation.