



恒益控股有限公司

HANG YICK HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1894

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

- Mr. Sin Kwok Chi Stephen (*Chief Executive*)
(*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 suspended on 5 May 2021, resigned on 14 September 2022*)
- Ms. 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*)

Non-executive Directors

- Mr. Lee Ka Chun Benny (*resigned on 21 October 2022*)

Independent Non-executive Directors

- Mr. Au Yeung Wai Key
- Mr. Tse Ka Ching Justin
- Mr. Cheung Chun Man Anthony
- Mr. Leung Fuk Shun (*Chairman*)
(*appointed as Chairman on 18 January 2023*)

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

AUTHORISED REPRESENTATIVES (FOR THE PURPOSE OF THE LISTING RULES)

- Mr. Sin Kwok Chi Stephen
- Mr. Chui Man Lung Everett

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>



Management Discussion and Analysis

Hang Yick Holdings Company Limited (the “Company”), together with its subsidiaries (collectively, the “Group”, or “we”) is mainly engaged in the provision of steel and metal engineering services in Hong Kong, ranging from design, manufacture, supply and installation of steel and metal products for construction projects, under the brand “Hang Yick (恒益)”.

BUSINESS REVIEW

Outlook

The construction industry in Hong Kong remains promising despite the COVID-19 pandemic and it 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 Policy Address, the Hong Kong Government is determined to resolve the housing issue by increasing the overall public housing production substantially by about 50% to 158,000 in the coming five years. The Chief Executive was committed to further boosting public housing supply partly by introducing a pilot scheme to encourage participation of private developers in subsidised sale flats development and expedite land production, and to build up a land reserve in the long run. 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 focuses 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.

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.

The Group’s performance

The overall operating situation remains difficult during the Reporting Period, with rising cost and delay of construction progress negatively impacting the Group’s business performance. As a result, while the revenue remains stable, recording a total revenue of approximately HK\$111.4 million (six months ended 30 September 2021: HK\$109.7 million), net profit attributable to shareholders of the Company decreased by approximately HK\$8.1 million from approximately HK\$14.5 million in 2021 to approximately HK\$6.4 million in 2022, primarily due to increased operating costs and sales of steel and metal item with lower profit margin adopted. The management will continue to dedicate efforts in cost management and productivity enhancement to prepare the Group for capturing the opportunities ahead. In the Chief Executive’s 2022 Policy Address (“Policy Address”), the Hong Kong government (“Hong Kong Government”) proposed a number of policies to promote economic development, such as accelerating the construction of public housing and developing the Northern Metropolis, providing a good opportunity for the construction industry and the Group. While we are optimistic about the business going forward, the management will maintain its prudence in the face of the volatile business environment.



Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the Reporting Period, the overall revenue of the Group has increased by approximately HK\$1.7 million, or approximately 1.6% as compared to the corresponding period in 2021, from approximately HK\$109.7 million to approximately HK\$111.4 million.

Revenue from the provision of steel and metal engineering services decreased by approximately HK\$3.4 million, or approximately 3.4%, from approximately HK\$99.9 million for the six months ended 30 September 2021 to approximately HK\$96.5 million for the Reporting Period.

Revenue from the sales of steel and metal products increased by approximately HK\$5.1 million, or approximately 52.0% from approximately HK\$9.8 million for the six months ended 30 September 2021 to approximately HK\$14.9 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\$95.0 million, representing an increase of approximately HK\$12.8 million or approximately 15.5% as compared to the direct costs of approximately HK\$82.2 million from the corresponding period in 2021. Such increase was mainly attributable to the increase in the cost of material and direct labour costs.

Gross profit and gross profit margin

For the Reporting Period, the gross profit of the Group decreased by approximately HK\$11.6 million, or approximately 40.0% as compared to the corresponding period in 2021, from approximately HK\$27.4 million to approximately HK\$16.4 million. The gross profit margin decreased from approximately 25.0% for the six months ended 30 September 2021 to approximately 14.8% for the Reporting Period. The decrease in the gross profit for the Reporting Period is mainly due to: (i) the prolonged delay in the construction projects as a result of the pandemic during the Reporting Period leading to problems such as labour shortage and delayed delivery of construction materials from the People's Republic of China ("PRC") to Hong Kong, which had impacted on the progress of the construction projects by affecting our planned working and production schedule and causing the Group to accept orders with lower profit margin facing the hard time; and (ii) the significant increase in cross border transportation cost as a result of the pandemic prevention measures.

Other income and other gains and losses

Other income and other gains and losses for the Reporting Period mainly comprises of received subsidies of HK\$3.3 million under the "2022 Employment Support Scheme" under the "Anti-epidemic Fund" set up by the HKSAR Government during the Reporting Period.

The other income in corresponding period mainly comprises of recovery of loss on the Incident Transactions of HK\$3.0 million.

Administrative expenses

For the Reporting Period, the administrative expenses decreased by approximately HK\$1.5 million or approximately 10.8% as compared to the corresponding period in 2021, from approximately HK\$13.8 million to approximately HK\$12.3 million. The decrease in administrative expenses was mainly attributable to the decrease in the operating cost of the PRC office.

Income tax expense

The income tax expense for the Reporting Period amounted to approximately HK\$1.2 million (six months ended 30 September 2021: approximately HK\$2.4 million).

Profit attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of the Company for the Reporting Period was approximately HK\$6.4 million, being approximately HK\$8.1 million lower than the profit attributable to owners of the Company of approximately HK\$14.5 million for the six months ended 30 September 2021.

Gearing ratio

As at 30 September 2022, the gearing ratio of the Group, calculated based on the total interest-bearing debts divided by the total equity attributable to owners of the Company as at the end of the respective period and multiplied by 100%, was approximately 2.0% (31 March 2022: approximately 2.2%).

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

As at 30 September 2022, the capital structure of the Group consisted of equity of approximately HK\$165 million (31 March 2022: approximately HK\$162 million) and bank borrowings of HK\$3.9 million (31 March 2022: HK\$4.0 million) as more particularly described in the paragraph headed “Borrowings” below.

The Group maintained a sound financial position during the Reporting Period. As at 30 September 2022, the Group had total bank balances and cash of approximately HK\$59.7 million (31 March 2022: approximately HK\$54.9 million). As at 30 September 2022, the Group had net current asset of approximately HK\$143.7 million, representing an increase of approximately HK\$5.7 million as compared to that of approximately HK\$38.0 million as at 31 March 2022.

Borrowings

The major source of debt financing of the Group was mainly borrowings from banks. As at 30 September 2022, the Group had bank borrowing of approximately HK\$4.1 million (31 March 2022: HK\$4.0 million).

During the Report Period, HY Gate had breached certain financial covenant terms in relation to the debt-asset ratio requirements of the Group which constitute an early repayment option by the bank in relation to bank borrowings with an aggregate amount of approximately HK\$3,850,000 (31 March 2022: HK\$3,960,000). The bank has not requested for the early repayment of the bank borrowings. Notwithstanding the above, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group. The bank borrowings were at floating rate of Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.8% per annum (31 March 2022: HIBOR plus 0.8% per annum).



Management Discussion and Analysis

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 PRC. In order to minimise the foreign currency risk exposure 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 and the announcements made by the Company up to this report, the Group did not have other plans for material investment or capital assets as at 30 September 2022.

CAPITAL EXPENDITURE AND COMMITMENTS

During the Reporting Period, the Group invested approximately HK\$0.9 million in the purchase of property, plant and equipment.

As at 30 September 2022, 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 (31 March 2022: HK\$0.6 million).

CHARGE ON GROUP ASSETS

As at 30 September 2022, the investment in life insurance contract of the key management of the Group of approximately HK\$5.4 million (31 March 2022: HK\$5.3 million) was pledged to the banks to secure the general facility granted to the Group.

LITIGATION, CLAIMS AND NON-COMPLIANCES

As at 30 September 2022, 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.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2022 (31 March 2022: Nil).

INTERIM DIVIDEND

The Board did not propose an interim dividend for the Reporting Period (six months ended 30 September 2021: Nil).

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2022, the Group had a total of 282 full-time employees, 137 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 raises, bonuses and promotions.

The Group is dedicated to providing internal trainings and seminars for our existing and new staff from time to time. For example, we provided our front-line workers with trainings on occupational safety and technical skills, while management and Directors attended courses on corporate governance, financial reporting, investor relations and public relations.

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 30 September 2022, the net proceeds from the global offering had been applied as follows:

	Planned (HK\$'000)	Net Proceeds Utilised as at 31 March 2022 (HK\$'000)	Net Proceeds Utilised during the period ended 30 September 2022 (HK\$'000)	Net Proceeds Utilised as at 30 September 2022 (HK\$'000)	Unutilised (HK\$'000)	Estimated schedule (Note)
Acquiring machines to replace and enhance the Group's production capacity	51,200	15,537	892	16,429	34,771	2022–2024
Expanding the Group's workforce in Hong Kong and the PRC	33,700	21,766	5,083	26,849	6,851	2022–2024
Renovation and re-design of the Group's existing production facilities	24,100	903	—	903	23,197	2022–2024
Purchasing delivery trucks	5,000	2,853	—	2,853	2,147	2022–2024
Upgrading the Group's information technology system and equipment	3,500	3,500	—	3,500	—	Fully utilised
General working capital	12,500	12,500	—	12,500	—	Fully utilised
	<u>130,000</u>	<u>57,059</u>	<u>5,975</u>	<u>63,034</u>	<u>66,966</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.



Management Discussion and Analysis

As at 30 September 2022, the Group had not yet utilised the proceeds for (a) expanding the Group's workforce in Hong Kong and the PRC, and (b) the renovation and re-design of the Group's existing production facilities as planned. The delay in utilisation of the proceeds was due to COVID-19 pandemic which significantly affected the timeline and cost of the construction.

For the balance over acquiring machines to replace and enhance the Group's production capacity, the Net Proceeds utilised as at 31 March 2022 included an amount of HK\$9.5 million related to the Alleged Bogus Transactions. The Group will continue to take action to recover the outstanding amount.

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

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.

Summary of the principal terms of the Share Option Scheme were disclosed in the page 34-35 of the Annual Report 2021/22.

The movements of share options during the Reporting Period were as follows:

Category of grantees	Date of grant	Exercisable period	Exercise price per Share (HK\$)	Granted	As at 31 March 2022	Forfeited	As at 30 September 2022
Director, senior management and other employees	11 January 2019	11 January 2022 to 10 January 2024	1.53	4,400,000	3,850,000	(320,000)	3,530,000
		11 January 2023 to 10 January 2024	1.53	4,400,000	3,850,000	(320,000)	3,530,000

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 2022, 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 of Hong Kong Limited (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 to be noticed the Company and the Stock Exchange, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (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 Pui Sun ("Mr. Lee Sr.") ^(Note 2)	Interest in a controlled corporation and interest of spouse	513,155,000(L)	66.85%
Ms. Lau Lai Ching ("Ms. Lau") ^(Note 3)	Interest in a controlled corporation and interest of spouse	513,155,000(L)	66.85%
Mr. Sin Kwok Chi Stephen ("Mr. Sin")	Beneficial owner	350,000(L) ^(Note 4)	0.05%

Notes:

- The letter "L" denotes the Director's long position in the Shares.
- Mr. Lee Sr. beneficially owns 70% of the issued share capital of HY Steel Company Limited ("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.
- 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.
- These interests represented share option granted to Mr Sin 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 page 34–35 of the Annual Report 2021/22.

Save as disclosed above, as at 30 September 2022, 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.



Corporate Governance and Other Information

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

As at 30 September 2022, 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	513,155,000(L)	66.85%

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 30 September 2022, 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.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted 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 Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of the Listing Rules during the Reporting Period, except for the deviation as mention below.

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Sin holds both positions after the resignation of Mr. Lee Ka Chun Benny on 21 October 2022. Mr. Sin is mainly responsible for overseeing the overall operation and management, strategic planning and major decision making of the Group, and he has considerable experience in strategic planning and monitoring day to day business of the Group. The Board considers that vesting the roles of chairman 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 executing business plans. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. As at the date of this report, the Board comprises two executive Directors and four independent non-executive Directors and therefore has a strong independence element in its composition.

Code Provision C.1.8 of the CG Code stipulates that the Company should arrange appropriate insurance cover in respect of legal action against the Directors. During the Reporting Period, the Company has not arranged for appropriate insurance cover in respect of legal action against its directors and 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.

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 interim results for the six months ended 30 September 2022; and (ii) issue the interim report for the six months ended 30 September 2022. Such delays constituted the violation of Rule 13.49(6) of the Listing Rules.

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 report, the Company has maintained the public float as required under the Listing Rules.

REVIEW OF THE INTERIM REPORT AND INTERIM RESULTS BY AUDIT COMMITTEE

During the Reporting Period, the audit committee of the Board (the "Audit Committee") comprises all the independent non-executive Directors, namely Mr. Tse Ka Ching Justin (chairman), Mr. Au Yeung Wai Key and Mr. Cheung Chun Man Anthony.

The Audit Committee had reviewed and approved the Group's unaudited condensed consolidated financial statements for the Reporting Period and this report.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2022

	Notes	For the six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	111,401	109,666
Direct costs		(94,952)	(82,242)
Gross profit		16,449	27,424
Other income and other gains and losses	5	3,175	3,286
Administrative expenses		(12,329)	(13,794)
Finance costs	6	(23)	(273)
Profit before taxation	7	7,272	16,643
Income tax expense	8	(1,188)	(2,378)
Profit for the period		6,084	14,265
Profit (loss) for the period attributable to:			
Owners of the Company		6,399	14,525
Non-controlling interests		(315)	(260)
		6,084	14,265
Earnings per share — Basic (HK cents)	9	0.8	1.9
— Diluted (HK cents)	9	0.8	1.9

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period	6,084	14,265
Other comprehensive income for the period		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange difference arising on translation of foreign operation	(3,078)	575
Total comprehensive income for the period	3,006	14,840
Total comprehensive income (expenses) attributable to:		
Owners of the Company	2,808	14,795
Non-controlling interests	198	45
	3,008	14,840

Condensed Consolidated Statement of Financial Position

As at 30 September 2022

	Notes	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		12,925	14,793
Right-of-use assets		3,308	3,786
Interest in an associate		—	—
Financial asset at fair value through profit or loss		5,392	5,343
Deposits		22	379
		<u>21,647</u>	<u>24,301</u>
Current assets			
Inventories		23,917	34,879
Trade receivables	11	30,438	20,943
Other receivables, deposits and prepayments		1,061	5,777
Contract assets		53,445	50,234
Current tax asset		3,033	2,075
Cash and cash equivalents		59,725	54,923
		<u>171,619</u>	<u>168,831</u>
Current liabilities			
Trade and other payables and accruals	12	23,499	26,143
Contract liabilities		522	260
Lease liabilities		66	66
Bank borrowings		3,850	3,960
Current tax liabilities		—	380
		<u>27,937</u>	<u>30,809</u>
Net current assets		<u>143,682</u>	<u>138,022</u>
Total assets less current liabilities		<u>165,329</u>	<u>162,323</u>

Condensed Consolidated Statement of Financial Position

As at 30 September 2022

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current liabilities		
Provisions	161	161
Deferred tax liabilities	79	79
	<u>240</u>	<u>240</u>
Net assets	<u>165,089</u>	<u>162,083</u>
Capital and reserves		
Share capital	7,676	7,676
Reserves	189,661	186,853
	<u>197,337</u>	<u>194,529</u>
Equity attributable to owners of the Company	<u>197,337</u>	<u>194,529</u>
Non-controlling interests	<u>(32,248)</u>	<u>(32,446)</u>
	<u>165,089</u>	<u>162,083</u>

Condensed Consolidated Statement of Changes in Equity

As at 30 September 2022

	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 2022 (Unaudited)										
At 1 April 2022 (audited)	7,676	154,701	663	5,124	10	2,597	23,758	194,529	(32,446)	162,083
Profit for the period	—	—	—	—	—	—	6,399	6,399	(315)	6,084
Exchange differences arising on translation of foreign operation	—	—	—	—	—	(3,591)	—	(3,591)	513	(3,078)
Total comprehensive (expense) income for the period	—	—	—	—	—	(3,591)	6,399	2,808	198	3,006
At 30 September 2022 (unaudited)	7,676	154,701	663	5,124	10	(994)	30,157	197,337	(32,248)	165,089
For the six months ended 30 September 2021 (Unaudited)										
At 1 April 2021 (audited)	7,676	154,701	663	5,124	10	1,768	4,080	174,022	(33,570)	140,452
Profit for the period	—	—	—	—	—	—	14,525	14,525	(260)	14,265
Exchange differences arising on translation of foreign operation	—	—	—	—	—	270	—	270	305	575
Total comprehensive (expense) income for the period	—	—	—	—	—	270	14,525	14,795	45	14,840
At 30 September 2021 (unaudited)	7,676	154,701	663	5,124	10	2,038	18,605	188,817	(33,525)	155,292

Condensed Consolidated Statement of Cash Flows

As at 30 September 2022

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash from operating activities	7,492	15,736
CASH FLOW FROM INVESTING ACTIVITIES		
Bank interest received	8	52
Purchases of property, plant and equipment	(281)	(130)
Withdrawal of short-term bank deposits	—	40,218
Net cash (used in)/from investing activities	(273)	40,140
CASH FLOW FROM FINANCING ACTIVITIES		
Interests paid	(23)	(273)
Repayments of bank borrowings	(110)	(40,220)
Repayment of lease liabilities	—	(127)
Net cash used in financing activities	(133)	(40,515)
Net increase in cash and cash equivalents	7,086	15,361
Cash and cash equivalents at beginning of the period	54,923	45,894
Effect of foreign exchange rate changes	(2,284)	27
Cash and cash equivalents at end of the period represented by bank balances and cash	59,725	61,282



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. 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 Unit B, Upper G/F, Stage 4 Yau Tong Industrial Building, 18-20 Sze Shan Street, Yau Tong, Kowloon, Hong Kong, respectively.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During the Reporting Period, the Group has applied, for the first time, certain new and revised HKFRSs issued by the HKICPA. The application of the new and revised HKFRSs in the current interim period has had no significant effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

4. REVENUE AND SEGMENT INFORMATION

(a) Disaggregation of revenue

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

	2022 HK\$'000 (Unaudited)	2021 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	96,495	99,914
Sales of steel and metal products		
— Other steel and metal products	14,906	9,752
	14,906	9,752
Total	111,401	109,666

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

	Provision of steel and metal engineering services		Sales of steel and metal products		Total	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
For the year ended 31 March						
Timing of revenue recognition						
Products transferred at a point in time	—	—	14,906	9,752	14,906	9,752
Products and services transferred over time	96,495	99,914	—	—	96,495	99,914
Total	96,495	99,914	14,906	9,752	111,401	109,666

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 2022

4. REVENUE AND SEGMENT INFORMATION — continued

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 profit

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

	Provision of steel and metal engineering services HK\$’000	Sales of steel and metal products HK\$’000	Total HK\$’000
<i>For the six months ended 30 September 2022 (Unaudited)</i>			
Segment revenue	<u>96,495</u>	<u>14,906</u>	<u>111,401</u>
Segment results	<u>16,306</u>	<u>143</u>	<u>16,449</u>
Other income and other gains and losses			3,175
Administrative expenses			(12,329)
Finance costs			(23)
Profit before taxation			<u>7,272</u>
<i>For the six months ended 30 September 2021 (Unaudited)</i>			
Segment revenue	<u>99,914</u>	<u>9,752</u>	<u>109,666</u>
Segment results	<u>25,008</u>	<u>2,416</u>	27,424
Other income and other gains and losses			3,286
Administrative expenses			(13,794)
Finance costs			(273)
Profit before taxation			<u>16,643</u>

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment results mainly represented profit earned by each segment, excluding other income and other gains and losses, administrative expenses, finance costs and income tax expense.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Other income		
Interest income from bank deposits	8	23
Government subsidies	3,084	—
Others	319	253
	<u>3,411</u>	<u>276</u>
Other gains and losses		
Net exchange gain	(236)	10
Recovery of loss on the Incident Transactions	—	3,000
	<u>(236)</u>	<u>3,010</u>
	<u>3,175</u>	<u>3,286</u>

6. FINANCE COSTS

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interests on bank borrowings	23	268
Interests expense on lease liabilities	—	5
	<u>23</u>	<u>273</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

7. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation on property, plant and equipment	1,712	1,555
Depreciation on right-of-use assets	219	222
Cost of inventories recognised as an expense	13,727	6,616
Amortisation of an intangible asset	—	611

8. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	1,188	1,559
Deferred taxation	1,188	1,559
	—	819
	1,188	2,378

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	For the six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>6,399</u>	<u>14,525</u>
	Number of shares	Number of shares
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted earnings per share	<u>767,600,000</u>	<u>767,600,000</u>

Note:

There were no adjustments for the effects of potential ordinary shares arising from outstanding share options as the respective average share price of the Company during the period ended 30 September 2021 and 2022 did not exceed the exercise price of the then outstanding share options, hence they were anti-dilutive and ignored in the calculation of diluted earnings/(loss) per share.

10. DIVIDENDS

No dividend was approved and paid during the period ended 30 September 2021 and 2022.

The Board has resolved not to declare the payment of an interim dividend for the Reporting Period (for the six months ended 30 September 2021: Nil).

11. TRADE RECEIVABLES

For customers that the Group provides engineering services on steel and metal works and construction services, the Group normally grants credit terms of 30 days from the date of invoices 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 aging analysis of the trade receivables presented based on the invoice date at the end of the Reporting Period:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
0–30 days	17,442	8,206
31–60 days	1,787	5,163
61–90 days	4,457	951
Over 90 days	<u>6,752</u>	<u>6,623</u>
	<u>30,438</u>	<u>20,943</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade payables	2,947	3,807
Accrued staff costs	6,413	9,085
Accruals and others	14,139	13,251
	<u>23,499</u>	<u>26,143</u>

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 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade payables:		
0–30 days	1,820	2,180
31–60 days	1,086	825
61–90 days	41	10
Over 90 days	—	792
	<u>2,947</u>	<u>3,807</u>