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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Hang Yick Holdings Company Limited (the “**Company**”) is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2020 (“**FY2020**”) together with the comparative figures for the year ended 31 March 2019 (“**FY2019**”) as follows.

#### **HIGHLIGHTS**

The Group reported revenue of approximately HK\$200.4 million (FY2019: approximately HK\$181.9 million) for the year.

Gross profit decreased from approximately HK\$60.5 million for FY2019 to approximately HK\$49.8 million for FY2020.

Profit attributable to the owners of the Company for the year was approximately HK\$12.2 million (FY2019: approximately HK\$16.1 million).

The basic and diluted earning per share was approximately HK1.6 cents (FY2019: HK2.4 cents).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
*For the year ended 31 March 2020*

		<b>Year ended 31 March</b>
	<b>2020</b>	<b>2019</b>
	<b>NOTES</b>	<b>HK\$'000</b>
Revenue	3	200,380
Direct costs		<u>(150,595)</u>
<b>Gross profit</b>		<b>49,785</b>
Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net of reversal		(1,701) (3,594)
Other income and other gains and losses	5	(217) 2,244
Administrative expenses		(29,889) (23,190)
Finance costs	6	(2,098) (72)
Listing expenses		— (12,768)
Share of loss of an associate		<u>(281)</u> —
<b>Profit before taxation</b>	7	<b>15,599</b> 23,099
Income tax expense	8	<u>(5,361)</u> (7,038)
<b>Profit for the year</b>		<b>10,238</b> 16,061
<b>Other comprehensive expense for the year</b>		
Item that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations		<u>(3,206)</u> (2,169)
<b>Total comprehensive income for the year</b>		<b>7,032</b> 13,892
<b>Profit (loss) for the year attributable to:</b>		
owners of the Company		12,245 16,061
non-controlling interests		<u>(2,007)</u> —
		<b>10,238</b> 16,061

		<b>Year ended 31 March</b>	
		<b>2020</b>	<b>2019</b>
	<b>NOTES</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Total comprehensive income (expenses) attributable to:			
owners of the Company		<b>9,059</b>	13,892
non-controlling interests		<b>(2,027)</b>	—
		<b>7,032</b>	<b>13,892</b>
Earnings per share	<i>10</i>		
Basic (HK cents)		<b>1.6</b>	<b>2.4</b>
Diluted (HK cents)		<b>1.6</b>	<b>2.4</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2020*

	As at 31 March		
	2020	2019	
	NOTES	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		10,934	13,138
Right-of-use assets		5,337	—
Intangible asset		2,226	—
Prepaid lease payments		—	3,901
Interest in an associate		—	—
Loan to an associate		24,501	—
Deferred tax assets		178	—
Deposits		43,079	179
Amounts due from a related company		<u>16,334</u>	<u>—</u>
		<u>102,589</u>	<u>17,218</u>
<b>Current assets</b>			
Inventories		18,999	23,640
Prepaid lease payments		—	188
Trade receivables	11	24,248	11,241
Other receivables, deposits and prepayments		4,220	27,610
Amount due from a related company		22,684	—
Contract assets		57,840	47,492
Tax recoverable		1,983	3,977
Pledged bank deposits		40,157	40,000
Short-term bank deposits		—	60,000
Cash and cash equivalents		<u>60,622</u>	<u>54,977</u>
		<u>230,753</u>	<u>269,125</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	12	19,999	11,401
Contract liabilities		242	915
Lease liabilities		1,381	—
Tax payable		756	—
Bank borrowings	13	<u>64,400</u>	<u>30,000</u>
		<u>86,778</u>	<u>42,316</u>
<b>Net current assets</b>		<u>143,975</u>	<u>226,809</u>
<b>Total assets less current liabilities</b>		<u>246,564</u>	<u>244,027</u>

	<i>NOTES</i>	<b>As at 31 March</b>	
		<b>2020</b>	<b>2019</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Provisions		<b>47</b>	197
Deferred tax liabilities		—	65
Lease liabilities		<b>323</b>	—
		<hr/>	<hr/>
		<b>370</b>	262
<b>Net assets</b>		<b>246,194</b>	243,765
<b>Capital and reserves</b>			
Share capital	14	<b>7,676</b>	7,676
Reserves		<b>240,545</b>	236,089
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>248,221</b>	243,765
<b>Non-controlling interests</b>		<b>(2,027)</b>	—
		<hr/>	<hr/>
		<b>246,194</b>	243,765

## **NOTES**

*For the year ended 31 March 2020*

### **1. GENERAL**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 March 2018 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from 12 October 2018.

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

The consolidated financial statements are presented in Hong Kong dollar (HK\$), which is also the functional currency the Company.

### **2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

#### **New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)- Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and interpretation in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

#### ***HKFRS 16 “Leases”***

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

#### ***Definition of a lease***

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

*As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedient to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities is 3.6%.

	<b>1 April 2019</b> <b>HK\$'000</b>
Operating lease commitments disclosed at 31 March 2019	<u>3,322</u>
Lease liabilities discounted at relevant incremental borrowing rate	2,865
Less: Recognition exemption-short term leases	<u>(450)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1 April 2019	<u>2,415</u>
Analysed as:	
Current liabilities	1,255
Non-current liabilities	<u>1,160</u>
	<u>2,415</u>

The carrying amount of right-of-use assets from own use as at 1 April 2019 comprises the following:

	<b>1 April 2019</b> <b>HK\$'000</b>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	2,415
Reclassified from prepaid lease payments ( <i>note</i> )	<u>4,089</u>
	<u><u>6,504</u></u>

**Note:** Upfront payments for leasehold lands in the People's Republic of China (the "PRC") for own used properties were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$188,000 and HK\$3,901,000 respectively were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amount previously reported at 31 March 2019 HK\$'000</b>	<b>Carrying amount under HKFRS 16 at 1 April 2019 HK\$'000</b>
<b>Non-current assets</b>		
Right-of-use assets	—	6,504
Prepaid lease payments	3,901	(3,901)
<b>Current asset</b>		
Prepaid lease payment	188	(188)
<b>Current liabilities</b>		
Lease liabilities	—	1,255
<b>Non-Current liabilities</b>		
Lease liabilities	<u>—</u>	<u>1,160</u>
	<u><u>—</u></u>	<u><u>1,160</u></u>

### 3. 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 the year.

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
<i>Timing of revenue recognition and category of revenue</i>		
Recognised over time and long-term contracts		
— provision of steel and metal engineering services	<u>174,773</u>	<u>147,855</u>
Recognised at a point in time and short-term contracts		
— sales of steel and metal products		
• standardised collapsible gates	4,180	14,172
• other steel and metal products	<u>21,427</u>	<u>19,899</u>
	<u>25,607</u>	<u>34,071</u>
	<u><u>200,380</u></u>	<u><u>181,926</u></u>

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

### 4. 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.

**Year ended 31 March 2020**

	<b>Provision of steel and metal engineering services HK\$'000</b>	<b>Sales of steel and metal products HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue	<b>174,773</b>	<b>25,607</b>	<b>200,380</b>
Segment results	<b>42,924</b>	<b>5,574</b>	<b>48,498</b>
Impairment loss under expected credit loss model on other financial assets			(414)
Other income and other gains and losses			(217)
Administrative expenses			(29,889)
Finance costs			(2,098)
Share of loss of an associate			(281)
Profit before taxation			<b>15,599</b>
<b>Year ended 31 March 2019</b>			
	<b>Provision of steel and metal engineering services HK\$'000</b>	<b>Sales of steel and metal products HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue	<b>147,855</b>	<b>34,071</b>	<b>181,926</b>
Segment results	<b>46,529</b>	<b>10,356</b>	<b>56,885</b>
Other income and other gains and losses			2,244
Administrative expenses			(23,190)
Finance costs			(72)
Listing expenses			(12,768)
Profit before taxation			<b>23,099</b>

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 impairment loss under expected credit loss model on other financial assets, other income and other gains and losses, administrative expenses, finance costs, listing expenses, share of loss of an associate and income tax expense.

	<b>Provision of steel and metal engineering services <i>HK\$'000</i></b>	<b>Sales of steel and metal products <i>HK\$'000</i></b>	<b>Unallocated <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Amounts included in the measures of segment profits:				
<i>For the year ended 31 March 2020</i>				
Depreciation and amortisation	<b>1,886</b>	<b>657</b>	<b>3,027</b>	<b>5,570</b>
Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net of reversal	<b>397</b>	<b>890</b>	<b>414</b>	<b>1,701</b>
<i>For the year ended 31 March 2019</i>				
Depreciation and amortisation	<b>1,302</b>	<b>698</b>	<b>824</b>	<b>2,824</b>
Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets, net of reversal	<b>3,531</b>	<b>63</b>	<b>—</b>	<b>3,594</b>

## **Entity-wide information**

### ***Geographical information***

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

	<b>Year ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>200,364</b>	181,878
The PRC	<b>16</b>	<b>48</b>
	<b>200,380</b>	<b>181,926</b>

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

	<b>As at 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>29,819</b>	2,742
The PRC	<b>15,380</b>	<b>14,297</b>
	<b>45,199</b>	<b>17,039</b>

**Information about major customers**

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

	<b>Year ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Revenue from provision of steel and metal engineering services</i>		
Customer A	<b>31,565</b>	N/A*
Customer B	<b>50,590</b>	29,919
Customer C	<b>N/A*</b>	42,256
Customer D	<b>24,241</b>	N/A*
Customer E	<b>N/A*</b>	25,156
	<b>_____</b>	<b>_____</b>
<i>Revenue from sales of steel and metal products</i>		
Customer B	<b>7,981</b>	5,176
	<b>_____</b>	<b>_____</b>

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

**5. OTHER INCOME AND OTHER GAINS AND LOSSES**

	<b>Year ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other income</b>		
Interest income from bank deposits	<b>794</b>	698
Interest income from loan to an associate	<b>990</b>	—
Government subsidies	<b>84</b>	—
Sales of scrap materials	<b>173</b>	356
Others	<b>155</b>	40
	<b>_____</b>	<b>_____</b>
	<b>2,196</b>	<b>1,094</b>
<b>Other gains and losses</b>		
Net exchange losses	<b>(2,413)</b>	(189)
Gain on disposal of investment property classified as held for sale	<b>—</b>	1,339
	<b>_____</b>	<b>_____</b>
	<b>(2,413)</b>	<b>1,150</b>
	<b>_____</b>	<b>_____</b>
	<b>(217)</b>	<b>2,244</b>
	<b>_____</b>	<b>_____</b>

## 6. FINANCE COSTS

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Interests on bank borrowings	2,019	36
Interests on finance leases	—	36
Interests expense on lease liabilities	79	—
	2,098	72

## 7. PROFIT BEFORE TAXATION

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,800	1,430
Depreciation on property, plant and equipment	3,008	2,636
Depreciation of right-of-use assets	1,611	—
Cost of inventories recognised as an expense	16,531	20,010
Amortisation of prepaid lease payments	N/A*	188
Amortisation of an intangible asset	951	—
Staff costs (including directors' emoluments):		
Directors' emoluments	4,099	2,073
Other staff costs:		
Salaries and other benefits	72,047	62,908
Retirement benefits scheme contributions	4,171	3,884
Equity-settled share option expenses	1,538	2,081
	77,756	68,873
Equity-settled share option expenses in relation to a consultant	—	2,374
Short term lease payments	707	—
Minimum lease payments under operating leases in respect of warehouse, offices and showroom premises	N/A*	1,270

\* N/A = Not applicable

## 8. INCOME TAX EXPENSE

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong Profits Tax	2,597	6,118
The PRC Enterprise Income Tax	3,038	957
(Over) underprovision of Hong Kong Profits Tax in prior years	(31)	20
	<b>5,604</b>	<b>7,095</b>
Deferred taxation	(243)	(57)
	<b>5,361</b>	<b>7,038</b>

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 assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of group entities 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 subsidiaries is 25% for both years.

## 9. DIVIDENDS

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 Interim — HK0.3 cents (2019: 2019 interim dividend HK1.3 cents) per share	2,303	9,880
2019 Final — HK0.5 cents (2019: 2018 Final dividend Nil) per share	3,838	—
2019 Special — HK\$240,000 per share	—	24,000
	<b>6,141</b>	<b>33,880</b>

Subsequent to the end of the reporting period, in line with the prudent financial management of the Group, the Directors decided not to declared a final dividend for the year ended 31 March 2020.

## 10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	For the year ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings:</b>		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>12,245</u>	<u>16,061</u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>767,600,000</b>	659,096,986
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	7,893,306	3,248,025
Over-allotment option	<u>—</u>	<u>170,052</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>775,493,306</b>	<b>662,515,063</b>

The number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 March 2019 has been determined on the assumption that the group reorganisation and the capitalisation issue as set out in note 14 have been effective on 1 April 2018.

## 11. TRADE RECEIVABLES

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	25,353	13,740
Less: Allowance for credit losses	<u>(1,105)</u>	<u>(2,499)</u>
Total trade receivables	<b>24,248</b>	<b>11,241</b>

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

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	5,754	7,229
31–60 days	11,047	2,000
61–90 days	3,346	1,262
Over 90 days	4,101	750
	<hr/>	<hr/>
	24,248	11,241

## 12. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	10,878	4,774
Accrued staff costs	6,816	4,943
Accruals and others	2,305	1,684
	<hr/>	<hr/>
	19,999	11,401

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 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	7,578	4,427
31–60 days	2,229	340
61–90 days	1,065	7
Over 90 days	6	—
	<hr/>	<hr/>
	10,878	4,774

### 13. BANK BORROWINGS

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Carrying amounts of bank borrowings (shown under current liabilities) that contain a repayment on demand clause but repayable based on scheduled repayment terms:		
— Within one year	<b>64,400</b>	<b>30,000</b>

The bank borrowings were at floating rate which carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 0.8% to 2% per annum (2019: HIBOR plus 2% per annum). The weighted average effective interest rate on the Group’s bank borrowings was 3.56% per annum as at 31 March 2020 (2019: 3.82% per annum).

As at 31 March 2020, the bank borrowings are secured by a key management life insurance policy of a director of the Company, pledged bank deposits with carrying amount of HK\$40,157,000 and a corporate guarantee granted by Hang Yick Gate Engineering Limited (“**Hang Yick**”) (2019: secured by the pledged bank deposits with carrying amount of HK\$40,000,000 and a corporate guarantee by Hang Yick).

### 14. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Amount HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>		
<b>Authorised:</b>		
At 1 April 2018	38,000,000	380
Increase on 19 September 2018 ( <i>note a</i> )	<b>3,762,000,000</b>	<b>37,620</b>
At 31 March 2019 and 2020	<b>3,800,000,000</b>	<b>38,000</b>
<b>Issued:</b>		
At 1 April 2018	100	—*
Capitalisation issue ( <i>note b</i> )	569,999,900	5,700
Issue of new shares upon share offer ( <i>note c</i> )	190,000,000	1,900
Issue of new shares upon exercise of share options ( <i>note d</i> )	<b>7,600,000</b>	<b>76</b>
At 31 March 2019 and 2020	<b>767,600,000</b>	<b>7,676</b>

All new ordinary shares issued during the year ended 31 March 2019 rank pari passu with the existing shares in issue in all respects.

There was no movement in the Company’s share capital for current year.

*Notes:*

- (a) On 19 September 2018, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$38,000,000 by the creation of 3,762,000,000 additional shares, each ranking pari passu with the shares of the Company then in issue in all respects.
- (b) On 12 October 2018, the Company capitalised an amount of HK\$5,699,999 by issuing additional 569,999,900 shares, credited as fully paid, 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).
- (c) 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 approximately HK\$161.5 million.
- (d) On 28 March 2019, the Company issued 7,600,000 shares upon the exercise of share options by an employee of the Company.

\* Amount less than HK\$1,000

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Overview**

The Group is principally engaged in the provision of steel and metal engineering services and metal products for construction projects in Hong Kong. In addition, the Group has recently expanded into the People's Republic of China (the "PRC") market for the provision of construction services as well as real estate development.

2020 is a tough year for the Group. Despite the Group recorded revenue of approximately HK\$200.4 million for the year ended 31 March 2020, the overall profitability decreased as a result of the intense competition over the market and the COVID-19 pandemic in the second half of the financial year. The COVID-19 pandemic caused not only a temporary shutdown of the economic activities in both Hong Kong and the PRC, but also deterring capital expenditures which negatively impacting the progress of the site and the tender strategy. The above factors caused a tremendous pressure on the Group's operation and the profit for the year fell below our expectation.

#### **Review of operations and business development**

During the year, the Group secured the following major steel and metal works contracts (with contract sum of more than HK\$10 million):

<b>Project type</b>	<b>Location</b>
Public rental housing development	Fanling
Private development	Wong Chuk Hang

#### ***Hong Kong***

#### ***Provision of steel and metal engineering services***

The Group's engineering services range from design, manufacture, supply to installation of steel and metal products such as roller shutters and metal doors for construction projects in Hong Kong. It serves customers including construction companies and engineering companies on a project-by-project basis.

During the year, this segment recorded a revenue of approximately HK\$174.8 million (2019: HK\$147.9 million) and secured new contracts with aggregate contract sum of HK\$101.6 million. As at 31 March 2020, the total value of contracts on hand was HK\$194.6 million.

### ***Sales of steel and metal products***

Revenue from the sales of steel and metal products decreased by approximately 25% as a result of the decrease in demand of the collapsible gates.

### ***The PRC***

#### ***Provision of steel and metal engineering services***

During the year, the Group secured one new contract with contract sum of RMB98 million. As at 31 March 2020, the total value of contracts on hand was approximately RMB648 million.

All secured contracts were still in a preliminary stage and no revenue earned during the year ended 31 March 2020.

### **EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

The outbreak of COVID-19 pandemic has adversely impacted the domestic economic market and Hong Kong's construction industry. The profound economic slowdown has restrained the business growth of the construction industry players with shrinking sizes and numbers of projects since the outbreak of COVID-19 pandemic. As the situation remains fluid as at the date these consolidated financial statements are authorised for issue, the director of the Company considered that the financial effect of the COVID-19 pandemic on the Group's consolidated financial statements cannot be reasonably estimated. The directors of the Company will continue to monitor the situation closely.

### **OUTLOOK**

#### **Hong Kong**

The Hong Kong economy experienced a contraction in last year as a result of the social unrest and COVID-19 pandemic which has led to a more conservative investment strategy.

Nevertheless, the construction industry is still promising and should benefit from the Hong Kong Government's unwavering commitment to housing issue. In the 2019 Policy Address, the Chief Executive proposes to invoke the Lands Resumption Ordinance and redeveloped the factory estates with an aim in boosting public housing supply. In addition, the Transport and housing Bureau estimated the public housing production for the next 10 years (2020 to 2030) will be approximately 272,000 units in the Long-Term Housing Strategy 2019 which is twice as the actual public housing production in the last decade (2010 to 2020). All of these government policies and strategies are positive signals to construction industry.

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 our position in Hong Kong.

### **The PRC**

The mainland China business of the Group is still under development, and the contracts secured during the year were yet to commence. Nevertheless, the management expects to manifest a strong result in the coming year when business activities in the PRC gradually resumes to normal.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

There are certain risks involved in the Group's operations, many of which are beyond the Group's control, including but not limited to those relating to the business and the industry. Some of the major risks the Group facing include the following:

- Our revenue relies on successful quotation or tenders of engineering services projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers;
- Reduction or termination of public sector projects in Hong Kong may adversely affect our revenue and results of operations;
- Failure to estimate the costs involved accurately in the implementation of the project and delay in completion of the project which may adversely affect our operating results and financial position;
- We plan to expand our capacity by acquiring equipment and expanding manpower which may result in an increase in expense and staff costs which may adversely affect our operating results and financial position; and
- We plan to expand our business in the PRC, any changes in the PRC's economic, political and social conditions as well as government policies, could adversely affect our business, financial condition, result of operation and prospects.

### **FINANCIAL REVIEW**

#### **Revenue**

The revenue of the Group has increased by approximately 10.2% from approximately HK\$181.9 million in FY2019 to approximately HK\$200.4 million in FY2020, which was driven by the increase in revenue from the provision of steel and metal engineering services.

The Group generated revenue from two business segment, namely, provision of steel and metal engineering services and sales of steel and metal products. The following table sets the two segments revenue by amount and a percentage of the revenue for the periods presented:

Segment Revenue	Year ended 31 March			
	2020		2019	
	HK\$'000	%	HK\$'000	%
Provision of steel and metal engineering services	174,773	87.2	147,855	81.3
Sales of steel and metal products	25,607	12.8	34,071	18.7
	<b>200,380</b>	<b>100</b>	<b>181,926</b>	<b>100</b>

#### **Provision of steel and metal engineering services**

Revenue from the provision of steel and metal engineering services increased approximately 18.2%, from approximately HK\$147.9 million in FY2019 to approximately HK\$174.8 million in FY2020.

The increase in revenue was primarily due to the significant progress on the public housing projects located in North West Kowloon Reclamation Site, Tseung Kwan O and Sham Shui Po.

#### **Sales of steel and metal products**

Revenue from the sales of steel and metal products decreased 24.8% from approximately HK\$34.1 million in FY2019 to approximately HK\$25.6 million in FY2020. The decrease was driven by the decrease in demand of the standardized collapsible gates as the five-year replacement of old-type collapsible gate programme launched by the Housing Authority in 2015 was substantially completed.

#### **Direct costs**

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

The direct costs increased approximately 24.1% from approximately HK\$121.4 million in FY2019 to HK\$150.6 million in FY2020. The increase was mainly attributable to an increase in the labour costs and sub-contracting costs.

## **Gross profit and gross profit margin**

The gross profit of the Group decreased approximately 17.7% from approximately HK\$60.5 million in FY2019 to approximately HK\$49.8 million in FY2020 and gross profit margin decreased from approximately 33.2% for FY2019 to approximately 24.8% for FY2020.

The decrease in gross profit margin was mainly attributable the intense competition in the market which negatively impacted the profitability. In addition, the social unrest and the COVID-19 pandemic also led to an increase in the overall operating cost of the construction sites of on-going projects.

## **Other income and other gains and losses**

Other income and other gains and losses mainly represented interest income, sales of scrap materials and exchange difference.

The Group recorded a loss of approximately HK\$0.2 million in 2020 mainly due to the exchange loss of HK\$2.4 million as a result of the depreciation of RMB. The losses were partially offset by the interest income of approximately HK\$1.0 million and HK\$0.8 million from the loan to an associate and bank deposits, respectively.

## **Finance costs**

Our finance cost increased from approximately HK\$0.1 million in FY2019 to HK\$2.0 million in FY2020. The increase was primarily associated with the increase in bank interest expenses arising from the increase in average bank loan balances.

## **Administrative expenses**

The administrative expense increased by approximately 28.9% from approximately HK\$23.2 million in FY2019 to approximately HK\$29.9 million in FY2020. The increase was driven by the increase in Directors' emoluments of approximately HK\$2.0 million and the operating cost of approximately HK\$4.6 million of the Group's new PRC office.

## **Impairment loss under expected credit loss model on trade receivables, contract assets and other financial assets**

For the year ended 31 March 2020, the Group made provision for expected credit loss amounted to approximately HK\$1.7 million in aggregate (FY2019: HK\$3.6 million). Out of such provision, approximately HK\$0.7 million was made on credit-impaired trade receivables.

## **Share of loss of an associate**

Our share of results of an associate was a net loss of approximately HK\$0.3 million as it was still in early development and no profit was earned during the year.

## **Income tax expense**

Our income tax expenses decreased from approximately HK\$7.0 million in FY2019 to approximately HK\$5.4 million in FY2020 primarily due to the decrease in operating profits earned in Hong Kong.

The overall effective tax rate of the Group increased from approximately 30.5% in 2019 to approximately 34.4% in 2020. The increase was due to the non-deductable expenses in the new PRC office.

## **Profit attributable to the owners of the company**

As a result of the foregoing, the profit attributable to the owners of the Company decreased from approximately HK\$16.1 million in FY2019 to approximately HK\$12.2 million in FY2020, a decrease of approximately 24.2%.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 31 March 2020, the Group had total cash and cash equivalents of approximately HK\$60.6 million (2019: HK\$55.0 million), total assets of approximately HK\$333.3 million (2019: HK\$286.3 million) and total interest-bearing debts of approximately HK\$64.4 million (2019: HK\$30.0 million).

The gearing ratio of the Group, calculated based on the total interest-bearing debts (including bank borrowings) divided by the total equity attributable to owners of the company as at the end respective years and multiplied by 100%, was approximately 25.9% (2019: approximately 12.3%). The Group considers the use of debt financing as one of the key funding sources for business expansion after considering the current market interest rate level.

### **Cash and cash equivalents**

There was an increase in the balance of cash and cash equivalents of approximately HK\$5.6 million from approximately HK\$55.0 million as at 31 March 2019 to approximately HK\$60.6 million as at 31 March 2020.

During the year, the Group has a net cash outflow of HK\$10.9 million in its operating activities (mainly due to the increase in trade receivables, other receivables, deposit and prepayment, and contract assets and decrease in trade and other payables), a net cash outflow of HK\$7.8 million in its investing activities (mainly due to net cash outflows on placement of deposits for securing construction contracts and deposit paid for acquisition of property, plant and equipment, advance to an associate, netting off net cash inflows on withdrawal of short-terms bank deposits), and a net cash inflow of HK\$24.8 million in its financing activities (mainly due to new bank loans raised, netting off dividends paid to shareholders and repayment of bank borrowings).

## **Borrowings**

The major source of debt financing of the Group was mainly from banks. As at 31 March 2020, the Group had bank borrowings of approximately HK\$64.4 million (2019: HK\$30.0 million). All of the bank borrowings were with a repayment on demand clause. The bank borrowings were at floating rate of Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.8%–2.0% per annum.

## **CHARGE ON THE GROUP'S ASSETS**

As at 31 March 2020, the bank deposits and the investment in life insurance contract of the key management of the Group with an aggregate value of approximately HK\$46.3 million (2019: bank deposits of HK\$40.0 million) was pledged to the banks to secure the general facility granted to the Group.

## **LITIGATION, CLAIMS AND NON-COMPLIANCES**

For the year ended 31 March 2020, the Group was not engaged in any material litigation or arbitration and no material litigation or claim is known to the Directors to be pending or threatened against the Group.

## **FOREIGN EXCHANGE EXPOSURE**

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

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

## **INTEREST RATE RISK**

The Group exposed to interest rate risk primary to the bank facilities with floating interest rate. For the years ended 31 March 2019 and 31 March 2020, the Group did not have any interest rate hedging policy. However, the management will continue to closely monitor the Group's interest risk exposure and will consider hedging interest rate risk when necessary.

## **CAPITAL EXPENDITURE AND CAPITAL COMMITMENT**

For the year ended 31 March 2020, the Group has contributed approximately HK\$1.5 million and HK\$20.6 million in the acquisition of property, plant and equipment and deposit paid for acquisition of property, plant and equipment, respectively. The contributions are mainly for the expansion of our production capacity, of which approximately HK\$21.7 million was financed by the net proceeds from the Listing.

As at 31 March 2020, the Group had expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of certain plant and equipment in a total amount of about HK\$32.6 million (No material capital commitment as at 31 March 2019).

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 March 2020 and 2019.

## **MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There were no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 March 2020.

## **USE OF PROCEEDS**

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

As at 31 March 2020, the net proceeds from the global offering had been applied as follows:

	Planned (HK\$'000)	Net Proceeds Utilised as at 31 March (HK\$'000)	Net Proceeds Utilised during the year ended 31 March (HK\$'000)	Net Proceeds Utilised as at 31 March (HK\$'000)	Unutilised (HK\$'000)
Acquiring machines to replace and enhance the Group’s production capacity	51,200	1,763	19,666	21,429	29,771
Expanding the Group’s workforce in Hong Kong and the PRC	33,700	519	4,460	4,979	28,721
Renovation and re-design of the Group’s existing production facilities	24,100	798	105	903	23,197
Purchasing delivery trucks	5,000	—	412	412	4,588
Upgrading the Group’s information technology system and equipment	3,500	525	1,904	2,429	1,071
General working capital	12,500	12,500	—	12,500	—
	<b>130,000</b>	<b>16,105</b>	<b>26,547</b>	<b>42,652</b>	<b>87,348</b>

As at 31 March 2020, the Group had not yet utilised the proceeds for (a) expanding the Group's workforce in Hong Kong and the PRC, and (b) the renovation and re-design of the Group's existing production facilities as planned. The delay in utilisation of the proceeds were due to tight production schedule to catch up with the seriously delayed construction progress and difficulty in recruiting suitable skilled labour.

The Group will continue to apply the net proceeds in accordance to the disclosure in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

## **FINAL DIVIDEND**

The Board does not recommended the payment of a final dividend for the year ended 31 March 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 2 September 2020 to Monday, 7 September 2020, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 annual general meeting. In order to be entitled to attend and vote at the 2020 annual general meeting, all completed transfer documents accompanied by the relevant share certificates have to be lodged with the Company's branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 1 September 2020 (Hong Kong time).

## **EMPLOYEES AND REMUNERATION POLICY**

The Group has a total of 383 employees in Hong Kong and the PRC as at 31 March 2020. The total salaries and related costs granted to employees amounted to approximately HK\$77.8 million for the year ended 31 March 2020. The remuneration packages of employees are determined based on their qualifications, position and experience. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions.

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

## SHARE OPTION SCHEME

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

The movements of share options during the year ended 31 March 2020 were as follows:

Category of grantees	Date of grant	Exercisable period	Exercise price per Share (HK\$)	As at 31 March				As at 31 March	
				Granted	2019	Exercised	Cancelled	Forfeited	2020
Senior management and other employees	11 January 2019	11 January 2022 to 10 January 2024	1.53	4,400,000	4,350,000	—	(25,000)	—	4,325,000
		11 January 2023 to 10 January 2024	1.53	4,400,000	4,350,000	—	(25,000)	—	4,325,000
		11 January 2019 to 10 January 2020	1.53	7,600,000	—	—	—	—	—
Consultant	11 January 2019	11 January 2019 to 10 January 2021	1.53	7,600,000	7,600,000	—	—	—	7,600,000

## CORPORATE GOVERNANCE

The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the reporting period and up 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 officer 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.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

## **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. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2020.

## **COMPETING INTERESTS**

The Directors confirm that none of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group’s business during the year ended 31 March 2020.

## **COMPLIANCE ADVISER’S INTERESTS**

As informed by the Company’s compliance adviser, Fortune Financial Capital Limited (the “**Compliance Adviser**”), as at 31 March 2020, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 8 May 2018, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Group, which is required to be notified to the Group pursuant to the Listing Rules.

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

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

## **PUBLIC FLOAT**

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

## **REVIEW BY THE AUDIT COMMITTEE**

As at the date of this announcement, the audit committee of the Board (the “**Audit Committee**”) comprises all the independent non-executive Directors, namely Mr. Tse Ka Ching Justin, Mr. Au Yeung Wai Key and Hon Cheung Kwok Kwan, JP. Mr. Tse Ka Ching Justin currently serves as the chairman of the Audit Committee.

The consolidated financial statements of the Group for the year ended 31 March 2020 and this results announcement have been reviewed and approved by the Audit Committee.

### **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2020. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

### **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held in Hong Kong on Monday, 7 September 2020. The notice of the annual general meeting will be issued and despatched in due course.

### **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.hy-engineering.com](http://www.hy-engineering.com). The annual report of the Group for the year ended 31 March 2020 containing all information required by the Listing Rules will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

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

Hong Kong, 30 June 2020

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