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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Hang Yick Holdings Company Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 September 2019.

	Six months ended 30 September		
	2020	2019	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
Revenue	125,809	96,264	31%
Gross profit	10,526	25,873	-59%
Gross profit margin	8.7%	26.9%	
Profit for the period attributable to the owners of the Company	988	9,937	-90%
Earnings per share (basic and diluted)	0.1 cent	1.3 cents	-1.2 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020 — unaudited

		For the six months ended 30 September	
	<i>Notes</i>	2020	2019
		HK\$'000	HK\$'000
Revenue	4	125,809	96,264
Direct costs		<u>(115,283)</u>	<u>(70,391)</u>
Gross profit		10,526	25,873
Other income and other gains and losses	5	8,097	649
Administrative expenses		(16,384)	(14,549)
Finance costs	6	<u>(892)</u>	<u>(894)</u>
Profit before taxation	7	1,347	11,079
Income tax expense	8	<u>(469)</u>	<u>(2,085)</u>
Profit for the period		<u>878</u>	<u>8,994</u>
Profit (loss) for the period attributable to:			
Owners of the Company		988	9,937
Non-controlling interests		<u>(110)</u>	<u>(943)</u>
		<u>878</u>	<u>8,994</u>
Earnings per share — Basic (HK cents)	9	<u>0.1</u>	<u>1.3</u>
— Diluted (HK cents)	9	<u>0.1</u>	<u>1.3</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020 — unaudited

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Profit for the period	878	8,994
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	<u>2,399</u>	<u>(2,940)</u>
Total comprehensive income for the period	<u>3,277</u>	<u>6,054</u>
Total comprehensive income (expenses) attributable to:		
Owners of the Company	3,360	7,035
Non-controlling interests	<u>(83)</u>	<u>(981)</u>
	<u>3,277</u>	<u>6,054</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2020 — unaudited

		As at 30 September 2020	As at 31 March 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		12,427	10,934
Right-of-use assets		4,652	5,337
Intangible asset		1,741	2,226
Interest in an associate		—	—
Loan to an associate		25,535	24,501
Deferred tax assets		178	178
Deposits		48,572	43,079
Amount due from a related company		—	16,334
		<u>93,105</u>	<u>102,589</u>
Current assets			
Inventories		25,719	18,999
Trade receivables	11	22,258	24,248
Other receivables, deposits and prepayments		44,436	4,220
Amount due from a related company	12	—	22,684
Contract assets		64,301	57,840
Tax recoverable		3,510	1,983
Pledged bank deposits		40,218	40,157
Cash and cash equivalents		42,110	60,622
		<u>242,552</u>	<u>230,753</u>
Current liabilities			
Trade and other payables and accruals	13	29,089	19,999
Contract liabilities		412	242
Lease liabilities		756	1,381
Tax payable		631	756
Bank borrowings		54,290	64,400
		<u>85,178</u>	<u>86,778</u>
Net current assets		<u>157,374</u>	<u>143,975</u>
Total assets less current liabilities		<u>250,479</u>	<u>246,564</u>

	As at 30 September 2020	As at 31 March 2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Provisions	47	47
Lease liabilities	196	323
	<u>243</u>	<u>370</u>
Net assets	<u>250,236</u>	<u>246,194</u>
Capital and reserves		
Share capital	7,676	7,676
Reserves	244,691	240,545
	<u>252,367</u>	248,221
Equity attributable to owners of the Company	<u>252,367</u>	248,221
Non-controlling interests	<u>(2,131)</u>	<u>(2,027)</u>
	<u>250,236</u>	<u>246,194</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. 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the condensed consolidated financial statements for the Reporting Period are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2020, except as described below:

- Government subsidies are recognised at their fair value where there is reasonable assurance that the subsidy will be received and all attaching conditions will be complied with. When the subsidy relates to an expense item, it is recognised as other income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Other than changes in accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the Reporting Period are the same as those presented in the Group's annual financial statements for the year ended 31 March 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References 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 2020 for the preparation of the Group's condensed consolidated financial statements:

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

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the aggregate of the amounts received or receivable from the provision of engineering service, construction services and sales of steel and metal products by the Group to external customers.

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<i>Timing of revenue recognition and category of revenue</i>		
Recognised over time:		
Revenue from provision of steel and metal engineering services	95,830	83,028
Revenue from provision of construction services	20,622	—
Recognised at a point in time:		
Sales of steel and metal products	9,357	13,236
	<u>125,809</u>	<u>96,264</u>
Geographic market:		
Hong Kong	105,176	96,264
The People's Republic of China (the "PRC")	20,633	—
	<u>125,809</u>	<u>96,264</u>

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. Following the commencement of the PRC construction services in the current year, the Group's operations have been organised based on three operating divisions as described below. Similarly, the information reported to the CODM is also prepared on such basis. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment assets and liabilities of the Group are not reported to the Group's CODM regularly. As a result, reportable assets and liabilities have not been presented in the consolidated financial statements.

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 <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Provision of construction services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>For the six months ended 30 September 2020 (Unaudited)</i>				
Segment revenue	<u>95,830</u>	<u>9,357</u>	<u>20,622</u>	<u>125,809</u>
Segment results	<u>6,898</u>	<u>2,082</u>	<u>1,546</u>	10,526
Other income and other gains and losses				8,097
Administrative expenses				(16,384)
Finance costs				<u>(892)</u>
Profit before taxation				<u>1,347</u>
<i>For the six months ended 30 September 2019 (Unaudited)</i>				
Segment revenue	<u>83,028</u>	<u>13,236</u>	<u>—</u>	<u>96,264</u>
Segment results	<u>23,545</u>	<u>2,328</u>	<u>—</u>	25,873
Other income and other gains and losses				649
Administrative expenses				(14,549)
Finance costs				<u>(894)</u>
Profit before taxation				<u>11,079</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.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Other income		
Interest income from bank deposits	181	433
Interest income from loan to an associate	1,495	—
Government subsidies	5,420	—
Others	63	52
	<u>7,159</u>	<u>485</u>
Other gains and losses		
Net exchange gain	938	164
	<u>938</u>	<u>164</u>
	<u><u>8,097</u></u>	<u><u>649</u></u>

6. FINANCE COSTS

	For the six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Interests on bank borrowings	869	851
Interests expense on lease liabilities	23	43
	<u>892</u>	<u>894</u>

7. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	1,379	1,420
Depreciation on right-of-use assets	837	1,076
Cost of inventories recognised as an expense	6,573	7,576
Amortisation of an intangible asset	563	364
	<u><u>11,352</u></u>	<u><u>10,436</u></u>

8. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits tax	—	1,782
The PRC Enterprise Income tax	<u>469</u>	<u>303</u>
	469	2,085
Deferred taxation	<u>—</u>	<u>—</u>
	<u><u>469</u></u>	<u><u>2,085</u></u>

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

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

Under the Law of the PRC on enterprise income tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both periods.

9. EARNINGS PER SHARE

(a) Basic earnings per shares

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$988,000 (30 September 2019: HK\$9,937,000) and 767,600,000 ordinary shares (30 September 2019: 767,600,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of HK\$988,000 (six months ended 30 September 2019: HK\$9,937,000) and the weighted average number of ordinary shares after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

	For the six months ended 30 September	
	2020	2019
Weighted average number of ordinary shares	767,600,000	767,600,000
Effect of deemed issue of ordinary shares under the Company's share option scheme (<i>note</i>)	—	8,508,633
Weighted average number of ordinary shares (diluted)	<u>767,600,000</u>	<u>776,108,633</u>

Note: The computation of diluted earnings per share for the Reporting Period did not assume the exercise of the Company's share options as the exercise price of those options are higher than the market prices of the Company's shares at the end of the period.

10. DIVIDENDS

No dividend was approved and paid during the Reporting Period (six months ended 30 September 2019: a final dividend of HK\$0.5 cent per share for the year ended 31 March 2019 was paid).

The Board has resolved not to declare the payment of an interim dividend for the Reporting Period (for the six months ended 30 September 2019: HK0.3 cents).

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 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0–30 days	13,355	5,754
31–60 days	4,104	11,047
61–90 days	2,761	3,346
Over 90 days	2,038	4,101
	<u>22,258</u>	<u>24,248</u>

12. AMOUNT DUE FROM A RELATED COMPANY

On 21 December 2018, the Group entered into a non-legally binding strategic cooperation framework agreement (the “Strategic Cooperation Framework Agreement”) with Capital Development Investment Holdings Limited (“Capital Development”), pursuant to which Capital Development shall, among others, make use of its favourable connections and resources, introduce and propose property investment projects and construction projects in the PRC to the Group. Pursuant to the Strategic Cooperation Framework Agreement, the Group shall pay Capital Development a sum of HK\$22.8 million (equivalent to RMB20 million) as earnest money (included in other receivables, deposits and prepayments as at 31 March 2019 and reclassified as amount due from a related company since Capital Development become a related company of the Group as mentioned below) and the amounts were fully paid on 24 December 2018. The Strategic Cooperation Framework Agreement shall remain in effect for 12 months from the signing date of the Strategic Cooperation Framework Agreement to 21 December 2019 (the “Term”). Upon the expiry of the Term, the parties may agree to extend the Term in writing for not more than 24 months from the date of the Strategic Cooperation Framework Agreement. On 20 December 2019, the Group and Capital Development entered into a supplemental agreement to extend the Term from 21 December 2019 to 21 December 2020. Details of this transaction were disclosed in the Company’s announcement dated 21 December 2018 and the annual report for the year ended 31 March 2020.

During the year ended 31 March 2020, 首建恒益(深圳)建築控股有限公司 (CDI Hang Yick Constructions Holding Co. Ltd. SZ*), a non-wholly owned subsidiary of the Group, entered into a memorandum with Capital Development, pursuant to which the Group agreed to pay a deposit of HK\$16,400,000 (equivalent to RMB15,000,000) to secure a new contract of a sports and tourism complex project in Kaihua, Zhejiang Province with a contract sum of approximately RMB550 million. The deposit is refundable within 3 months upon the completion of construction.

All amounts are unsecured, interest free and repayable on respective terms.

On 28 June 2019, Mr. Pang Ming, who holds 50% equity interest of Capital Development, was appointed as executive Director, since then Capital Development became the related company of the Group. Mr. Pang Ming had resigned as executive Director on 29 September 2020 and the amounts due from Capital Development previously included in amount due from a related company was reclassified as other deposit.

* *English name for identification purpose only*

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	17,139	10,878
Accrued staff costs	7,365	6,816
Accruals and others	4,585	2,305
	<u>29,089</u>	<u>19,999</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 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables:		
0–30 days	12,727	7,528
31–60 days	2,644	2,229
61–90 days	1,366	1,065
Over 90 days	402	6
	<u>17,139</u>	<u>10,878</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group 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)”. In addition, the Group has recently expanded into the People’s Republic of China (the “PRC”) market for the provision of construction services as well as real estate development.

BUSINESS REVIEW

For the Reporting Period, the Group generated revenue of approximately HK\$125.8 million, representing an increase of approximately 30.7% from approximately HK\$96.3 million for the corresponding period in 2019. The increase in revenue mainly resulted from the increase in the provision of construction services and steel and metal engineering services.

Despite the record of the increase in revenue of the Group when compared to the corresponding period in 2019, the gross profit for the period decreased by approximately HK\$15.3 million or 59.3% as a result of (i) the stringent social distancing and related policies for construction workers decreased the overall efficiency of the construction works and (ii) two existing projects entered into finalisation stage which the actual revenue certified by the customers was comparatively lower than the actual costs incurred, which has also led to a decrease in gross profit of the Group.

As at 30 September 2020, the Group’s total amount of contract on hand for provision of steel and metal engineering services and provision of construction services was approximately HK\$468 million and HK\$808 million, respectively.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the overall revenue of the Group has increased by approximately HK\$29.5 million, or approximately 30.7% as compared to the corresponding period in 2019, from approximately HK\$96.3 million to approximately HK\$125.8 million.

Revenue from the provision of steel and metal engineering services increased by approximately HK\$12.8 million, or approximately 15.4%, from approximately HK\$83.0 million for the six months ended 30 September 2019 to approximately HK\$95.8 million for the Reporting Period.

Revenue from the sales of steel and metal products decreased by approximately HK\$3.9 million, or 29.5% from approximately HK\$13.2 million for the six months ended 30 September 2019 to approximately HK\$9.3 million for the Reporting Period.

Revenue from the provision of construction services for the period was approximately HK\$20.6 million. There was no such revenue in the corresponding period in 2019.

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\$115.3 million, representing an increase of approximately HK\$44.9 million or approximately 63.8% as compared to the direct costs of approximately HK\$70.4 million from the corresponding period last year. Such increase was mainly attributable to the increase in the direct labour costs.

Gross profit and gross profit margin

For the Reporting Period, the gross profit of the Group decreased by approximately HK\$15.3 million, or approximately 59.3% as compared to the corresponding period in 2019, from approximately HK\$25.9 million to approximately HK\$10.5 million. The gross profit margin decreased from approximately 26.9% for the six months ended 30 September 2019 to 8.4% for the Reporting Period. The decrease in gross profit and gross profit margin were attributable to (i) two existing projects entered into finalisation stage which the actual revenue certified by the customers was comparatively lower than the actual costs incurred and (ii) the relatively low profit margin of those new projects initiated during the period.

Other income and other gains and losses

Other income and other gains and losses increased from approximately HK\$0.6 million in the six months ended 30 September 2019 to approximately HK\$8.0 million for the Reporting Period. The increase was in the combined effect of (i) the government grants of HK\$5.4 million during this period; and (ii) the interest income of HK\$1.5 million from the loan to an associate.

Finance costs

The finance cost for the Reporting Period amounted to approximately HK\$0.9 million (2019: HK\$0.9 million).

Administrative expenses

For the Reporting Period, the administrative expenses increased by approximately HK\$1.8 million or approximately 12.6% as compared to the corresponding period in 2019, from approximately HK\$14.5 million to approximately HK\$16.4 million. The increase in administrative expenses was mainly attributable to an increase in directors' emoluments, professional fees, staff costs and the operating cost of the PRC office.

Income tax expense

The income tax expense decreased from approximately HK\$2.1 million in the six months ended 30 September 2019 to approximately HK\$0.5 million in the Reporting Period. The decrease in tax expense was primarily due to a decrease in the operating profits earned in Hong Kong.

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 HK\$0.9 million, being HK\$9.0 million lower than the profit of HK\$9.9 million for the six months ended 30 September 2019.

Gearing ratio

As at 30 September 2020, 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 respective period and multiplied by 100%, was 21.5% (31 March 2020: approximately 25.9%).

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

As at 30 September 2020, the capital structure of the Group consisted of equity of approximately HK\$252 million (31 March 2020: approximately HK\$248 million) and bank borrowings of HK\$54.3 million (31 March 2020: HK\$64.4 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 2020, the Group had total bank balances and cash of approximately HK\$42.1 million (31 March 2020: approximately HK\$60.6 million). As at 30 September 2020, the Group had net current asset of approximately HK\$157.4 million, representing an increase of approximately HK\$13.4 million as compared to that of approximately HK\$144.0 million as at 31 March 2020.

Borrowings

The major source of debt financing of the Group was mainly from banks.

As at 30 September 2020, the Group had bank borrowings of HK\$54.3 million (31 March 2020: HK\$64.4 million). All of the bank borrowings are secured and repayable on demand and bear interest at floating rate of Hong Kong Interbank Offered Rate plus 0.8%-2.0% per annum.

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 announcement, the Group did not have other plans for material investment or capital assets as at 30 September 2020.

CAPITAL EXPENDITURE AND COMMITMENTS

During the Reporting Period, the Group invested approximately HK\$1.1 million in the purchase of property, plant and equipment.

As at 30 September 2020, the Group had expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of acquisition of certain plant and equipment in a total amount of about HK\$32.1 million (31 March 2020: HK\$32.6 million).

CHARGE ON GROUP ASSETS

As at 30 September 2020, the bank deposits and the investment in life insurance contract of the key management of the Group with an aggregate value of approximately HK\$46.4 million (31 March 2020: HK\$46.3 million) was pledged to the banks to secure the general facility granted to the Group.

LITIGATION, CLAIMS AND NON-COMPLIANCES

As at 30 September 2020, the Group had not been involved in claims of litigation which had material adverse effect on our business, results of operations of financial condition or on the Company.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2020 (as at 31 March 2020: Nil).

INTERIM DIVIDEND

The Board did not propose an interim dividend for the period (for the six months ended 30 September 2019: HK\$0.3 cent per share).

PROSPECTS

The year was definitely a tough year to the Group. With the ongoing COVID-19 situation, the economy in both Hong Kong and the global were unavoidably be affected. A high level of vigilance is required for the business performance and we will continue to focus on cost control and improve the efficiency of work-flow to overcome the challenge caused by COVID-19.

Under these circumstances, we will focus on the existing construction projects and adopt a prudent approach in securing new contracts and investment opportunities.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2020, the Group had a total of 360 full-time employees, 246 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.

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 2020, the net proceeds from the global offering had been applied as follows:

	Planned (HK\$'000)	Net Proceeds Utilised as at 31 March 2020 (HK\$'000)	Net Proceeds Utilised during the period ended 30 September 2020 (HK\$'000)	Net Proceeds Utilised as at 30 September 2020 (HK\$'000)	Unutilised (HK\$'000)	Estimated schedule (Note)
Acquiring machines to replace and enhance the Group's production capacity	51,200	21,429	198	21,627	29,573	2021-2022
Expanding the Group's workforce in Hong Kong and the PRC	33,700	4,979	6,453	11,432	22,268	2021-2022
Renovation and re-design of the Group's existing production facilities	24,100	903	—	903	23,197	2021-2022
Purchasing delivery trucks	5,000	412	790	1,202	3,798	2020-2021
Upgrading the Group's information technology system and equipment	3,500	2,429	712	3,141	359	2020-2021
General working capital	12,500	12,500	—	12,500	—	Fully utilised
	<u>130,000</u>	<u>42,652</u>	<u>8,153</u>	<u>50,805</u>	<u>79,195</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 30 September 2020, the Group had not yet utilised the proceeds for (a) expanding the Group's workforce in Hong Kong and the PRC, and (b) the renovation and re-design of the Group's existing production facilities as planned. The delay in utilisation of the proceeds were due to tight production schedule to catch up with the seriously delayed construction progress and difficulty in recruiting suitable skilled labour.

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.

As at 30 September 2020, the unutilised net proceeds were deposited in the licensed banks in Hong Kong and the PRC.

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 contained in Appendix 14 of the Listing Rules during the Reporting Period, except for the deviation as mentioned below.

Code Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lee Pui Sun currently holds both positions. The Board believes that vesting the roles of both Chairman of the Board and Chief Executive Officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct governing securities transactions by the Directors. 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.

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 THE INTERIM RESULTS BY AUDIT COMMITTEE

As at the date of this announcement, 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. Wun Wai Yee Duncan.

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.hy-engineering.com and the website of the Stock Exchange at www.hkexnews.hk. The interim report for the Reporting Period will also be available at the same websites and will be despatched to shareholders of the Company in due course.

By order of the Board
Hang Yick Holdings Company Limited
Lee Pui Sun
Chairman and Executive Director

Hong Kong, 30 November 2020

As at the date of this announcement, the Board comprises Mr. Lee Pui Sun, Ms. Lau Lai Ching and Mr. Lee Ka Ho as executive Directors, Mr. Lee Ka Chun Benny and Mr. Zhang Chen as non-executive Directors, and Mr. Au Yeung Wai Key, Mr. Wun Wai Yee Duncan and Mr. Tse Ka Ching Justin as independent non-executive Directors.

* *For identification purpose only*