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HANG YICK HOLDINGS COMPANY LIMITED

恒益控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1894)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Hang Yick Holdings Company Limited (the “**Company**”) announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2024 (“**FY2024**”), together with the comparative figures for the year ended 31 March 2023 (“**FY2023**”) as follows.

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

For the year ended 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations			
Revenue	4	157,197	184,904
Direct costs		<u>(139,202)</u>	<u>(162,547)</u>
Gross profit		17,995	22,357
Other income and other gains and losses	6	593	2,381
Administrative expenses		<u>(22,983)</u>	<u>(21,696)</u>
(Loss)/profit from operations		(4,395)	3,042
Finance costs	7	<u>(49)</u>	<u>(122)</u>
(Loss)/profit before taxation	8	(4,444)	2,920
Income tax credit/(expense)	9	<u>326</u>	<u>(1,162)</u>
(Loss)/profit for the year from continuing operations		(4,118)	1,758
Discontinued operation			
Loss for the year from discontinued operation	2	<u>–</u>	<u>(21,161)</u>
Loss for the year		<u>(4,118)</u>	<u>(19,403)</u>
Other comprehensive (expenses) income for the year, net of tax			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(887)	(3,387)
Translation reserve reclassified to profit or loss on de-consolidation of subsidiaries		<u>–</u>	<u>911</u>
		<u>(887)</u>	<u>(2,476)</u>
Total comprehensive expenses for the year		<u>(5,005)</u>	<u>(21,879)</u>

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		(4,118)	(21,707)
Non-controlling interests		—	2,304
		<u>(4,118)</u>	<u>(19,403)</u>
(Loss)/profit for the year attributable to owners of the Company arises from:			
Continuing operations		(4,118)	1,758
Discontinued operation		—	(23,465)
		<u>(4,118)</u>	<u>(21,707)</u>
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		(5,005)	(24,431)
Non-controlling interests		—	2,552
		<u>(5,005)</u>	<u>(21,879)</u>
Total comprehensive expenses for the year attributable to owners of the Company arises from:			
Continuing operations		(5,005)	(2,250)
Discontinued operation		—	(22,181)
		<u>(5,005)</u>	<u>(24,431)</u>
(Loss)/earning per share	<i>11</i>		
Basic and diluted			
From continuing and discontinued operations (<i>HK\$ cents</i>)		<u>(0.5)</u>	<u>(2.8)</u>
From continuing operations (<i>HK\$ cents</i>)		<u>(0.5)</u>	<u>0.2</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		19,299	12,566
Right-of-use assets		3,282	3,943
Financial asset at fair value through profit or loss		5,703	5,545
Deposits		–	27
Deferred tax assets		439	85
		<u>28,723</u>	<u>22,166</u>
Current assets			
Inventories		21,885	22,831
Trade receivables	<i>12</i>	20,099	12,054
Other receivables, deposits and prepayments		4,862	3,974
Contract assets		47,711	46,518
Current tax assets		1,555	2,567
Cash and cash equivalents		63,556	79,386
		<u>159,668</u>	<u>167,330</u>
Current liabilities			
Trade and other payables and accruals	<i>13</i>	18,613	14,276
Contract liabilities		9,135	518
Lease liabilities		155	300
Bank borrowing	<i>14</i>	–	3,740
Current tax liabilities		–	8
		<u>27,903</u>	<u>18,842</u>
Net current assets		<u>131,765</u>	<u>148,488</u>
Total assets less current liabilities		<u>160,488</u>	<u>170,654</u>

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
Non-current liabilities			
Provisions		280	161
Lease liabilities		239	395
		<u>519</u>	<u>556</u>
NET ASSETS		<u>159,969</u>	<u>170,098</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	7,676	7,676
Reserves		152,293	162,422
TOTAL EQUITY		<u>159,969</u>	<u>170,098</u>

NOTES:

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 March 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company acts as an investment holding company. The principal activities of its subsidiaries are mainly provision of steel and metal engineering services and sales of steel and metal products.

2. BASIS OF PREPARATION

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

Voluntary winding up and de-consolidation of the PRC business

The Board advised that since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of the People’s Republic of China (the “**PRC**”), excepted Hong Kong 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 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 key management personnel and accounting departments of the HY China Group as far as possible. However, the 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 key management personnel and the accounting staff.

The Board has resolved to voluntarily wind up HY China on 18 January 2023. Ms. Tracy Cook of R&H Restructuring (BVI) Limited and Ms. Janette Tsang of Polar Universal (Secretarial) Limited were appointed as the joint and several liquidators of HY China (the “**HY China Liquidators**”), pursuant to the written resolutions of the sole shareholder of HY China dated on 23 February 2023. The HY China Liquidators are empowered to, inter alia, preserve the assets of HY China and take control of and exercise all rights which HY China may have in relation to entities in which HY China holds an interest. Accordingly, HY China Group was therefore de-consolidated from the consolidated financial statements of the Group with effect from 24 February 2023 in accordance with the requirements of HKFRS 10 Consolidated Financial Statements. The operation of HY China Group was discontinued on the same date.

Set out below are the financial results of the discontinued operation for the year ended 31 March 2023:

	2023 <i>HK\$'000</i>
Loss for the year from discontinued operation:	
Other income and other gains and losses	6,633
Administrative expenses	<u>(793)</u>
Profit before tax	5,840
Income tax expense	<u>–</u>
Profit for the year	5,840
Loss on de-consolidation of subsidiaries	<u>(27,001)</u>
Loss for the year from discontinued operation	<u><u>(21,161)</u></u>

Assets and liabilities of HY China Group disposal of, and the calculation of the loss on de-consolidation are as follows:

	<i>HK\$'000</i>
Other receivables, deposits and prepayments	289
Cash and cash equivalents	1,435
Other payables and accruals	(5,528)
Current tax liabilities	<u>–*</u>
	(3,804)
Release of foreign currency translation reserve	911
Release of non-controlling interest in the de-consolidated subsidiaries	<u>29,894</u>
Loss on de-consolidation of subsidiaries	<u><u>27,001</u></u>

* Amount less than HK\$1,000

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

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS 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 2023 for the preparation of the consolidated financial statements:

HKAS 1 (Revised) (Amendments)	Disclosure of Accounting Policies
HKFRS Practice Statement 2 (Amendment)	Making Materiality Judgements
HKAS 8 (Amendments)	Accounting Policies, Change in Accounting Estimates and Errors
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendment)	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contract

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(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 2023. 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 10 and HKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16: Lease Liability in a Sale and Leaseback ²	1 January 2024
Amendments to HKAS 1: Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1: Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21: Lack of Exchangeability	1 January 2025

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

4. REVENUE

(a) Disaggregation of revenue

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Disaggregated by major products or service lines</i>		
Provision of steel and metal engineering services	137,549	162,907
Sales of steel and metal products	<u>19,648</u>	<u>21,997</u>
	<u><u>157,197</u></u>	<u><u>184,904</u></u>

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

Timing of revenue recognition	Provision of steel and metal engineering services		Sales of steel and metal products		Total	
	2024	2023	2024	2023	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Products transferred at a point in time	–	–	19,648	21,997	19,648	21,997
Products and services transferred over time	<u>137,549</u>	<u>162,907</u>	<u>–</u>	<u>–</u>	<u>137,549</u>	<u>162,907</u>
	<u><u>137,549</u></u>	<u><u>162,907</u></u>	<u><u>19,648</u></u>	<u><u>21,997</u></u>	<u><u>157,197</u></u>	<u><u>184,904</u></u>

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

(b) Transaction price allocated to the remaining performance obligations

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of steel and metal engineering services	<u>321,723</u>	<u>243,506</u>

Based on the information available to the Group at the end of the reporting period, the directors of the Company expect the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of steel and metal engineering services as of 31 March 2024 will be recognised as revenue during the years ending 31 March 2025 to 2027 (2023: 31 March 2024 to 2026).

5. 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 year, 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 years 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.

Entity-wide disclosures:

Geographical information

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	157,165	182,998
The PRC	<u>32</u>	<u>1,906</u>
	<u>157,197</u>	<u>184,904</u>

The Group's non-current assets (other than financial assets and deferred tax assets) are located in Hong Kong and the PRC by physical location of assets as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	6,081	2,871
The PRC	16,500	13,638
	<u>22,581</u>	<u>16,509</u>

Information about major customers

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	39,780	24,179
Customer B	28,143	N/A*
Customer C	15,831	25,136
Customer D	N/A*	57,970
	<u>N/A*</u>	<u>57,970</u>

* Revenue from the customer is less than 10% of the Group's total revenue in the respective year.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations		
Other income		
Interest income from bank deposits	644	47
Government subsidies (<i>note</i>)	474	3,402
Sales of scrape material(s)	170	–
Others	29	15
	<u>1,317</u>	<u>3,464</u>
Other gains and losses		
Impairment loss under expected credit loss model on trade receivables and contract assets, net	(4,752)	–
Fair value gain on financial asset at fair value through profit or loss	158	202
Net foreign exchange losses	(1,253)	(1,510)
(Loss)/gain on disposal of property, plant and equipment	(1,177)	225
Others	6,300	–
	<u>(724)</u>	<u>(1,083)</u>
	<u>593</u>	<u>2,381</u>

Note:

The amounts represent government grants received from the Government of Hong Kong Special Administrative Region (2023: government grants for the Anti-epidemic fund and other subsidies received from the Government of Hong Kong Special Administrative Region). The Group did not have any unfulfilled conditions or contingencies relating to these subsidies.

7. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations		
Interest on bank borrowing	25	95
Interest on lease liabilities	24	27
	<u>49</u>	<u>122</u>

8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation for the year from continuing operations has been arrived at after charging/(crediting):

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Auditor's remuneration	980	1,471
Depreciation of property, plant and equipment	3,420	3,294
Depreciation of right-of-use assets	479	485
Cost of inventories recognised as an expense	67,187	92,428
Loss/(gain) on disposal of property, plant and equipment	1,177	(225)
Employee benefits expenses inclusive of directors' emoluments:		
Directors' emoluments	1,721	1,530
Other staff costs:		
Salaries, wages and other benefits	67,010	66,986
Reversal of equity-settled share option expenses	(5,123)	–
Retirement benefits scheme contributions*	4,114	3,416
	<u>66,001</u>	<u>70,402</u>

Cost of inventories recognised as an expense for the year ended 31 March 2024 includes approximately HK\$14,618,000 (2023: HK\$13,807,000) relating to staff costs and depreciation of property, plant and equipment, which are included in the amount disclosed separately above for each of these types of expenses.

* There are no forfeited contributions that may be used by the Group, as the employer, to reduce the existing level of contributions

9. INCOME TAX (CREDIT)/EXPENSE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	–	1,549
The PRC Enterprise Income Tax (“EIT”)	28	16
Over-provision in prior years	–	(239)
	<u>28</u>	<u>1,326</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>(354)</u>	<u>(164)</u>
	<u><u>(326)</u></u>	<u><u>1,162</u></u>

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

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

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

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

10. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 March 2024 (2023: Nil).

11. LOSSES PER SHARE

From continuing and discontinued operations

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Losses:		
Losses for the purpose of calculating basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u>(4,118)</u>	<u>(21,707)</u>
	2024 <i>'000</i>	2023 <i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>767,600</u>	<u>767,600</u>

Note:

There were no adjustments for the effects of potential ordinary shares arising from outstanding share options as the average share price of the Company during the years ended 31 March 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 per share. The share options were cancelled on 12 October 2023.

The denominators used are the same as those detailed above for both basic and diluted loss per share for continuing and discontinued operations.

From continuing operations

The calculation of the basic and diluted (loss)/earning per share from continuing operations is based on the following:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
(Loss)/profit:		
(Loss)/profit for the purpose of calculating basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company arising from continuing operations)	<u>(4,118)</u>	<u>1,758</u>

From discontinued operation

Basic and diluted loss per share from the discontinued operation for the year ended 31 March 2023 was HK3.1 cents per share, based on the loss for the year ended 31 March 2023 from discontinued operation attributable to the owners of the Company of approximately HK\$23,465,000 and the denominators used are the same as those detailed above for both basic and diluted (loss)/earning per share.

12. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	24,077	13,021
Less: Allowance for credit losses	<u>(3,978)</u>	<u>(967)</u>
	<u>20,099</u>	<u>12,054</u>

For customers that the Group provides engineering services on steel and metal works, the Group normally grants credit terms of 30 days from the date of certificate on progress payments of contract works. For customers that the Group sells metal and steel products, except for certain major customers of which the Group grants a credit period of up to 60 days from the delivery of goods, the Group grants no credit terms to other customers and they are to settle payment in full upon delivery of goods. The following is an ageing analysis of the trade receivables denominated in HK\$ and presented based on the date of 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:

The increase in loss allowance for the year ended 31 March 2024 was mainly due to the increase in trade receivables which were past due for over three months, taking into account the probability of default and loss given default of the respective balances.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–30 days	13,356	5,379
31–60 days	490	1,564
61–90 days	100	2,354
Over 90 days	<u>6,153</u>	<u>2,757</u>
	<u>20,099</u>	<u>12,054</u>

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	7,365	2,821
Accrued staff costs	8,227	8,607
Accruals and others	3,021	2,848
	<u>18,613</u>	<u>14,276</u>

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–30 days	4,764	1,484
31–60 days	1,112	636
61–90 days	1,426	697
Over 90 days	63	4
	<u>7,365</u>	<u>2,821</u>

14. BANK BORROWING

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within one year	–	220
Portion of borrowing that are due for repayment after one year but contain a repayment on demand clause	–	3,520
Amount due for settlement within 12 months (shown under current liabilities)	–	3,740

During the reporting period, the Group repaid the bank borrowing in full and no assets were charged as at 31 March 2024.

As at 31 March 2023, the bank borrowing was secured by the deposit placed for a life insurance policy of approximately HK\$5,545,000 and a corporate guarantee granted by the Company.

The borrowing was denominated in HK\$.

The interest rate per annum at the end of the reporting period is as follows:

	2024	2023
Variable interest rate:		
— Bank borrowing	<u>N/A</u>	<u>4.30%</u>

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

15. SHARE CAPITAL

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
3,800,000,000 ordinary shares of HK\$0.01 each	<u>38,000</u>	<u>38,000</u>
Issued and fully paid:		
767,600,000 ordinary shares of HK\$0.01 each	<u>7,676</u>	<u>7,676</u>

There was no movement in the Company's share capital for the years ended 31 March 2024 and 2023.

AUDIT OPINION

Global Link CPA Limited (“**Global Link**”), the independent auditor of the Company, has issued a qualified opinion on the consolidated financial statements of the Group for the year ended 31 March 2024. An extract of the independent auditor’s report is set out below:

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements give a true and fair view of the Group’s consolidated financial position as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Comparability of the current year’s figures and the corresponding figures for the Group’s Consolidated Financial Performance and Consolidated Cash Flows

As stated in our Independent Auditor’s Report on the Group’s consolidated financial statements for the year ended 31 March 2024 dated 28 June 2024, regarding the matters described in Note 2(a) to the consolidated financial statements for the year ended 31 March 2023, the board of directors of the Company (the “**Board**”) as of the date of this report was of the opinion that certain payments of prepayments, deposits and advances (“**PPDA**”) transactions (also known as “Incident Transactions”) that occurred during the years ended 31 March 2019 and 2020, involving HY China Investment Company Limited (“**HY China**”), a wholly-owned subsidiary of the Company and its subsidiaries (the “**HY China Group**”) were considered to be suspicious and may not have been entered into under normal commercial arrangement.

As further explained matters described in Note 2(b) to the Group’s consolidated financial statements, the Board advised that since the departure of certain former key management personnel who were responsible for the operational, financial and accounting matters of the HY China Group in 2020, whom 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 documentations (collectively referred to as the “**Basic Records**”), that were left behind by the former key management personnel and accounting departments of the HY China Group as far as possible. The Basic Records were not considered to be of a sufficient level for our audit purposes. More specific business records and supporting explanations of the HY China Group’s accounting records were needed for our audit, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation of the accounting entries made (collectively, the “**Specific Records**”).

In the absence of the Specific Records of the HY China Group following the departure of certain former key management personnel in 2020, the Board considered that they could only use their best endeavor to preserve the books and records that were left behind by the former key management personnel 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 Board has resolved to voluntarily wind up HY China on 18 January 2023. The joint and several liquidators (the “**HY China Liquidators**”) were appointed to HY China, pursuant to the written resolutions of the sole shareholder of HY China dated 23 February 2023. The HY China Liquidators are empowered to, inter alia, preserve the assets of HY China and take control of and exercise all rights which HY China may have in relation to entities in which HY China holds an interest. Accordingly, HY China Group was de-consolidated from the consolidated financial statements of the Group with effect from 24 February 2023. The operation of HY China Group was discontinued on the same date. The result of the discontinued operation, including the recovery of loss on Incident Transactions and the loss on the de-consolidation of the HY China Group is presented as a single amount in the consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

As a result of the above matters, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the result for the year from discontinued operation and other related disclosure notes in relation to the HY China Investment Company Limited, a former wholly-owned subsidiary of the Company and its subsidiaries, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements for the year ended 31 March 2023.

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 changes in equity and the consolidated statement of cash flows for the year ended 31 March 2023. Because of this matter has a possible effect on the comparability of the current year's figures and the corresponding figures in the consolidated statements of profit or loss, comprehensive income and cash flows for the year ended 31 March 2024, our opinion on the consolidated financial statements for the year ended 31 March 2024 is therefore qualified.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in steel and metal engineering services. The 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 and China. We serve customers including construction companies and engineering companies on a project-by-project basis.

During FY2024, the Group revenue decreased by 15.0% to approximately HK\$157.2 million (2023: HK\$184.9 million). The Group recorded a net loss attributable to equity shareholders of the Company of HK\$4.1 million in FY2024 (2023: net profit attributable to equity shareholders HK\$1.8 million).

The increase in the allowance for credit losses from HK\$2.2 million in FY2023 to HK\$6.9 million in FY2024 was the primary reason for the change in the turnover. The recent closure of a prominent contractor and the recorded high number of compulsory winding-up cases in Hong Kong have indicated instability within the industry and the allowance has been increased to reflect this market environment.

However, the Board remain confident of the Group's future as we believe that the Government of Hong Kong will continue strong commitment on public housing and take more measures to revitalise the economy and resolve the payment disputes within the construction industry in Hong Kong.

Major projects awarded and undertaken in 2024

During FY2024, the Group secured new steel and metal works contracts with aggregate contract sum of HK\$215.0 million, following set out the summary of our contract awarded during FY2024:

Project type	Number of projects	Total original contract sum <i>Approximately HK\$' million</i>
Original contract sum at or above HK\$10 million	8	156.0
Original contract sum below HK\$10 million but at or above HK\$5 million	4	26.8
Original contract sum less than HK\$5 million	22	32.2

As at 31 March 2024, the total value of contracts on hand which the performance obligation that were unsatisfied (or partially unsatisfied was) HK\$321.7 million.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Save as disclosed in the announcements of the Company dated 19 June 2024 in relation to the completion of placing of new shares under general mandate, the Group had no other significant event requiring disclosure subsequent to 31 March 2024 and up to the date of this announcement.

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 from continuing operations

The revenue of the Group has decreased by approximately 15.0% from approximately HK\$184.9 million in FY2023 to approximately HK\$157.2 million in FY2024.

During the year, there was a number of projects toward the final phase and a reduced scope of work was undertaken which has led to a decrease in revenue.

Direct costs from continuing operations

Our direct costs primarily consist of direct material costs, direct labour costs, installation service fees, sub-contracting costs and other costs.

The direct costs decreased by approximately 14.4% from approximately HK\$162.5 million in FY2023 to approximately HK\$139.2 million in FY2024. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin from continuing operations

The gross profit of the Group decreased by approximately 19.5% from approximately HK\$22.4 million in FY2023 to approximately HK\$18.0 million in FY2024 and the gross profit margin decreased from approximately 12.0% for FY2023 to approximately 11.5% for FY2024.

Other income and other gains and losses from continuing operations

Other income and other gains and losses of the Group has decreased from approximately HK\$2.4 million in FY2023 to approximately HK\$0.6 million in FY2024.

The other income and other gains and losses for FY2024 mainly comprise of the HK\$6.3 million recovered from Incident transactions while offset by the expected credit loss of HK\$4.8 million and the net foreign exchanges losses of HK\$1.3 million.

The other income and other gains and losses for FY2023 mainly comprise of the government subsidies of HK\$3.5 million while offset by the net foreign exchange losses of HK\$1.5 million.

Administrative expenses from continuing operations

Administrative expenses increased by approximately 6.0% from approximately HK\$21.7 million in FY2023 to approximately HK\$23.0 million in FY2024. The increase was mainly attributable to the increase in legal and professional fees.

Income tax credit/(expense) from continuing operations

The income tax credit was HK\$0.3 million in FY2024 while the Group recorded a tax expenses of HK\$1.2 million in FY2023. The shift was led by the decrease in taxable profit during the year.

(Loss)/profit from continuing operations

The Group recorded loss for the year from continuing operations amounted to approximately HK\$4.1 million in FY2024 as compared to profit for the year for continuing operations amounted to approximately HK\$1.8 million in FY2023.

Loss for the year from discontinued operation

The discontinued operation recorded a loss of HK\$23.5 million in FY2023 and no such losses recorded in FY2024 after the de-consolidation of subsidiaries.

Loss attributable to the owners of the Company

The loss attributable to owners of the Company was HK4.1 million (2023: HK\$21.7 million). The preceding commentaries cite the reasons.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2024, the Group had total cash and cash equivalents of approximately HK\$63.6 million (2023: HK\$79.4 million), total assets of approximately HK\$188.4 million (2023: HK\$189.5 million). The capital structure of the Company comprised share capital only. As at 31 March 2024, total equity attributable to owners of the Company amounted to approximately HK\$160.0 million (2023: HK\$170.1 million), and the Group's borrowings comprised of lease liabilities of approximately HK\$0.4 million (2023: HK\$0.7 million) and bank borrowings of nil (2023: HK\$3.7 million).

The Group's gearing ratio, calculated by dividing total borrowings by total equity, was approximately 0.25% (2023: 2.6%). The decrease in the gearing ratio during the year ended 31 March 2024 was mainly due to the full repayment of bank borrowing during the year.

Cash and cash equivalents

There was a decrease in the balance of cash and cash equivalents of approximately HK\$15.8 million from approximately HK\$79.4 million as at 31 March 2023 to approximately HK\$63.6 million as at 31 March 2024.

During FY2024, the Group has a net cash outflow of approximately HK\$1.0 million in its operating activities, a net cash outflow of approximately HK\$11.8 million in its investing activities (mainly due to outflow on purchase of property, plant and equipment and renovation of the factory), and a net cash outflow of approximately HK\$4.1 million in its financing activities (mainly due to repayment of bank borrowing and payment of principle elements of lease liabilities).

Borrowing

As at 31 March 2024, the Group had no bank borrowing (2023: HK\$3.7 million). During the year ended 31 March 2023, 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 borrowing with an aggregate amount of approximately HK\$3,740,000. The bank borrowing was at floating rate of Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 0.8% per annum. The bank borrowing was fully repaid on 15 May 2023.

CHARGE ON THE GROUP’S ASSETS

As at 31 March 2023, the investment in life insurance contract of the key management of the Group of approximately HK\$5.5 million was pledged to the bank to secure the general facility granted to the Group. Upon the full repayment of the bank borrowing, the charges were released and no assets of the Group were charged as at 31 March 2024.

LITIGATION, CLAIMS AND NON-COMPLIANCES

For FY2024, the Group was not engaged in any material litigation or arbitration and no material litigation or claim is known to the directors to be pending or threatened against the Group.

FOREIGN EXCHANGE EXPOSURE

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

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

INTEREST RATE RISK

The Group is exposed to interest rate risk primary to the bank facilities with floating interest rate. For both years, 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 FY2024, the Group has contributed approximately HK\$12.6 million in the acquisition of property, plant and equipment. The contributions are mainly for the expansion of our production capacity, of which approximately HK\$8.5 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 2024, the Group had approximately HK\$0.3 million expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of certain plant and equipment (2023: HK\$0.4 million).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2023 and 31 March 2024.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries, associates and joint venture by the Group during the year ended 31 March 2024.

USE OF PROCEEDS

The Company has raised gross proceeds of approximately HK\$161.5 million through the global offering upon the Listing. After deducting the listing expenses, the net proceeds (the “**Net Proceeds**”) amounted to approximately HK\$130.0 million. Such net proceeds are intended to be applied in the same manner and the same proportion as disclosed in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 28 September 2018 (the “**Prospectus**”), the below table sets out the proposed application and the status of utilisation.

As at 31 March 2024, the net proceeds from the global offering had been applied as follows:

	Planned	Net Proceeds Utilised as at 31 March 2023	Net Proceeds Utilised during the year ended 31 March 2024	Net Proceeds Utilised as at 31 March 2024	Unutilised	Estimated Schedule
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(Note)</i>
Acquiring machines to replace and enhance the Group's production capacity	51,200	17,303	2,618	19,921	31,279	2024–2026
Expanding the Group's workforce in Hong Kong and the PRC	33,700	31,639	2,061	33,700	–	Fully utilised
Renovation and re-design of the Group's existing production facilities	24,100	903	3,751	4,654	19,446	2024–2026
Purchasing delivery trucks	5,000	2,853	2,147	5,000	–	Fully utilised
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>68,698</u>	<u>10,577</u>	<u>79,275</u>	<u>50,725</u>	

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

As at 31 March 2024, 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 Group will continue to apply the Net Proceeds in accordance with the disclosure in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY2024.

EMPLOYEES AND REMUNERATION POLICY

The Group has a total of 302 employees in Hong Kong and the PRC as at 31 March 2024. The total salaries and related costs granted to employees amounted to approximately HK\$66.0 million in FY2024. The remuneration packages of employees are determined based on their qualifications, position and experience. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions.

The remuneration of the directors is decided by the Board upon the recommendation from the remuneration committee of the Company with reference to the relevant director's experience, responsibilities, workload, performance and the time devoted to the Group.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) pursuant to a written resolution passed by the shareholder on 19 September 2018, for the primary purpose of motivating the directors, employees and other eligible participants as specified under the Share Option Scheme to optimise their performance and efficiency for the benefit of the Group, and to attract and retain business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group. The Share Option Scheme became unconditional upon the listing date.

On 12 October 2023, the Share Option Scheme above was cancelled and there is no outstanding share option as at 31 March 2024.

The movements of share options during FY2024 were as follows:

Category of grantees	Date of grant	Exercisable period	Exercise price per Share (HK\$)	Granted	As at 31 March and 1 April 2023		As at 31 March 2024
					Granted	Cancelled	
Senior management and other employees	11 January 2019	11 January 2022 to 10 January 2024	1.53	4,400,000	3,530,000	(3,530,000)	–
		11 January 2023 to 10 January 2024	1.53	4,400,000	3,530,000	(3,530,000)	–

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 the applicable code provisions of the CG Code during the year ended 31 March 2024 except for the following deviation from the Code Provisions:

Code provision C.1.8 — The Company did not arrange appropriate insurance cover in respect of legal action against its Directors for the period from 1 April 2023 to 31 August 2023. The insurance was bought and covered with effective from 1 September 2023.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company complied with all applicable code provisions set out in the CG Code except for the above deviation.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct governing securities transactions by the directors. Specific enquiries have been made to all directors and the directors have confirmed that they have complied with the Model Code during the year ended 31 March 2024.

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

During the year ended 31 March 2024, neither the Company nor any of its subsidiaries redeemed, purchased or sold any of the listed securities of the Company.

PUBLIC FLOAT

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

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 March 2024, including the accounting principles and practices adopted by the Group, have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and audited by the auditor of the Company (the “**Auditor**”), Global Link CPA Limited (“**Global Link**”).

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group’s auditors, Global Link, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Global Link in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Global Link on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.hy-engineering.com. The annual report of the Group for the year ended 31 March 2024 containing all information required by the Listing Rules will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming Annual General Meeting (“AGM”) of the Company will be held in Hong Kong on 30 August 2024. Notice of the AGM will be issued and disseminated to the Shareholders in due course. To ascertain the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 27 August 2024 to 30 August 2024, (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 26 August 2024.

By order of the Board
Hang Yick Holdings Company Limited
Deng Chaowen
Chairman

Hong Kong, 28 June 2024

As at the date of this announcement, the Board comprises Mr. Sin Kwok Chi Stephen and Mr. Law Hok Yu as executive directors, and Ms. Mak Suet Man, Mr. Shi Jianwen and Mr. Deng Chaowen as independent non-executive directors.