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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 2021

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 2021 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 September 2020.

	Six months ended 30 September		
	2021	2020	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	109,666	125,809	-12.8%
Gross profit	27,424	10,526	160%
Gross profit margin	25.0%	8.4%	
Profit for the period attributable to the owners of the Company	12,046	988	>100%
Earnings per share (basic and diluted)	1.6 cent	0.1 cent	1.5 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021 — unaudited

	Notes	For the six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	109,666	125,809
Direct costs		<u>(82,242)</u>	<u>(115,283)</u>
Gross profit		27,424	10,526
Other income and other gains and losses	5	859	8,097
Administrative expenses		(13,801)	(16,384)
Finance costs	6	<u>(273)</u>	<u>(892)</u>
Profit before taxation	7	14,209	1,347
Income tax expense	8	<u>(2,173)</u>	<u>(469)</u>
Profit for the period		<u>12,036</u>	<u>878</u>
Profit (loss) for the period attributable to:			
Owners of the Company		12,046	988
Non-controlling interests		<u>(10)</u>	<u>(110)</u>
		<u>12,036</u>	<u>878</u>
Earnings per share — Basic (HK cents)	9	<u>1.6</u>	<u>0.1</u>
— Diluted (HK cents)	9	<u>1.6</u>	<u>0.1</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021 — unaudited

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	12,036	878
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>893</u>	<u>2,399</u>
Total comprehensive income for the period	<u>12,929</u>	<u>3,277</u>
Total comprehensive income/(expenses) attributable to:		
Owners of the Company	12,939	3,360
Non-controlling interests	<u>(10)</u>	<u>(83)</u>
	<u>12,929</u>	<u>3,277</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021 — unaudited

		As at 30 September 2021	As at 31 March 2021
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Non-current assets			
Property, plant and equipment		11,103	12,368
Right-of-use assets		3,934	4,089
Intangible asset		505	1,206
Interest in an associate		—	—
Loan to an associate		—	—
Deferred tax assets		2,477	4,268
Deposits		24,397	26,289
		<u>42,416</u>	<u>48,220</u>
Current assets			
Inventories		25,777	19,165
Trade receivables	11	27,699	22,127
Other receivables, deposits and prepayments		5,092	10,296
Contract assets		48,212	49,186
Tax recoverable		2,219	2,601
Pledged bank deposits		—	40,218
Cash and cash equivalents		61,282	45,894
		<u>170,281</u>	<u>189,487</u>
Current liabilities			
Trade and other payables and accruals	12	21,827	20,751
Contract liabilities		1,251	127
Lease liabilities		196	257
Bank borrowings		4,070	44,180
		<u>27,344</u>	<u>65,315</u>
Net current assets		<u>142,937</u>	<u>124,172</u>
Total assets less current liabilities		<u>185,353</u>	<u>172,392</u>

	As at 30 September 2021	As at 31 March 2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Non-current liabilities		
Provisions	104	47
Lease liabilities	—	66
	104	113
Net assets	185,249	172,279
Capital and reserves		
Share capital	7,676	7,676
Reserves	202,500	189,519
Equity attributable to owners of the Company	210,176	197,195
Non-controlling interests	(24,927)	(24,916)
	185,249	172,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 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

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial information are consistent with those set out in the Group's audited consolidated financial statements for the year ended 31 March 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the revised HKFRSs as stated in note 3 to this unaudited condensed consolidated interim financial information below. This unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and a derivative financial instrument which has been measured at fair value, and is presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except when otherwise indicated.

This unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's unaudited annual consolidated financial statements for the year ended 31 March 2021. This condensed consolidated interim financial information has not been audited or reviewed by the Company's external auditor, but has been reviewed by the audit committee of the Company (the "**Audit Committee**").

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial information:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank loans denominated in HK\$ based on the Hong Kong Interbank Offered Rate as at 30 September 2021. Since the interest rates of these loans were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these loans are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these loans provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the coronavirus disease (“COVID-19”) pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. The amendment did not have any impact on the financial position and performance of the Group.

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Timing of revenue recognition and category of revenue</i>		
Recognised over time:		
Revenue from provision of steel and metal engineering services	99,914	95,830
Revenue from provision of construction services	—	20,622
Recognised at a point in time:		
Sales of steel and metal products	9,752	9,357
	<u>109,666</u>	<u>125,809</u>
Geographic market:		
Hong Kong	109,666	105,176
The People's Republic of China (the "PRC")	—	20,633
	<u>109,666</u>	<u>125,809</u>

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") (being the executive Director) 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 2021 (Unaudited)</i>				
Segment revenue	<u>99,914</u>	<u>9,752</u>	<u>—</u>	<u>109,666</u>
Segment results	<u>25,008</u>	<u>2,416</u>	<u>—</u>	<u>27,424</u>
Other income and other gains				859
Administrative expenses				(13,801)
Finance costs				<u>(273)</u>
Profit before taxation				<u>14,209</u>
<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>	<u>10,526</u>
Other income and other gains				8,097
Administrative expenses				(16,384)
Finance costs				<u>(892)</u>
Profit before taxation				<u>1,347</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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other income		
Interest income from bank deposits	23	181
Interest income from loan to an associate	—	1,495
Government subsidies	—	5,420
Others	253	63
	<u>276</u>	<u>7,159</u>
Other gains and losses		
Net exchange gain	583	938
	<u>583</u>	<u>938</u>
	<u>859</u>	<u>8,097</u>

6. FINANCE COSTS

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interests on bank borrowings	268	869
Interests expense on lease liabilities	5	23
	<u>273</u>	<u>892</u>

7. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation on property, plant and equipment	1,555	1,379
Depreciation on right-of-use assets	222	837
Cost of inventories recognised as an expense	6,616	6,573
Amortisation of an intangible asset	611	563
	<u>611</u>	<u>563</u>

8. INCOME TAX EXPENSE

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits tax	382	—
The PRC Enterprise Income tax	—	469
	<u>382</u>	<u>469</u>
Deferred taxation	1,791	—
	<u>2,173</u>	<u>469</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\$12,046,000 (30 September 2020: HK\$988,000) and 767,600,000 ordinary shares (30 September 2020: 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\$12,046,000 (six months ended 30 September 2020: HK\$988,000) 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	
	2021	2020
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>)	—	—
Weighted average number of ordinary shares (diluted)	<u>767,600,000</u>	<u>767,600,000</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 2020: Nil).

The Board has resolved not to declare the payment of an interim dividend for the Reporting Period (for the six months ended 30 September 2020: 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 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Unaudited)
0–30 days	12,243	3,288
31–60 days	882	11,317
61–90 days	4,555	1,305
Over 90 days	<u>10,019</u>	<u>6,217</u>
	<u>27,699</u>	<u>22,127</u>

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Unaudited)
Trade payables	6,646	6,355
Accrued staff costs	5,327	6,935
Accruals and others	9,854	7,461
	<u>21,827</u>	<u>20,751</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 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Unaudited)
Trade payables:		
0–30 days	4,374	2,798
31–60 days	688	721
61–90 days	816	2,242
Over 90 days	768	594
	<u>6,646</u>	<u>6,355</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)”.

BUSINESS REVIEW

Over the past year, the progress of tendering of public projects in Hong Kong has inevitably been affected by the Coronavirus COVID-19 (“COVID-19”) pandemic. However, with the HKSAR government’s strong commitment in increasing land supply for housing and the number of public housing units, the tender opportunities for the Group’s business will remain sustainable and stable.

The Group’s PRC business did not go well as expected due to COVID-19 pandemic and the change of the government policy. After a careful decision, the management decided to fade out the PRC business and focus on the provision of steel and metal engineering services in Hong Kong. Although the Group suffered in this year’s financial result, we are confident that after reforming the Group’s strategy and the ease of the COVID-19 pandemic in Hong Kong and the PRC, the Group are able to create a reasonable return for the Group and the Shareholders.

For the Reporting Period, the Group generated revenue of approximately HK\$109.7 million, representing a decrease of approximately 12.8% from approximately HK\$125.8 million for the corresponding period in 2020. The decrease in revenue was mainly resulted from the decrease in the provision of construction services as the performance of the services are not as expected and the Group would like to reallocate the resources on the provision of steel and metal engineering services.

Despite the record of the decrease in revenue of the Group when compared to the corresponding period in 2020, the gross profit for the period increased by approximately HK\$16.9 million or 160.5% as (i) the ease of certain pandemic prevention measures increased the efficiency of the construction works and the progress of the projects; and (ii) certain projects were in the finalization stage during the comparative period and less revenue was certified by the customers regarding the rectification work on certain defects.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Save as disclosed in the sections headed “RESUMPTION GUIDANCE” and “INDEPENDENT INVESTIGATION” below and in the announcement of the Company dated 20 October 2022 in relation to the annual results for the year ended 31 March 2022, the Group had no other significant event requiring disclosure subsequent to 30 September 2021 and up to the date of this announcement.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the overall revenue of the Group has decreased by approximately HK\$16.1 million, or approximately 12.8% as compared to the corresponding period in 2020, from approximately HK\$125.8 million to approximately HK\$109.7 million.

Revenue from the provision of steel and metal engineering services increased by approximately HK\$4.1 million, or approximately 4.3%, from approximately HK\$95.8 million for the six months ended 30 September 2020 to approximately HK\$99.9 million for the Reporting Period.

Revenue from the sales of steel and metal products increased by approximately HK\$0.4 million, or approximately 4.2% from approximately HK\$9.4 million for the six months ended 30 September 2020 to approximately HK\$9.8 million for the Reporting Period.

Revenue from the provision of construction services for the Reporting Period was nil as the Group decided to focus on the core business and reduce the operation of the construction projects in the PRC.

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\$82.2 million, representing a decrease of approximately HK\$33.1 million or approximately 28.7% as compared to the direct costs of approximately HK\$115.3 million from the corresponding period in 2020. Such decrease was mainly attributable to the decrease in the direct labour costs.

Gross profit and gross profit margin

For the Reporting Period, the gross profit of the Group increased by approximately HK\$16.9 million, or approximately 160.5% as compared to the corresponding period in 2020, from approximately HK\$10.5 million to approximately HK\$27.4 million. The gross profit margin increased from approximately 8.4% for the six months ended 30 September 2020 to approximately 25.0% for the Reporting Period. The increase in gross profit and gross profit margin was attributable to certain projects were in the finalisation stage during the Corresponding Period and that the revenue certified by the customers for the Corresponding Period was lower.

Other income and other gains and losses

Other income and other gains and losses decreased from approximately HK\$8.1 million in the six months ended 30 September 2020 to approximately HK\$0.9 million for the Reporting Period. The decrease was mainly contributed by the decrease in the government grants of HK\$5.4 million during the Reporting Period.

Finance costs

The finance cost for the Reporting Period amounted to approximately HK\$0.3 million (2020: HK\$0.9 million).

Administrative expenses

For the Reporting Period, the administrative expenses decreased by approximately HK\$2.6 million or approximately 15.8% as compared to the corresponding period in 2020, from approximately HK\$16.4 million to approximately HK\$13.8 million. The decrease in administrative expenses was mainly attributable to the decrease in Directors' emoluments and the operating cost of the PRC office.

Income tax expense

The income tax expense for the Reporting Period amounted to approximately HK\$2.2 million (2020: HK\$0.5 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 HK\$12.0 million, being HK\$11.1 million higher than the profit of HK\$0.9 million for the six months ended 30 September 2020.

Gearing ratio

As at 30 September 2021, 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 1.9% (31 March 2021: approximately 22.4%).

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

As at 30 September 2021, the capital structure of the Group consisted of equity of approximately HK\$185 million (31 March 2021: approximately HK\$172 million) and bank borrowings of approximately HK\$4.1 million (31 March 2021: approximately HK\$44.2 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 2021, the Group had total bank balances and cash of approximately HK\$61.3 million (31 March 2021: approximately HK\$45.9 million). As at 30 September 2021, the Group had net current asset of approximately HK\$142.9 million, representing an increase of approximately HK\$18.8 million as compared to that of approximately HK\$124.2 million as at 31 March 2021.

Borrowings

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

As at 30 September 2021, the Group had bank borrowings of approximately HK\$4.1 million (31 March 2021: approximately HK\$44.2 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 (the “**Prospectus**”) and in the section headed “**USE OF PROCEEDS**” in this announcement, the Group did not have other plans for material investment or capital assets as at the date of this announcement.

CAPITAL EXPENDITURE AND COMMITMENTS

During the Reporting Period, the Group invested approximately HK\$0.1 million in the purchase of property, plant and equipment.

As at 30 September 2021, 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\$2.5 million (31 March 2021: HK\$32.6 million).

CHARGE ON GROUP ASSETS

As at 30 September 2021, the investment in life insurance contract of the key management of the Group of approximately HK\$6.3 million (31 March 2021: the bank deposits and the investment in life insurance contract of the key management of the Group with an aggregate value of approximately HK\$46.4 million) was pledged to the banks to secure the general facility granted to the Group.

LITIGATION, CLAIMS AND NON-COMPLIANCES

As at 30 September 2021, 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 2021 (as at 31 March 2021: Nil).

INTERIM DIVIDEND

The Board did not propose an interim dividend for the Reporting Period (for the six months ended 30 September 2020: Nil).

OUTLOOK

Hong Kong

The construction industry in Hong Kong remains promising despite the COVID-19 pandemic and should benefit from the Hong Kong Government's unwavering commitment to housing issue. In view of the Hong Kong Government's stimulus plans in housing and infrastructure, the Group will focus on its construction business in Hong Kong in the coming years. As stated in The Chief Executive's 2021 Policy Address (the "**Policy Address**"), the Hong Kong Government is determined to resolve the housing issue with 330,000 public housing units to be built in coming ten-year period (i.e. from 2022–23 to 2031–32) which is two times the amount built in the last ten-year period (actual production was 156,000 from 2012–13 to 2021–22). The then Chief Executive was committed to further boosting public housing supply partly by invoking land resumption to resume certain private land. The Hong Kong Government has also been formulating policies to ensure the effective use of land resources, in particular, the construction of New Development Areas such as Kwu Tung North and Fanling North New Development Area providing approximately 350,000 housing units upon its full development, and the inclusion of land in Lau Fau Shan and Tsim Bei Tsui into the Hung Shui Kiu/Ha Tsuen New Development Area providing more than 47,000 residential units. Other growth opportunities are presented by policies including the development of Kau Yi Chau Artificial Islands as part of the Lantau Tomorrow Vision, the Tung Chung

new town extension, the public housing development at Cha Kwo Ling Village and redevelopment of Yau Tong and Lei Yue Mun. All such government policies and strategies are positive signals to the construction industry. Accordingly, the demand for steel and metal products, metal gates, shutters and fire rated doors is expected to increase as they are essential components of new buildings.

As the Group mainly focus on the steel and metal engineering services for the public rental housing sector, such policy and determination of the Hong Kong Government would benefit the Group and be a strong incentive for the Group to focus on its core business.

Further, the constant need for renovation and refurbishment of public housing and facilities and renovation and fitting out works for commercial properties has also created stable demand for steel and metal engineering services, particularly metal gates, shutters and doors, staircase handrails, structural frames, louvre frames, brackets, fencing and ceiling tiles.

However, shortage of skilled labour, high construction cost and increasing competition still remain to be the major challenges for the construction industry. As such, cost control and new construction technique will be a key factor for success. The Group will remain innovative and strive to maintain its position in Hong Kong.

The PRC

In light of the promising construction industry in Hong Kong, the Group will expand the existing factory situated at the PRC and implement more advanced automation to enhance the production capacity and efficiency to fulfill the increasing demand of the steel and metal product and reduce the reliance of skilled labour to cope with the aging population in the PRC.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2021, the Group had a total of 311 full-time employees, 161 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 (the “Listing”) of the shares (the “Shares”) of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). After deducting the listing expenses, the net proceeds amounted to approximately HK\$130.0 million. Such net proceeds are intended to be applied in the same manner and the same proportion as disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus, the below table sets out the proposed application and the status of utilisation.

As at 30 September 2021, the net proceeds from the global offering had been applied as follows:

	Planned (HK\$'000)	Net Proceeds Utilised as at 31 March 2021 (HK\$'000)	Net Proceeds Utilised during the period ended 30 September 2021 (HK\$'000)	Net Proceeds Utilised as at 30 September 2021 (HK\$'000)	Unutilised (HK\$'000)	Estimated schedule (Note)
Acquiring machines to replace and enhance the Group's production capacity	51,200	12,790	—	12,790	38,410	2022–2024
Expanding the Group's workforce in Hong Kong and the PRC	33,700	15,508	2,636	18,144	15,556	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	630	—	630	4,370	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>45,831</u>	<u>2,636</u>	<u>48,467</u>	<u>81,533</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.

For the balance over “Acquiring machines to replace and enhance the Group's production capacity, the Net Proceeds utilised as at 31 March 2021 included an amount of HK\$9.5 million related to the Alleged Bogus Transaction. The Group will continue to take action to recover the remaining outstanding amount.

As at 30 September 2021, the Group had not yet utilised the proceeds for (a) expanding the Group's workforce in Hong Kong and the PRC, and (b) the renovation and re-design of the Group's existing production facilities as planned. The delay in utilisation of the proceeds was due to COVID-19 pandemic which significantly affected the time length and cost of the construction.

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 2021, 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 (the "**Old CG Code**") previously contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the FY2022, except for the deviation as mentioned below. On 1 January 2022, the amendments to the Corporate Governance Code (the "**New CG Code**") came into effect and the requirements under the New CG Code will apply to corporate governance reports for financial year commencing on or after 1 January 2022.

Code provision A.2.1 of the Old CG Code (equivalent to code provision C.2.1 of the New CG 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, who has resigned from his position as an executive Director with effect from 14 September 2022, held both positions during the FY2022. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans. Under the supervision of the Board and its independent non-executive Directors, a balancing mechanism exists so that the interests of the Shareholders could be adequately and fairly represented.

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 to the Listing Rules (the "**Model Code**") as its own code of conduct governing securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required dealing standards as set out in the Model Code during the Reporting Period.

RESUMPTION GUIDANCE

References are made to the announcements of the Company dated 21 July 2021, 21 October 2021, 21 January 2022, 21 April 2022 and 21 July 2022 (collectively, the “**Resumption Guidance Announcements**”) in relation to, among other matters, the Resumption Guidance. Capitalised terms used herein shall have the same meanings as defined in the Resumption Guidance Announcements unless otherwise stated.

On 19 July 2021, the Company has been notified by the Stock Exchange of the following Resumption Guidance:

- (i) conduct an appropriate independent investigation into the underlying incidents of the First Investigation and the Second Investigation, assess the impact on the Company’s business operation and financial position, announce the findings of the above investigations (including the Forensic Review) and take appropriate remedial actions;
- (ii) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules;
- (iii) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (iv) demonstrate compliance with Rule 13.24 of the Listing Rules;
- (v) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence;
- (vi) demonstrate that the Directors meet a standard of competence commensurate with their position as directors of a listed issuer and fulfill duties of skill, care and diligence as required under Rules 3.08 and 3.09 of the Listing Rules; and
- (vii) announce all material information for the Shareholders and other investors to appraise the Company’s position.

According to the Listing Rules, the Stock Exchange may cancel the listing of shares that have been suspended from trading for a continuous period of 18 months. As trading of the Shares had been suspended since 22 April 2021, the 18-month period in the case of the Company would expire on 21 October 2022.

The Company has taken appropriate steps to resolve the issues causing its trading suspension and to fully comply with the Listing Rules to the Stock Exchange's satisfaction. In compliance with the conditions set out in the Resumption Guidance, the Company has:

- (i) engaged RSM to conduct the Forensic Accounting Review in respect of the suspected and/or the alleged misconduct of the Involved Directors and has implemented and is implementing the remedial actions recommended by RSM;
- (ii) engaged Crowe to assist the Group in carrying out the Internal Control Review and has implemented and is implementing the enhanced internal control procedures recommended by Crowe;
- (iii) pending completion of audit by the auditors of the Company for the financial years ended 31 March 2021 and 31 March 2022 (delay of which was due to procedural factors beyond the Company's control), has published all outstanding financial results required by the Listing Rules;
- (iv) has demonstrated compliance with Rule 13.24 of the Listing Rules by operating its business as usual in all material aspects;
- (v) caused the Involved Directors no longer holding any position in the board of directors and/or senior management of the Group;
- (vi) appointed new executive Director to oversee the management and daily operation of the Group since the suspension of duties of the Involved Directors; and
- (vii) been and will continue to be publishing quarterly updates announcement and relevant announcements of the latest development of the Company from time to time.

The Company is taking appropriate steps to fulfill the other conditions in the Resumption Guidance and will update the Shareholders and potential investors of the Company on, among others, the progress as and when appropriate. On 19 October 2022, a resumption proposal has been submitted to the Stock Exchange. The Company will seek to resume trading of the Shares as soon as possible.

INDEPENDENT INVESTIGATION

References are made to the announcements of the Company dated 7 June 2021 and 2 September 2022 in relation to the independent investigation conducted by RSM (the "Investigation Announcements"). Capitalised terms used herein shall have the same meanings as defined in the Investigation Announcements unless otherwise stated.

As announced by the Company dated 7 June 2021, the SIC has engaged RSM as independent forensic accountant to conduct the Forensic Accounting Review in respect of the suspected and/or alleged misconduct of the Involved Directors.

On 2 September 2022, the Company announced the key findings of the Independent Investigation (the “**Key Findings Announcement**”).

In the assessment of the Board, the Board is of the view that the Alleged Bogus Transactions do not have material adverse impact on the business operation and financial position of the Group as those transactions concerned two standalone purchase agreements which are not significant to the day-to-day operation of the Company. Also, the PPDA transactions only concern the Group’s PRC business, not its principal business in Hong Kong. The Group’s business operations have continued as usual despite the suspension of trading in the Shares since 22 April 2021.

Based on the recommendations made by the SIC, the Board has taken or will take the following actions:

- 1) The Board has sought legal advice and will continue to expend efforts on all available methods to exercise its rights in relation to the recovery of the outstanding amounts and pursue damages in relation to the relevant individuals’ wrongdoing.
- 2) Having considered the suitability and integrity of the Involved Directors, the Board has resolved that the Involved Directors were no longer suitable in holding any position within the Group. Each of the Involved Directors has resigned from his/or her position as executive Directors with effect from 14 September 2022, and as directors, company secretaries and/or legal representatives of all subsidiaries of the Company with effect from 30 September 2022.
- 3) To strengthen the management of the Company, the Board has (i) taken all reasonable steps to ensure that all the existing Directors have fulfilled their fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law; and (ii) resolved to employ appropriate experienced personnel who meets the required standard of integrity and competence to join the Board.
- 4) The Company will designate the roles and responsibilities within senior management and the Board as to particular areas of focus for each member or class of members, and which members are to have access to or be the designated owners or reviewers of particular classes of documents.
- 5) The Company will identify and appoint a suitably qualified accountant with the relevant professional experience as chief financial officer at the listed company level of the Group and recruit a professional team that would report to him/her.
- 6) The Company has implemented measures to strengthen its payment authorization processes, with new checks and balances to be installed to ensure due supervision, authorization and approval.

- 7) The Company has implemented and will continue to enhance the measures on declaration of conflict of interests by directors and senior management of the Group and will implement checks and balances at the Company and subsidiary levels and enhance and monitor systems and controls designed towards preventing undetected abuse of power by any future director, chief executive officer and/or other senior management.
- 8) The Company will continue to expend efforts on all available methods and to exercise its rights in relation to the recovery of the outstanding amount of the deposits and loans paid by the Group in the Alleged Bogus Transactions and the PPDA transactions.

For details of the key findings of the Independent Investigation, please refer to the Key Findings Announcement.

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 Company (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 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 following the completion of the audit process in respect of the financial results of the Company for the years ended 31 March 2021 and 31 March 2022.

CONTINUED SUSPENSION OF TRADING OF THE SHARES

Trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 22 April 2021 and shall remain halted until further notice. In the meantime, shareholders and potential investors of the Company are advised to exercise caution when dealing in Shares.

By order of the Board
Hang Yick Holdings Company Limited
Lee Ka Chun Benny
Chairman

Hong Kong, 21 October 2022

As at the date of this announcement, the Board comprises Mr. Sin Kwok Chi Stephen as executive Director, Mr. Lee Ka Chun Benny as non-executive Directors, and Mr. Au Yeung Wai Key, Mr. Cheung Chun Man Anthony and Mr. Tse Ka Ching Justin as independent non-executive Directors.