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HANG YICK HOLDINGS COMPANY LIMITED

恒益控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1894)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board (the “**Board**”) of directors (the “**Directors**”) of Hang Yick Holdings Company Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2018 together with the comparative figures for the six months ended 30 September 2017.

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	Change
Revenue	98,043	86,195	+13.7%
Gross profit	36,709	29,257	+25.5%
Gross profit margin	37.4%	33.9%	
Profit for the period attributable to the shareholders of the Company	14,108	20,938	(32.6%)
Adjusted profit for the period attributable to the shareholders of the Company (excluding listing expenses)	25,955	20,938	+24.0%
Earnings per share (basic and diluted)	2.5 cents	3.7 cents	(1.2 cents)
Adjusted earnings per share (basic and diluted) (excluding listing expenses)	4.6 cents	3.7 cents	+0.9 cents
Dividend proposed in respect of the period	1.3 cents	Nil	

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		For the six months ended	
		30 September	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	98,043	86,195
Direct costs		(61,334)	(56,938)
Gross profit		36,709	29,257
Other income and other gains and losses		1,816	753
Administrative expenses		(7,196)	(5,283)
Finance costs		(46)	(74)
Listing expenses		(11,847)	–
Profit before taxation	5	19,436	24,653
Income tax expense	6	(5,328)	(3,715)
Profit for the period		14,108	20,938
Other comprehensive (expense) income for the period			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operation		(2,825)	480
Total comprehensive income for the period		11,283	21,418
Earnings per share			
Basic (HK cents)	7	2.5	3.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	<i>Notes</i>	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		11,529	13,153
Prepaid lease payments		3,892	4,368
		<u>15,421</u>	<u>17,521</u>
Current assets			
Inventories		19,545	18,674
Prepaid lease payments		183	201
Trade receivables	9	11,188	17,850
Other receivables, deposits and prepayments		6,193	4,333
Contract assets	10	41,366	27,090
Bank balances and cash		18,998	28,603
		<u>97,473</u>	<u>96,751</u>
Assets classified as held for sale		–	3,410
		<u>97,473</u>	<u>100,161</u>
Current liabilities			
Trade and other payables and accruals	11	15,644	11,658
Contract liabilities	10	1,210	–
Tax payable		9,782	4,721
Obligations under finance leases		–	661
Bank borrowings		–	1,357
		<u>26,636</u>	<u>18,397</u>
Net current assets		<u>70,837</u>	<u>81,764</u>
Total assets less current liabilities		<u>86,258</u>	<u>99,285</u>
Non-current liabilities			
Provisions		254	254
Deferred tax liabilities		164	122
Obligations under finance leases		–	352
		<u>418</u>	<u>728</u>
Net assets		<u>85,840</u>	<u>98,557</u>
Capital and reserves			
Share capital		–*	–*
Reserves		85,840	98,557
Equity attributable to owners of the Company		<u>85,840</u>	<u>98,557</u>

* Amount less than HK\$1,000.

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. Its immediate and ultimate holding company is HY Steel Company Limited, which was incorporated in the British Virgin Islands ("BVI") and owned as to 70% by Mr. Lee Pui Sun ("Mr. PS Lee"), who is the chairman and executive director of the Company and 30% by Ms. Lau Lai Ching (Ms. LC Lau), who's the executive director of the Company. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 October 2018 (the "Listing Date") through global offering (the "Global Offering") as described in the section "Structure and Conditions of the Global Offering" in the prospectus of the Company dated 28 September 2018 (the "Prospectus").

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2018 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 (the "HKICPA"). The condensed consolidated financial statements should be read in conjunction with the Group's historical financial information for each of the three years ended 31 March 2018 included in the accountants' report as set out in appendix I to the Prospectus (the "Historical Financial Information"), which have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Pursuant to the reorganisation of the Group (the "Group Reorganisation") in connection with the Global Offering as described in the section "History, Reorganisation and Corporate Structure" in the Prospectus, the Company has become the holding company of the companies now comprising the Group on 28 March 2018. The Company and its subsidiaries have been under the common control of the controlling shareholders, namely Mr. PS Lee and Ms. LC Lau throughout the six months ended 30 September 2017 or since their respective dates of incorporation, where there is a shorter period. Accordingly, the condensed consolidated financial statements for the six months ended 30 September 2017 have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting For Common Control Combinations" issued by the HKICPA. The condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2017 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the six months ended 30 September 2017, or since their respective dates of incorporation, where this is a shorter period.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Historical Financial Information.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Note: The Group has early applied HKFRS 15 *Revenue from Contracts with Customer* throughout each of the three years ended 31 March 2018 (Details of the application of HKFRS 15 are disclosed in the Historical Financial Information).

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

3.1.1 Classification and measurement of financial assets and financial liabilities

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15, the measurement categories for all other financial assets and financial liabilities of the Group as at 1 April 2018 remain the same upon the application of HKFRS 9. The carrying amounts for all financial assets and financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

3.1.2 Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets and other items which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and deposits and bank balances and cash) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and considered the application of ECL model has no material impact to the financial position of the Group as at 1 April 2018 and results of the Group for the six months ended 30 September 2018.

The application of the amendments to HKFRSs and interpretations in the current interim period has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received and receivable from the provision of engineering service or sales of goods by the Group to external customers. The Group's revenue is mainly derived from provision of steel and metal engineering services and sales of steel and metal products in Hong Kong during both periods.

	For the six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<i>Timing of revenue recognition and category of revenue</i>		
Recognised over time and long-term contracts		
– provision of steel and metal engineering services	79,120	51,964
Recognised at a point in time and short-term contracts		
– sales of steel and metal products		
• standardised collapsible gates	9,591	27,340
• other steel and metal products	9,332	6,891
	18,923	34,231
	98,043	86,195

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

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision makers ("CODM") (being the executive directors of the Company) review the segment results of the Group. Specifically, the Group's reportable segments are provision of steel and metal engineering services and sales of steel and metal products. However, no analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group on making decision for resources allocation and performance assessment.

Segment revenue and profit

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

	Provision of steel and metal engineering services HK\$'000	Sales of steel and metal products HK\$'000	Total HK\$'000
<i>For the six months ended 30 September 2018 (Unaudited)</i>			
Segment revenue	<u>79,120</u>	<u>18,923</u>	<u>98,043</u>
Segment results	<u>30,523</u>	<u>6,186</u>	<u>36,709</u>
Other income and other gains and losses			1,816
Administrative expenses			(7,196)
Finance costs			(46)
Listing expenses			<u>(11,847)</u>
Profit before taxation			<u>19,436</u>
<i>For the six months ended 30 September 2017 (Unaudited)</i>			
Segment revenue	<u>51,964</u>	<u>34,231</u>	<u>86,195</u>
Segment results	<u>19,736</u>	<u>9,521</u>	<u>29,257</u>
Other income and other gains and losses			753
Administrative expenses			(5,283)
Finance costs			<u>(74)</u>
Profit before taxation			<u>24,653</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, listing expenses and income tax expense.

5. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	1,378	1,387
Depreciation on investment properties	–	133
Cost of inventories recognised as an expense	23,872	28,323
Sales of scrap materials (included in other income)	(251)	(576)
Amortisation of prepaid lease payments	96	92
Gain on disposal of investment property classified as held for sale (included in other gains and losses)	<u>(1,399)</u>	<u>–</u>

6. INCOME TAX EXPENSE

	For the six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	4,483	3,566
The People's Republic of China (the "PRC") Enterprise Income Tax	803	133
	<u>5,286</u>	<u>3,699</u>
Deferred taxation	42	16
	<u>5,328</u>	<u>3,715</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. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 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%. The two-tiered profits tax rates regime will be applicable to one of the Company's subsidiary incorporated in Hong Kong starting from current year.

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.

7. EARNINGS PER SHARE

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

	For the six months ended	
	30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<u>14,108</u>	<u>20,938</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share (<i>note</i>)	<u>570,000</u>	<u>570,000</u>

The number of ordinary shares for the purpose of calculating basic earnings per share for both periods have been determined on the assumption that the Group Reorganisation and the Capitalisation Issue (as defined in note 12(a)) have been effective on 1 April 2017.

No diluted earnings per share for both periods was presented as there were no potential ordinary shares in issue during both periods.

8. DIVIDENDS

During the six months ended 30 September 2018, a special dividend of HK\$240,000 per ordinary share (HK\$24.0 million in aggregate) was declared and paid to the shareholders of the Company. No dividend was paid or declared by the Company during the six months ended 30 September 2017.

The Board has recommended the declaration of an interim dividend of HK1.3 cents per share for the six months ended 30 September 2018 (for the six months ended 30 September 2017: nil).

The interim dividend is expected to be distributed on or around 28 December 2018 to shareholders whose names appear on the register of members of the Company as at the close of business on 17 December 2018.

9. TRADE RECEIVABLES

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
0 – 30 days	7,817	15,407
31 – 60 days	805	543
61 – 90 days	1,103	325
Over 90 days	1,463	1,575
	11,188	17,850

As part of the internal credit risk management, the Group applies internal credit rating for its customers. The exposure to credit risk and ECL for trade receivables are assessed individually as at 30 September 2018. After the assessment of the Group, the impairment allowance on trade receivables based on the provision matrix is insignificant to the Group for the current interim period.

10. CONTRACT ASSETS/CONTRACT LIABILITIES

Contract assets

	As at 30 September 2018 <i>HK\$'000</i> (Unaudited)	As at 31 March 2018 <i>HK\$'000</i> (Audited)
Unbilled revenue from engineering services contracts	21,740	8,938
Retention receivables	<u>19,626</u>	<u>18,152</u>
	<u>41,366</u>	<u>27,090</u>

Contract assets represent the Group's rights to considerations from customers for the provision of steel and metal engineering services, which arise when the Group completed the steel and metal work under such contracts but yet certified by architects, surveyors or other representatives appointed by customers. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Retention receivables represent the monies withheld by customers of contract works and are unsecured and interest-free. Upon the expiration of defect liability period, normally ranging from 1 to 2 years from the date of completion of respective engineering service projects, the retention monies will be recoverable if the relevant engineering services have met the requirements in the contracts and the customers provide final inspections and acceptance certificates or in accordance with the terms specified in the relevant contracts.

The retention receivables are to be settled, based on the expiring of the defect liability period, at the end of the reporting period as follows:

	As at 30 September 2018 <i>HK\$'000</i> (Unaudited)	As at 31 March 2018 <i>HK\$'000</i> (Audited)
On demand or within one year	5,922	5,355
After one year	<u>13,704</u>	<u>12,797</u>
	<u>19,626</u>	<u>18,152</u>

As part of the internal credit risk management, the Group applies internal credit rating for its customers in relation to engineering contracts. The exposure to credit risk and ECL for contract assets are assessed individually as at 30 September 2018. After the assessment of the Group, the impairment allowance on contract assets is insignificant to the Group for the current interim period.

Contract liabilities

Contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group has received considerations (or amounts of considerations are due) from the customers.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Trade payables:		
0 – 30 days	2,669	1,740
31 – 60 days	8	430
61 – 90 days	5	–
Over 90 days	9	–
	<hr/> 2,691	<hr/> 2,170

12. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) Increase of issued share capital

Pursuant to the written resolutions of the shareholder of the Company passed on 19 September 2018, subject to the share premium account of the Company being credited as a result of the Global Offering and listing of the Company's share on the Stock Exchange, the directors of the Company are authorised to allot and issue a total of 569,999,900 shares of the Company credited as fully paid at par to the holder(s) of shares on the register of members of the Company at the close of business on 19 September 2018 (or as they may direct) in proportion to their shareholdings (save that no shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,699,999 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares of the Company (the "Capitalisation Issue"). The Capitalisation Issue was completed on 12 October 2018.

In connection with the listing of the Company's shares at the Stock Exchange on 12 October 2018, the Company issued and allotted 190,000,000 new ordinary shares in aggregate at HK\$0.85 per share for an aggregate consideration of HK\$161.5 million.

(b) Share option scheme

The Company has conditionally adopted a share option scheme on 19 September 2018 (the "Scheme"). Details of the principal terms of the share option scheme are summarised in "Statutory and General Information – D. Share Option Scheme" in appendix IV to the Prospectus. The adoption of the Scheme became unconditional upon the listing of the Company's share on the Stock Exchange on 12 October 2018. No share options were granted, exercised, cancelled or lapsed under the Scheme since the adoption of the Scheme and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the interim results of the Group for the six months ended 30 September 2018 (the “**Reporting Period**”).

INDUSTRY OVERVIEW

Hong Kong’s construction industry is experiencing a steady growth as the total gross value of construction works performed by main contractors in the first quarter of 2018 increased by 12.1% in nominal terms over a year earlier, according to the Census and Statistics Department.

In light of the imbalance of supply and demand in the housing market, Hong Kong Government has been proactively formulating policies to increase land supply and the number of public housing units. Based on the estimation by Transport and Housing Bureau, an average of approximately 20,000 units of public housing under Housing Authority is expected to be produced each year during 2018 to 2022. According to the 2018 policy address, Hong Kong Government will continue to implement the new initiatives in housing policies, increase the public-private housing ratio and allocate more land for housing development. In particular, 70% of housing units on the government’s newly developed land will be for public housing. As an essential part of residential construction projects, steel and metal engineering services shall be prompted a growing demand from the public housing sector.

Moreover, as the number of ageing buildings in Hong Kong and the needs for metal gate replacement continue to increase, the ongoing urban renewal and redevelopment also serve as good opportunities for steel and metal works manufacturers and engineering companies in Hong Kong.

We are thrilled to see all the growth opportunities, but we shall not overlook certain potential challenges facing this industry, for instance, the reliance on the property market and the rising cost of operation.

On the one hand, the steel and metal works market in Hong Kong is highly associated with the development of the property market and government policies while there is a positive correlation between urban renewal and the needs for steel and metal works. As such, the reliance on the property market may impact the development of steel and metal works industry in Hong Kong. On the other hand, the growing price index of steel, a key raw material for manufacturing steel and metal works, coupled with the rising labour costs both in PRC and in Hong Kong, poses pressures on all manufacturers in the industry.

BUSINESS REVIEW AND OUTLOOK

The Group is a leading and well-established steel and metal engineering company, specialising in design, manufacture, supply and installation of steel and metal products for construction projects in Hong Kong. With a significant proportion of our revenue generated from the provision of steel and metal engineering services for public housing projects, we are far ahead of our competitors in the public sector. We also recognised moderate amounts of revenue from the provision of steel and metal engineering services for the private sector and from the sales of steel and metal products.

During our operation history of over 25 years, we have gained our leading position in the industry thanks to our extensive experience, outstanding reputation, and our own production facilities in Huizhou, Guangdong, which enable us to provide vertically integrated services. Furthermore, our stable and long-term relationships with our suppliers help the Group gain more flexibility in negotiating prices, resources allocation and project execution.

As at 30 September 2018, the Group had 45 on-going projects awarded by tender (whether in progress or yet to commence) with an aggregate contract sum of approximately HK\$430.4 million.

During the Reporting Period, the Group had been awarded nine new projects with an aggregate contract sum of approximately HK\$75.7 million, which is expected to be mainly recognised as our revenue after the year ending 31 March 2019. Among the nine new projects, the steel and metal works for public rental housing in North West Kowloon Reclamation Site enjoy the largest contract sum of approximately HK\$35.1 million.

Considering the favorable market conditions, our outstanding competitive strengths, and abundant number of projects on hand with considerable contract sums, the Group shall remain cautiously optimistic towards the future. We shall take proactive actions to seize the opportunities arising from the flourishing market, and pursue more projects in different regions, including the mainland of China.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the overall revenue of the Group has increased by approximately HK\$11.8 million, or approximately 13.7% compared to the corresponding period in 2017, from approximately HK\$86.2 million to approximately HK\$98.0 million. Increase in revenue for the Reporting Period as compared to the corresponding period in last year was mainly because of more projects, such as certain public housing projects located in Tung Chung, Sha Tin, Sham Shui Po and Kwun Tong, being in the more intensive stage of engineering service (such as steel and metal products installation on site) during the Reporting Period, for which more revenue was recognised as compared to other stages of the engineering service.

Revenue from the provision of steel and metal engineering services increased by approximately HK\$27.1 million, or approximately 52.3%, from approximately HK\$52.0 million for the six months ended 30 September 2017 to approximately HK\$79.1 million for the Reporting Period. The increase in revenue was primarily due to the progress achieved in projects on-hand.

Revenue from the sales of steel and metal products decreased by approximately HK\$15.3 million, or 44.7% from approximately HK\$34.2 million for the six months ended 30 September 2017 to approximately HK\$18.9 million for the Reporting Period. As a result of the policy implemented by the Hong Kong Housing Authority, the demand of standardised collapsible gates declined, leading to a shift of product mix of the Group to decrease the sales of the said product.

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\$61.3 million, representing an increase of approximately HK\$4.4 million or approximately 7.7% as compared to the direct costs of approximately HK\$56.9 million from the corresponding period last year. Such increase was mainly attributable to increase in number of site workers which resulted in an increase in direct labour costs.

Gross profit and gross profit margin

For the Reporting Period, the gross profit of the Group has increased by approximately HK\$7.4 million, or approximately 25.5% as compared to the corresponding period in 2017, from approximately HK\$29.3 million to approximately HK\$36.7 million. The gross profit margin was approximately 37.4%, a moderate growth as compared to that of approximately 33.9% from the corresponding period last year. The increase in gross profit and gross profit margin were in line with the increased proportion of revenue from provision of steel and metal engineering services, which has a higher profit margin than the sales of steel and metal products.

Other income and other gains and losses

Our Group recorded other income and other gains and losses of approximately HK\$1.8 million gain for the Reporting Period and approximately HK\$0.8 million gain for the corresponding period last year. Such increase was mainly attributable to a gain on disposal of investment property classified as held for sale for HK\$1.3 million.

Finance costs

Our finance costs remained relatively stable at approximately HK\$0.1 million for both six-month periods ended 30 September 2017 and 2018.

Administrative expenses

For the Reporting Period, the administrative expenses increased by approximately HK\$1.9 million or approximately 36.2% compared to the corresponding period in 2017, from approximately HK\$5.3 million to approximately HK\$7.2 million. The increase was mainly because of the increase in staff costs and professional fees, such as the costs arising from the setup of the newly added department of corporate governance and audit fee.

Listing expenses

The Group's listing expenses amounted to approximately HK\$11.8 million for the Reporting Period, which were non-recurring in nature. No listing expenses were incurred for the six months ended 30 September 2017.

Income tax expense

For the Reporting Period, the income tax expense has increased by approximately HK\$1.6 million or approximately 43.4% as compared to the corresponding period in 2017, from approximately HK\$3.7 million to approximately HK\$5.3 million. Such increase was in line with an increase in gross profit, coupled with the non tax-deductible listing expenses, the influence of which will be further discussed in the following section.

Profit for the period

Profit for the period of the Company has decreased by approximately HK\$6.8 million or approximately 32.6% as compared to the corresponding period last year, from approximately HK\$20.9 million to approximately HK\$14.1 million. The decrease was primarily due to the non-recurring listing expenses of HK\$11.8 million.

If the one-off listing expenses are not taken into account, the Group would have an adjusted net profit of approximately HK\$26.0 million for the Reporting Period, which represents an increase of approximately HK\$5.0 million or approximately 24.0% as compared to the corresponding period of previous year.

Current ratio

Our Group's current ratio, calculated based on the total current assets divided by the total current liabilities, decreased from approximately 5.4 times as at 31 March 2018 to approximately 3.7 times as at 30 September 2018.

The drop in the current ratio during the Reporting Period was mainly due to the payment of a special dividend of HK\$24.0 million during the Reporting Period. Nonetheless, we still maintain a healthy liquidity level to support our business growth and development.

Gearing ratio

Our Group's current ratio, calculated based on the total interest-bearing debts divided by the total equity was nil as at 30 September 2018 as all interest-bearing bank borrowing and finance lease had been repaid. The gearing ratio was approximately 2.4% as at 31 March 2018.

Net profit margin

Our Group's net profit margin decreased from approximately 24.3% for the six months ended 30 September 2017 to approximately 14.4% for the Reporting Period, primarily due to the non-recurring listing expenses incurred during the Reporting Period.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The shares of the Company (the "Shares") were successfully listed on the Main Board of the Stock Exchange on 12 October 2018 (the "Listing") and there has been no change in capital structure of the Group after its listing.

The Group maintained a sound financial position during the Reporting Period. As at 30 September 2018, the Group had total bank balances and cash of approximately HK\$19.0 million (31 March 2018: approximately HK\$28.6 million). As at 30 September 2018, the Group had net current asset of approximately HK\$70.8 million, representing a decrease of approximately HK\$11.0 million as compared to that of approximately HK\$81.8 million as at 31 March 2018. The decrease was due to the special dividend of HK\$24.0 million being declared and paid during the Reporting Period.

As at 30 September 2018, the gearing ratio of the Group, calculated based on the total interest-bearing debts divided by the total equity as at the respective period and multiplied by 100%, was nil (31 March 2018: approximately 2.4%).

CAPITAL EXPENDITURE AND COMMITMENTS

During the Reporting Period, the Group invested approximately HK\$0.6 million in the purchase of property, plant and equipment. All these capital expenditures were financed by internal source of funds.

We had no capital commitments as at 31 March 2018 and 30 September 2018, respectively.

CHARGE ON GROUP ASSETS

As at 30 September 2018, the Group did not have any charges of group assets (31 March 2018: HK\$4.7 million).

LITIGATION, CLAIMS AND NON-COMPLIANCES

Save as disclosed in the prospectus, during the Reporting Period, our Group had not been involved in claims or litigation which had material adverse effect on our business, results of operations or financial condition.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2018 (as at 31 March 2018: Nil).

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

INTERIM DIVIDEND

The Board has recommended the declaration of an interim dividend of HK1.3 cents per share for the six months ended 30 September 2018 (for the six months ended 30 September 2017: nil per share).

The interim dividend is expected to be distributed on or around 28 December 2018 to shareholders whose names appear on the register of members of the Company as at the close of business on 17 December 2018.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2018, we employed a total of 275 full-time employees, 136 of which are located in Hong Kong, and the rest are located in the PRC. As of 30 September 2017, we employed a total of 266 full-time employees, 106 of which are located in Hong Kong, and the rest are located in the PRC. The remuneration packages of employees are determined based on their qualifications, position and experience. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions. The total staff cost incurred by the Group for the Reporting Period was approximately HK\$32.3 million, compared to approximately HK\$19.6 million for the corresponding period in 2017. The increase in the staff cost was mainly a result of 1) a significant increase in the number of employees in Hong Kong; 2) a significant increase in the cost of staff retirement benefits in the PRC and Hong Kong.

The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company after considering the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 12 October 2018, 190,000,000 shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$0.85 per share by way of global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

The Company has conditionally adopted a share option scheme on 19 September 2018 (the “**Scheme**”). Details of the principal terms of the share option scheme are summarised in “Statutory and General Information – D. Share Option Scheme” in appendix IV to the Prospectus. The adoption of the Scheme became unconditional upon the listing of the Company’s share on the Stock Exchange on 12 October 2018. No share options were granted, exercised, cancelled or lapsed under the Scheme since the adoption of the Scheme and up to the date of this announcement.

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 Rules Governing the Listing of Securities on the Stock Exchange (“**the Listing Rules**”) throughout the period from the Listing Date to the date of this announcement, except for the deviation as mention 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. PS Lee 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. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required dealing standards set out in the Model Code throughout the period from the Listing Date to the date of this announcement.

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

Throughout the period from the Listing Date to the date of this announcement, the Company did not redeem its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

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 (the “**INED**”), namely Mr. Tse Ka Ching Justin (chairman), Mr. Au Yeung Wai Key and Hon Cheung Kwok Kwan, *JP*.

The Audit Committee of the Company had reviewed together with the management the Group’s unaudited condensed consolidated financial statements for the Reporting Period, including the accounting principles and practices adopted by the Group, and the internal control procedures of the Group, and discussed the relevant financial reporting matters.

EXTERNAL AUDITOR

The unaudited condensed consolidated financial statements of the Group for the Reporting Period have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA, by Deloitte Touche Tohmatsu, certified public accountants in Hong Kong.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company’s ordinary shares were listed on the Main Board of the Stock Exchange on 12 October 2018. The net proceeds from the initial public offering amounted to approximately HK\$130.0 million after deduction of related expenses. Since the Listing and up to the date of this announcement, the unutilised net proceeds of HK\$130.0 million from initial public offering were deposited in two licensed banks in Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 December 2018 to 17 December 2018 (both dates inclusive) during which no transfer of shares in the Company will be effected. To qualify for the 2018 interim dividend, all completed transfer documents, accompanied by the relevant share certificates have to be lodged with the Company’s Share Registrar, Tricor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 12 December 2018 (Hong Kong time). The 2018 interim dividend is expected to be distributed on or around 28 December 2018 to shareholders whose names appear on the register of members of the Company as at the close of business on 17 December 2018.

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, 28 November 2018

As at the date of this announcement, the Board comprises Mr. Lee Pui Sun and Ms. Lau Lai Ching as executive Directors, Mr. Lee Ka Chun Benny as non-executive Director, and Mr. Au Yeung Wai Key, Hon Cheung Kwok Kwan, JP and Mr. Tse Ka Ching Justin as independent non-executive Directors.