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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 2022

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 2022 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 September 2021.

| | Six months ended 30 September | | |
|---|--------------------------------------|--------------------|---------------|
| | 2022 | 2021 | Change |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| | (Unaudited) | (Unaudited) | |
| Revenue | 111,401 | 109,666 | 1.6% |
| Gross profit | 16,449 | 27,424 | -40.0% |
| Gross profit margin | 14.8% | 25.0% | |
| Profit for the period attributable to the owners of the Company | 6,399 | 12,046 | -46.9% |
| Earnings per share (basic and diluted) | 0.8 cent | 1.6 cent | -0.8 cent |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022 — unaudited

| | | For the six months ended 30 September | |
|---|--------------|--|--------------------|
| | <i>Notes</i> | 2022 | 2021 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 111,401 | 109,666 |
| Direct costs | | (94,952) | (82,242) |
| Gross profit | | 16,449 | 27,424 |
| Other income and other gains and losses | 5 | 3,175 | 859 |
| Administrative expenses | | (12,329) | (13,801) |
| Finance costs | 6 | (23) | (273) |
| Profit before taxation | 7 | 7,272 | 14,209 |
| Income tax expense | 8 | (1,188) | (2,173) |
| Profit for the period | | <u>6,084</u> | <u>12,036</u> |
| Profit/(loss) for the period attributable to: | | | |
| Owners of the Company | | 6,399 | 12,046 |
| Non-controlling interests | | (315) | (10) |
| | | <u>6,084</u> | <u>12,036</u> |
| Earnings per share — Basic (HK cents) | 9 | <u>0.8</u> | <u>1.6</u> |
| — Diluted (HK cents) | 9 | <u>0.8</u> | <u>1.6</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022 — unaudited

| | Six months ended 30 September | |
|--|----------------------------------|----------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit for the period | 6,084 | 12,036 |
| Other comprehensive (loss)/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>(8,450)</u> | <u>893</u> |
| Total comprehensive (loss)/income for the period | <u>(2,366)</u> | <u>12,929</u> |
| Total comprehensive (loss)/income attributable to: | | |
| Owners of the Company | (2,051) | 12,939 |
| Non-controlling interests | <u>(315)</u> | <u>(10)</u> |
| | <u>(2,366)</u> | <u>12,929</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022 — unaudited

| | | As at 30 September 2022 | As at 31 March 2022 |
|--|--------------|--|--|
| | <i>Notes</i> | <i>HK\$'000</i> (Unaudited) | <i>HK\$'000</i> (Unaudited) |
| Non-current assets | | | |
| Property, plant and equipment | | 12,925 | 14,793 |
| Right-of-use assets | | 3,308 | 3,786 |
| Interest in an associate | | — | — |
| Deferred tax assets | | 2,412 | 2,412 |
| Deposits | | 16,619 | 23,711 |
| | | <u>35,264</u> | <u>44,702</u> |
| Current assets | | | |
| Inventories | | 23,917 | 35,123 |
| Trade receivables | 11 | 30,438 | 24,529 |
| Other receivables, deposits and prepayments | | 1,027 | 8,653 |
| Contract assets | | 55,308 | 48,551 |
| Tax recoverable | | 3,596 | 2,639 |
| Cash and cash equivalents | | 59,726 | 54,989 |
| | | <u>174,012</u> | <u>174,484</u> |
| Current liabilities | | | |
| Trade and other payables and accruals | 12 | 15,768 | 23,005 |
| Contract liabilities | | 522 | 258 |
| Lease liabilities | | 66 | 66 |
| Bank borrowings | | 3,850 | 3,960 |
| | | <u>20,206</u> | <u>27,289</u> |
| Net current assets | | <u>153,806</u> | <u>147,195</u> |
| Total assets less current liabilities | | <u>189,070</u> | <u>191,897</u> |

| | As at 30 September 2022 | As at 31 March 2022 |
|---|--|------------------------------------|
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Non-current liabilities | | |
| Provisions | <u>161</u> | <u>161</u> |
| | <u>161</u> | <u>161</u> |
| Net assets | <u>188,909</u> | <u>191,736</u> |
| Capital and reserves | | |
| Share capital | 7,676 | 7,676 |
| Reserves | <u>207,312</u> | <u>209,363</u> |
| Equity attributable to owners of the Company | 214,988 | 217,039 |
| Non-controlling interests | <u>(26,079)</u> | <u>(25,303)</u> |
| | <u>188,909</u> | <u>191,736</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies 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 2022 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 2022 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 (“**HKS**”), 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 2022. This condensed consolidated interim financial information has not been audited or reviewed by the Company's external auditor, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

3. CHANGES IN ACCOUNTING POLICIES

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

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 | |
| | 2022 | 2021 |
| | <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 | 96,495 | 99,914 |
| Recognised at a point in time: | | |
| Sales of steel and metal products | <u>14,906</u> | <u>9,752</u> |
| | <u>111,401</u> | <u>109,666</u> |
| Geographic market: | | |
| Hong Kong | 110,372 | 109,666 |
| The People's Republic of China (the "PRC") | <u>1,029</u> | <u>—</u> |
| | <u>111,401</u> | <u>109,666</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 two 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> | Total <i>HK\$'000</i> |
|--|--|--|----------------------------------|
| <i>For the six months ended 30 September 2022 (Unaudited)</i> | | | |
| Segment revenue | <u>96,495</u> | <u>14,906</u> | <u>111,401</u> |
| Segment results | <u>16,306</u> | <u>143</u> | 16,449 |
| Other income and other gains | | | 3,175 |
| Administrative expenses | | | (12,329) |
| Finance costs | | | <u>23</u> |
| Profit before taxation | | | <u>7,272</u> |
| <i>For the six months ended 30 September 2021 (Unaudited)</i> | | | |
| Segment revenue | <u>99,914</u> | <u>9,752</u> | <u>109,666</u> |
| Segment results | <u>25,008</u> | <u>2,416</u> | 27,424 |
| Other income and other gains | | | 859 |
| Administrative expenses | | | (13,801) |
| Finance costs | | | <u>(273)</u> |
| Profit before taxation | | | <u>14,209</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 | |
|------------------------------------|--|-----------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Other income | | |
| Interest income from bank deposits | 8 | 23 |
| Government subsidies | 3,084 | — |
| Others | 319 | 253 |
| | <u>3,411</u> | <u>276</u> |
| Other gains and losses | | |
| Net exchange (loss)/gain | (236) | 583 |
| | <u>(236)</u> | <u>583</u> |
| | <u>3,175</u> | <u>859</u> |

6. FINANCE COSTS

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

7. PROFIT BEFORE TAXATION

| | For the six months ended 30 September | |
|--|--|-----------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Profit before taxation has been arrived at after charging: | | |
| Depreciation on property, plant and equipment | 1,712 | 1,555 |
| Depreciation on right-of-use assets | 219 | 222 |
| Cost of inventories recognised as an expense | 13,727 | 6,616 |
| Amortisation of an intangible asset | — | 611 |
| | <u>15,658</u> | <u>14,904</u> |

8. INCOME TAX EXPENSE

| | For the six months ended 30 September | |
|-------------------------------|--|--------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax: | | |
| Hong Kong Profits Tax | 1,188 | 382 |
| The PRC Enterprise Income Tax | — | — |
| | <u>1,188</u> | <u>382</u> |
| Deferred taxation | — | 1,791 |
| | <u>1,188</u> | <u>2,173</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

The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company of HK\$6,399,000 (30 September 2021: HK\$12,046,000) and 767,600,000 ordinary shares (30 September 2021: 767,600,000 ordinary shares) in issue during the Reporting Period.

| | For the six months ended 30 September | |
|---|--|--------------------|
| | 2022 | 2021 |
| 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 2021: Nil).

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

11. TRADE RECEIVABLES

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

| | As at 30 September 2022 <i>HK\$'000</i> (Unaudited) | As at 31 March 2022 <i>HK\$'000</i> (Unaudited) |
|--------------|---|---|
| 0–30 days | 17,442 | 8,206 |
| 31–60 days | 1,787 | 6,114 |
| 61–90 days | 4,457 | 35 |
| Over 90 days | 6,752 | 10,174 |
| | <u>30,438</u> | <u>24,529</u> |

12. TRADE AND OTHER PAYABLES AND ACCRUALS

| | As at 30 September 2022 <i>HK\$'000</i> (Unaudited) | As at 31 March 2022 <i>HK\$'000</i> (Unaudited) |
|---------------------|---|---|
| Trade payables | 2,947 | 4,261 |
| Accrued staff costs | 6,413 | 7,156 |
| Accruals and others | 6,408 | 11,588 |
| | <u>15,768</u> | <u>23,005</u> |

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

| | As at 30 September 2022 <i>HK\$'000</i> (Unaudited) | As at 31 March 2022 <i>HK\$'000</i> (Unaudited) |
|-----------------|---|---|
| Trade payables: | | |
| 0–30 days | 1,820 | 2,011 |
| 31–60 days | 1,086 | 1,006 |
| 61–90 days | 41 | 464 |
| Over 90 days | — | 780 |
| | <u>2,947</u> | <u>4,261</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The overall operating situation remains difficult during the Reporting Period, with rising cost and delay of construction progress negatively impacting the Group's business performance. As a result, while the revenue remains stable, recording a total revenue of approximately HK\$111.4 million (six months ended 30 September 2021: HK\$109.7 million), net profit attributable to shareholders of the Company decreased by approximately HK\$5.6 million from approximately HK\$12.0 million in 2021 to approximately HK\$6.4 million in 2022, primarily due to increased operating costs and sales of steel and metal item with lower profit margin adopted. The management will continue to dedicate efforts in cost management and productivity enhancement to prepare the Group for capturing the opportunities ahead. In the Chief Executive's 2022 Policy Address ("**Policy Address**"), the Hong Kong government ("**Hong Kong Government**") proposed a number of policies to promote economic development, such as accelerating the construction of public housing and developing the Northern Metropolis, providing a good opportunity for the construction industry and the Group. While we are optimistic about the business going forward, the management will maintain its prudence in the face of the volatile business environment.

OUTLOOK

Hong Kong

The construction industry in Hong Kong remains promising despite the COVID-19 pandemic and it should benefit from the Hong Kong Government's unwavering commitment to housing issue. In view of the Hong Kong Government's stimulus plans in housing and infrastructure, the Group will focus on its construction business in Hong Kong in the coming years. As stated in the Policy Address, the Hong Kong Government is determined to resolve the housing issue by increasing the overall public housing production substantially by about 50% to 158,000 in the coming five years. The Chief Executive was committed to further boosting public housing supply partly by introducing a pilot scheme to encourage participation of private developers in subsidised sale flats development and expedite land production, and to build up a land reserve in the long run. All such government policies and strategies are positive signals to the construction industry. Accordingly, the demand for steel and metal products, metal gates, shutters and fire rated doors is expected to increase as they are essential components of new buildings.

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

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

FINANCIAL REVIEW

Revenue

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

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

Revenue from the sales of steel and metal products increased by approximately HK\$5.1 million, or approximately 52.0% from approximately HK\$9.8 million for the six months ended 30 September 2021 to approximately HK\$14.9 million for the Reporting Period.

Direct costs

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

During the Reporting Period, the Group's direct costs amounted to approximately HK\$95.0 million, representing an increase of approximately HK\$12.8 million or approximately 15.5% as compared to the direct costs of approximately HK\$82.2 million from the corresponding period in 2021. Such increase was mainly attributable to the increase in the cost of material and direct labour costs.

Gross profit and gross profit margin

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

and causing the Group to accept orders with lower profit margin facing the hard time; and (ii) the significant increase in cross border transportation cost as a result of the pandemic prevention measures.

Other income and other gains and losses

Other income and other gains and losses increased from approximately HK\$0.9 million for the six months ended 30 September 2021 to approximately HK\$3.2 million for the Reporting Period. The increase was mainly attributable to the government grants of HK\$3.1 million received during the Reporting Period.

Administrative expenses

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

Income tax expense

The income tax expense for the Reporting Period amounted to approximately HK\$1.2 million (six months ended 30 September 2021: approximately HK\$2.2 million).

Profit attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of the Company for the Reporting Period was approximately HK\$6.4 million, being approximately HK\$5.6 million lower than the profit attributable to owners of the Company of approximately HK\$12.0 million for the six months ended 30 September 2021.

Gearing ratio

As at 30 September 2022, the gearing ratio of the Group, calculated based on the total interest-bearing debts divided by the total equity attributable to owners of the Company as at the end of the respective period and multiplied by 100%, was approximately 1.8% (31 March 2022: approximately 1.8%).

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

As at 30 September 2022, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK\$215.0 million (31 March 2022: approximately HK\$217.0 million) and bank borrowings of approximately HK\$3.9 million (31 March 2022: approximately HK\$4.0 million), the particulars of which are set out in the paragraph headed “Borrowings” below.

The Group maintained a sound financial position during the Reporting Period. As at 30 September 2022, the Group had total bank balances and cash of approximately HK\$59.7 million (31 March 2022: approximately HK\$55.0 million). As at 30 September 2022, the Group had net current asset of approximately HK\$153.8 million, representing an increase of approximately HK\$6.6 million as compared to that of approximately HK\$147.2 million as at 31 March 2022.

Borrowings

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

As at 30 September 2022, the Group had bank borrowings of approximately HK\$3.9 million (31 March 2022: approximately HK\$4.0 million). All of the bank borrowings are secured and repayable on demand and bear interest at floating rate of Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 0.8% per annum (31 March 2022: HIBOR plus 0.8% 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 brought by the exchange between these two currencies, the Group generally maintains cash balances in both currencies that are sufficient to meet three to four months of operating cash flows requirements of the Group. The Group had not experienced any material effects on its operation or liquidity as a result of fluctuations in currency exchange rates and had not adopted any currency hedging policy or any hedging instrument during the Reporting Period. The Group will continue to monitor foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

FUTURE PLAN FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 28 September 2018 (the “**Prospectus**”) and in the section headed “Use of Proceeds” in this 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\$1.3 million in the purchase of property, plant and equipment.

As at 30 September 2022, 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\$0.3 million (31 March 2022: approximately HK\$1.1 million).

CHARGE ON GROUP ASSETS

As at 30 September 2022, the investment in life insurance contract of the key management of the Group of approximately HK\$6.4 million (31 March 2022: approximately HK\$6.3 million) was pledged to the banks to secure the general facility granted to the Group.

LITIGATION, CLAIMS AND NON-COMPLIANCES

As at 30 September 2022, the Group had not been involved in claims or litigation which had material adverse effect on our business, results of operations or financial condition or on the Company.

CONTINGENT LIABILITIES

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

INTERIM DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2022, the Group had a total of 282 full-time employees, 137 of which are located in Hong Kong, and the rest are located in the PRC. The remuneration packages of employees are determined based on their qualifications, position and experience. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary increments, 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 2022, the net proceeds from the global offering had been applied as follows:

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

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

For the balance over “Acquiring machines to replace and enhance the Group’s production capacity”, the Net Proceeds utilised as at 31 March 2022 and 30 September 2022 included an amount of HK\$9.5 million related to the alleged bogus transactions in connection with the embezzlement of funds of the Company (the “**Alleged Bogus Transactions**”). The Group will continue to take action to recover the remaining outstanding amount.

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

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

| Code Provision | Deviation | Considered Reason for Deviation |
|---|--|---|
| C.2.1 The roles of chairman and chief executive officer should be separated and should not be performed by the same individual. | Mr. Sin Kwok Chi Stephen (“ Mr. Sin ”) is the chairman and chief executive officer of the Company. | Mr. Sin is mainly responsible for overseeing the overall operation and management, strategic planning and major decision making of the Group, and he has considerable experience in strategic planning and monitoring day to day business of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and executing business plans. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. As at the date of this announcement, the Board comprises only Mr. Sin as executive Director and three independent non-executive Directors and therefore has a strong independence element in its composition. |
| C.1.8 The Company should arrange appropriate insurance cover in respect of legal action against the Directors. | The Company has not arranged for appropriate insurance cover in respect of legal action against its directors during the Period. | The Company is in the course of arranging renewal of the Director’s and Officers liability insurance with the insurance company in accordance with the requirement under the CG Code. |

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 expired on 21 October 2022.

The Company has taken appropriate steps and will continue to expend efforts 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.

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 with management and approved the Group’s unaudited condensed consolidated financial statements for the Reporting Period, accounting principals and practices adopted by the Group 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.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Hang Yick Holdings Company Limited
Sin Kwok Chi Stephen
Chairman

Hong Kong, 30 November 2022

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