# Yuk Wing Group Holdings Limited
# 煜榮集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1536)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED MARCH 31, 2017

The board (the "**Board**") of directors (the "**Director(s)**") of Yuk Wing Group Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended March 31, 2017 (the "**Year**") together with the comparative and audited figures for the year ended March 31, 2016 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended March 31, 2017*

| | *Notes* | **2017** *HK$'000* | 2016 *HK$'000* |
|---|---|---|---|
| Revenue | *4* | **126,675** | 141,744 |
| Cost of sales | | **(68,730)** | (78,523) |
| Gross profit | | **57,945** | 63,221 |
| Other income | | **1,539** | 4,357 |
| Other gains and losses | | **2,616** | 1,577 |
| Selling and distribution expenses | | **(4,808)** | (4,031) |
| Administrative expenses | | **(23,518)** | (20,786) |
| Listing expenses | | **(25,159)** | (1,013) |
| Finance costs | | **(718)** | (419) |
| Profit before tax | *5* | **7,897** | 42,906 |
| Income tax expense | *6* | **(5,146)** | (7,654) |
| Profit for the year | | **2,751** | 35,252 |
| **(Loss) profit for the year attributable to:** | | | |
| Owners of the Company | | **(2,311)** | 26,974 |
| Non-controlling interests | | **5,062** | 8,278 |
| | | **2,751** | 35,252 |
| (Loss) earnings per share, basic (HK cents) | *7* | **(0.73)** | 8.99 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit for the year | **2,751** | 35,252 |
| **Other comprehensive expense for the year** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translation of foreign operations | **(1,650)** | (1,558) |
| Total comprehensive income for the year | **1,101** | 33,694 |
| **Total comprehensive (expense) income for the year attributable to:** | | |
| Owners of the Company | **(3,083)** | 26,158 |
| Non-controlling interests | **4,184** | 7,536 |
| | **1,101** | 33,694 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At March 31, 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **11,288** | 13,249 |
| Deposits paid for acquisition of property, plant and equipment | | **–** | 114 |
| Deposits placed at an insurance company | | **4,340** | – |
| Deferred tax assets | | **37** | – |
| | | **15,665** | 13,363 |
| Current assets | | | |
| Inventories | | **32,834** | 29,723 |
| Trade and other receivables | *9* | **30,839** | 52,106 |
| Amounts due from related parties | | **–** | 6,341 |
| Tax recoverable | | **830** | – |
| Bank balances and cash | | **100,856** | 27,628 |
| | | **165,359** | 115,798 |
| Current liabilities | | | |
| Trade and other payables | *10* | **6,084** | 12,980 |
| Amounts due to shareholders | | **–** | 5,839 |
| Amounts due to directors | | **–** | 1,212 |
| Amounts due to related parties | | **–** | 4 |
| Tax payable | | **4,422** | 6,455 |
| Bank borrowings | | **19,876** | 6,423 |
| | | **30,382** | 32,913 |
| Net current assets | | **134,977** | 82,885 |
| Total assets less current liabilities | | **150,642** | 96,248 |
| Non-current liability | | | |
| Deferred tax liabilities | | **–** | 172 |
| | | **150,642** | 96,076 |
| Capital and reserves | | | |
| Share capital | | **38,000** | 11,500 |
| Reserves | | **90,072** | 59,794 |
| Equity attributable to owners of the Company | | **128,072** | 71,294 |
| Non-controlling interests | | **22,570** | 24,782 |
| | | **150,642** | 96,076 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

Yuk Wing Group Holdings Limited ("**the Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on March 17, 2016. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since January 11, 2017.

The registered office address of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit B, 17/F., E-Trade Plaza, No. 24 Lee Chung Street, Chai Wan, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the manufacturing and trading of rockdrilling tools and equipment and trading of piling and drilling machineries.

Its ultimate holding company is Hang Yip Company Limited ("**Hang Yip**"), a private limited company incorporated in the British Virgin Islands ("**BVI**").

The consolidated financial statements are presented in Hong Kong Dollars ("**HK$**") which is also the functional currency of the Company.

### 2. REORGANISATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Historically, all the entities comprising the Group were controlled by Mr. Chan Leung Choi and Mr. Chan Kin Choi, who are brothers ("**Controlling Shareholders**") and held by them directly or indirectly. In preparation for the listing of the Company's shares on the Stock Exchange, the entities now comprising the Group underwent a group reorganisation ("**Group Reorganisation**") to enable the Company to become the holding company of the Group which involves the principle steps of the Group Reorganisation.

After the Group Reorganisation, the Company became the holding company of the companies now comprising the Group on May 30, 2016. Its immediate and ultimate holding company is Hang Yip, a company incorporated in BVI which Mr. Chan Leung Choi and Mr. Chan Kin Choi are the ultimate controlling parties. As the Company and its subsidiaries have been under the common control of Mr. Chan Leung Choi and Mr. Chan Kin Choi throughout the year ended March 31, 2016, or since their respective dates of incorporation, where there is a shorter period and before and after the Group Reorganisation, the Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared under the principles of merger accounting in accordance with Accounting Guideline "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") on the basis as if the Company had always been the holding company of the Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows which include the results, changes in equity and cash flows of the companies now comprising the Group for the year ended March 31, 2016 and 2017 have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended March 31, 2016 and 2017, or since the respective dates of incorporation of the relevant entity, where applicable.

The consolidated statement of financial position as at March 31, 2016 have been prepared to present the assets and liabilities of the companies now comprising Group as if the current group structure had been in existence at those dates, taking into account the respective date of incorporation of the relevant entity, where applicable.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has consistently adopted all HKFRSs issued by the HKICPA which are effective for accounting periods beginning on April 1, 2016 for both current and prior years.

The Group has not early applied the following new and amendments to HKFRSs and an interpretation (the "**new and amendments to HKFRSs**") that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments[1] |
| HKFRS 16 | Leases[2] |
| HK(IFRIC) — Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 7 | Disclosure Initiative[4] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[4] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014–2016 Cycle[5] |

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after January 1, 2017
5 Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

**HKFRS 16 Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Total operating lease commitment of the Group with terms more than 12 months as at March 31, 2017 amounting to HK$22,703,000 (2016: HK$26,487,000). The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of the lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

**Amendments to HKAS 7 Disclosure Initiative**

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after January 1, 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the Group's financial position and financial performance.

## 4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of rockdrilling tools and equipment and trading of piling and drilling machineries.

Information reported to the executive directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on the types of products sold. The Group's operating segments are classified as (i) manufacturing and trading of down-the-hole ("**DTH**") rockdrilling tools; (ii) trading of piling and drilling machineries and (iii) trading of rockdrilling equipment.

The details of the Group's reportable segments are as follows:

(i) Manufacturing and trading of DTH rockdrilling tools which include design, manufacturing and trading of DTH rockdrilling tools

(ii) Trading of piling and drilling machineries

(iii) Trading of rockdrilling equipment

These operating segments also represent the Group's reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

**Segment revenue and results**

The following is an analysis of the Group's revenue and results by operating and reportable segments:

**For the year ended March 31, 2017**

| | **Manufacturing and trading of DTH rockdrilling tools** *HK$'000* | **Trading of piling and drilling machineries** *HK$'000* | **Trading of rockdrilling equipment** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Segment and external sales | **86,779** | **25,282** | **14,614** | **126,675** |
| RESULTS | | | | |
| Segment result | **45,853** | **6,730** | **5,362** | **57,945** |
| Unallocated expenses | | | | **(28,326)** |
| Other income | | | | **1,539** |
| Other gains and losses | | | | **2,616** |
| Listing expenses | | | | **(25,159)** |
| Finance costs | | | | **(718)** |
| Profit before tax | | | | **7,897** |

For the year ended March 31, 2016

| | Manufacturing and trading of DTH rockdrilling tools *HK$'000* | Trading of piling and drilling machineries *HK$'000* | Trading of rockdrilling equipment *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Segment and external sales | 112,296 | 15,373 | 14,075 | 141,744 |
| RESULTS | | | | |
| Segment result | 52,992 | 5,371 | 4,858 | 63,221 |
| Unallocated expenses | | | | (24,817) |
| Other income | | | | 4,357 |
| Other gains and losses | | | | 1,577 |
| Listing expenses | | | | (1,013) |
| Finance costs | | | | (419) |
| Profit before tax | | | | 42,906 |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of unallocated expenses (mainly including general office expenses, selling and distribution expenses and unallocated depreciation), other income, other gains and losses, listing expenses and finance costs. This is the measure reported to the CODM of the Company for the purposes of resource allocation and performance assessment.

**Segment assets and liabilities**

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group.

**Other information**

**For the year ended March 31, 2017**

| | **Manufacturing and trading of DTH rockdrilling tools** *HK$'000* | **Trading of piling and drilling machineries** *HK$'000* | **Trading of rockdrilling equipment** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Amounts regularly provided to the CODM but not included in the measurement of segment results: | | | | |
| Depreciation | **967** | **203** | **118** | **1,288** |

For the year ended March 31, 2016

| | Manufacturing and trading of DTH rockdrilling tools *HK$'000* | Trading of piling and drilling machineries *HK$'000* | Trading of rockdrilling equipment *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Amounts regularly provided to the CODM but not included in the measurement of segment results: | | | | |
| Depreciation | 1,438 | 161 | 43 | 1,642 |

**Geographical information**

The following table sets out information about (i) the Group's revenue from external customers by the location of customers and (ii) the Group's property, plant and equipment by location of assets.

| | **Revenue from external customers For the year ended March 31,** | | **Property, plant and equipment As at March 31,** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **110,758** | 125,567 | **1,014** | 2,160 |
| Macau | **9,898** | 5,009 | **–** | – |
| Scandinavia | **1,052** | 4,545 | **–** | – |
| Japan | **3,242** | 6,611 | **–** | – |
| People's Republic of China ("**PRC**") | **–** | – | **10,274** | 11,089 |
| Others | **1,725** | 12 | **–** | – |
| | **126,675** | 141,744 | **11,288** | 13,249 |

**Information about major customers**

Revenue from major customer which accounted for 10% or more of the Group's revenue for each of the year is set out below:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Ngai Shun Construction & Drilling Company Limited from all segments | **29,120** | 57,465 |

## 5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Directors' remuneration | **4,519** | 3,643 |
| Other staff costs | **13,444** | 13,777 |
| Contributions to retirement benefits schemes, other than those of directors | **1,405** | 1,421 |
| Total staff costs | **19,368** | 18,841 |
| Auditor's remuneration | **1,829** | 8 |
| Depreciation of property, plant and equipment | **1,288** | 1,642 |
| Depreciation of property, plant and equipment capitalised in inventories | **1,971** | 1,740 |
| Cost of inventories recognised as expense | **68,730** | 78,523 |
| Operating lease rental in respect of Minimum lease payments of rented premises | **3,851** | 3,228 |

## 6. INCOME TAX EXPENSE

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Hong Kong | **5,680** | 6,068 |
| PRC Enterprise Income Tax | **307** | 1,708 |
| | **5,987** | 7,776 |
| (Over) under provision in prior years | | |
| Hong Kong | **(859)** | 14 |
| PRC Enterprise Income Tax | **227** | – |
| | **(632)** | 14 |
| Deferred tax credit | **(209)** | (136) |
| | **5,146** | 7,654 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended March 31, 2017 (2016: 16.5%).

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the EIT Law, PRC Enterprise Income Tax is calculated at 25% (2016: 25%) of the assessable profits for the subsidiary established in the PRC.

## 7. (LOSS) EARNINGS PER SHARE

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss) earnings: | | |
| (Loss) earnings for the purpose of calculating basic (loss) earnings per share ((loss) profit for the year attributable to the owners of the Company) | **(2,311)** | 26,974 |
| | ***'000*** | *'000* |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share | **317,534** | 300,000 |

No diluted (loss) earnings per share for the years ended March 31, 2017 and March 31, 2016 was presented as there were no potential ordinary shares in issue during the years ended March 31, 2017 and March 31, 2016.

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share for the years ended March 31, 2016 and 2017 has been determined and on the assumption that the Group Reorganisation had been effective on April 1, 2015 and the 300,000,000 shares in issue upon completion of the Group Reorganisation.

## 8. DIVIDENDS

On July 15, 2016, the board of directors of the Company have resolved to declare interim dividends of HK$0.077 per share, amounting to approximately HK$23,120,000, to the owners of the Company in respect of retained earnings for the year ended March 31, 2016.

During the year ended March 31, 2016, an interim dividend of HK$7,852,000 was declared and paid by Top Mark Mechanical Equipment Limited to its then shareholders. The rate of dividend is not presented as such information is not meaningful.

The board of directors of the Company does not recommend the payment of a final dividend for the year ended March 31, 2017.

## 9. TRADE AND OTHER RECEIVABLES

The Group grants an average credit period ranged from 30 days to 90 days upon delivery of goods to its customers. The following is an aged analysis of trade receivables based on delivery dates, net of allowance for doubtful debts at the end of each reporting period:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **5,373** | 23,241 |
| 31 to 60 days | **4,072** | 12,281 |
| 61 to 90 days | **774** | 2,295 |
| 91 to 180 days | **11,925** | 3,661 |
| 181 days to 1 year | **3,453** | 4,646 |
| Over 1 year | **835** | 1,812 |
| | **26,432** | 47,936 |

## 10. TRADE AND OTHER PAYABLES

The average credit period of trade payables granted by suppliers is from 30 to 60 days upon the issue of invoices.

The following is an aged analysis of trade payables based on the invoice dates.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **512** | 3,364 |
| 31 to 60 days | **37** | 2,129 |
| 61 to 90 days | **–** | 105 |
| 91 to 180 days | **420** | 535 |
| 181 days to 1 year | **–** | 5 |
| Over 1 year | **–** | 65 |
| | **969** | 6,203 |

## 11. COMMITMENTS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | **–** | 38 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in the manufacturing and trading of DTH rockdrilling tools, trading of piling and drilling machineries and rockdrilling equipment.

Hong Kong and Macau remain to be the Group's major markets, where the revenue generated from Hong Kong contributed to approximately HK$110.8 million for the Year (2016: HK$125.6 million), or 87.5% of the total revenue during the Year (2016: 88.6%). The business in Macau has seen signs of improvement during the Year, where the revenue generated from Macau contributed to approximately HK$9.9 million for the Year (2016: HK$5.0 million), or 7.8% of the total revenue during the Year (2016: 3.5%).

### Manufacturing and Trading of DTH Rockdrilling Tools

The Group's is principally engaged in the manufacturing and trading of DTH rockdrilling tools. Our self-designed and manufactured DTH rockdrilling tools can be categorised into the following main categories, namely DTH hammers, casing systems (comprising driver bits and casing bits), and other miscellaneous products including button bits and bit openers, as well as our newly developed products, drill pipes, cluster drills and casing tubes. Revenue from the manufacturing and trading of DTH rockdrilling tools contributed to approximately 68.5% of the total revenue during the Year (2016: approximately 79.2%).

### Trading of Piling and Drilling Machineries and Rockdrilling Equipment

The Group is also engaged in the trading of piling and drilling machineries and rockdrilling equipment to our customers as part of our technical rockdrilling solutions. Revenue from the trading of piling and drilling machineries, and rockdrilling equipment, contributed to approximately 20.0% of the total revenue during the Year (2016: approximately 10.8%) and approximately 11.5% of the total revenue during the Year (2016: approximately 10.0%), respectively.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately HK$15.0 million, or 10.6%, to approximately HK$126.7 million for the Year, from approximately HK$141.7 million for the year ended March 31, 2016, primarily due to the delay in funding approvals for construction jobs in Hong Kong by the Legislative Council of Hong Kong ("**Legislative Council**"), resulting in a lower than expected demand of our products.

**Gross Profit and Gross Profit Margin**

The Group's gross profit decreased by approximately HK$5.3 million, or 8.4%, to approximately HK$57.9 million for the Year, from approximately HK$63.2 million for the year ended March 31, 2016, primarily due to the decrease in revenue as mentioned above. Gross profit margin increased to approximately 45.7% for the Year, from approximately 44.6% for the year ended March 31, 2016, mainly attributable to the depreciation of the Renminbi currency against the Hong Kong Dollar, as a majority of the Group's cost of sales are denominated in Renminbi.

**Selling and Distribution Expenses**

The Group's selling and distribution expenses increased by approximately HK$0.8 million, or 20.0%, to approximately HK$4.8 million for the Year, from approximately HK$4.0 million for the year ended March 31, 2016, mainly due to the increase in sales staff costs during the Year.

**Administrative Expenses**

The Group's administrative expenses increased by approximately HK$2.7 million, or 13.0%, to approximately HK$23.5 million for the Year, from approximately HK$20.8 million for the year ended March 31, 2016, primarily due to an increase in audit fees, staff costs and directors' remuneration during the Year.

**Listing Expenses**

The Group's listing expenses increased by approximately HK$24.2 million to approximately HK$25.2 million for the Year, from approximately HK$1.0 million for the year ended March 31, 2016, primarily attributable to the recognition of listing expenses due to the successful listing of the Group on the Stock Exchange on January 11, 2017 (the "**Listing Date**").

**Finance Costs**

The Group's finance costs increased by approximately HK$0.3 million, or 75.0%, to approximately HK$0.7 million for the Year, from approximately HK$0.4 million for the year ended March 31, 2016, primarily due to the increase in bank borrowings during the Year.

**Net Profit**

The Group recorded a net profit of approximately HK$2.8 million for the Year as compared to the net profit of approximately HK$35.3 million for the year ended March 31, 2016. The decrease was mainly attributable to the decrease in revenue, together with the listing expenses incurred during the Year.

## STRATEGY AND PROSPECTS

The Group is a leading manufacturer and supplier of DTH rockdrilling tools in Hong Kong. We also supply piling and drilling machineries and rockdrilling equipment sourced from external suppliers, and provide technical rockdrilling solutions to our customers with a variety of rockdrilling needs.

The year 2017 is the first year that the shares of the Company are listed on the Stock Exchange. The successful listing has not only strengthened the shareholders base of the Group, but also further enhanced the Group's financing capability and increased its brand awareness and reputation.

During the Year, the Group continued to steadily develop its various business segments. However, for Hong Kong, the Group's major market, the market environment has been challenging in recent months due to the delay in the funding approval process, as well as the increased uncertainties in obtaining approvals for public works by the Legislative Council. From the information published by the government, in the 2016-17 legislative session, it is estimated that the government needed to seek funding approval of more than HK$90 billion from the Finance Committee of Legislative Council for the new works projects. However, as the Legislative Council has been very slow in its progress of approving funding proposals for works projects, so far there is only one new works project that has obtained funding approval totaling about HK$1.1 billion up to March 2017. This has impacted the Group's revenue and profitability for the Year. Although the planned public works from the relevant government departments continue to be delayed pending approval from the Legislative Council, the recent approvals for some of the public works projects showed signs of improvement. Moreover, as stated in the 2017 Policy Address, the government has been increasing land supply and addressing the supply and demand imbalance by implementing short, medium and long-term measures. It is anticipated that more construction projects will be approved and commenced by the government and the private sector in the coming years.

The Macau market has seen signs of improvement during the Year. The Group will continue to capture the business opportunities as and when they arise.

The Group has been continuing its efforts to strengthen and extend its presence in several key international markets, including Scandinavia, Japan and India.

Overall, the Group remains positive towards the future of the construction market and the business of the Group in Hong Kong and Macau, and will continue its efforts to strengthen and extend its presence in the overseas markets.

## LIQUIDITY AND FINANCIAL RESOURCES

As at March 31, 2017, the Group had total cash and cash equivalents of approximately HK$100,856,000 (2016: approximately HK$27,628,000). The increase was mainly resulted from the funds raised from the public offer in January 2017.

The gearing ratio of the Group as at March 31, 2017 (defined as the Group's total interest-bearing liabilities divided by the Group's total equity) was approximately 13.2% (2016: approximately 6.7%). The increase in gearing ratio of the Group as at March 31, 2017 is mainly due to the increase in bank borrowings.

## CAPITAL STRUCTURE

The Group's shares were successfully listed on the Main Board of the Stock Exchange on January 11, 2017.

As at March 31, 2017, the Company's issued share capital was HK$38,000,000 and the number of its issued ordinary shares was 380,000,000 of HK$0.1 each.

There has been no change in the capital structure of the Group since the Listing Date and up to the date of this announcement.

## FOREIGN EXCHANGE RISK

Our Group's operations are mainly in Hong Kong and the PRC, and most of the operating transactions, revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars and Renminbi. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if it arises. The Group has not engaged in any derivative to hedge its exposure to foreign exchange risk.

## MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the Year, the revenue attributable to our top five customers was approximately HK$63.3 million (2016: approximately HK$80.9 million), accounting for approximately 50.0% (2016: approximately 57.1%) of the total revenue of the Group.

During the Year, our purchases from our top five suppliers were approximately HK$32.6 million (2016: approximately HK$33.6 million), accounting for approximately 61.6% (2016: approximately 64.3%) of our total purchases.

The Group's top five customers and suppliers during the reporting period were independent third parties, and none of our Directors, their associates or any shareholder (who, to the knowledge of our Directors, owned more than 5% of our Company's share capital as at the date of this announcement) had any interest in any of our top five customers or suppliers during the reporting period.

## CONTINGENT LIABILITIES

Save as disclosed in the Prospectus dated December 30, 2016, the Group has not had any material contingent liability as of March 31, 2017.

## CAPITAL COMMITMENTS AND GUARANTEES

As at March 31, 2017, the Group had no capital commitments (2016: approximately HK$38,000). As at March 31, 2017, deposits placed at an insurance company amounting to HK$4,340,000 were pledged to secure general banking facilities granted to the Group.

## MATERIAL ACQUISITIONS AND DISPOSALS

There has been no significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company during the Year.

## USE OF PROCEEDS FROM THE PUBLIC OFFER

The Shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on January 11, 2017. The net proceeds from the public offer received by the Company, after deduction of the underwriting commissions and other related listing expenses payable by the Company in the public offer, were approximately HK$88.3 million. In accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the net proceeds received were applied by the Group from the Listing Date up to March 31, 2017 as follows:

| **Use of net proceeds** | **Estimated Net Proceeds as per the Prospectus** *HK$' million* | **Actual Net Proceeds** *HK$' million* | **Used amounts as at March 31, 2017** *HK$' million* | **Unused amounts as at March 31, 2017** *HK$' million* |
|---|---|---|---|---|
| Investing in new manufacturing facility | 48.0 | 50.4 | – | 50.4 |
| Research and development | 3.9 | 4.4 | – | 4.4 |
| Participation in overseas exhibition and promotions | 9.6 | 9.7 | – | 9.7 |
| Purchase of brand new drilling machineries | 8.2 | 8.8 | – | 8.8 |
| Increasing manpower in Hong Kong | 3.8 | 4.4 | – | 4.4 |
| Renting of new office for Hong Kong headquarters | 3.2 | 3.5 | – | 3.5 |
| Working capital and other general corporate purposes | 6.9 | 7.1 | 0.4 | 6.7 |
| **Total** | **83.6** | **88.3** | **0.4** | **87.9** |

The unutilised amounts of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus.

As at the date of this announcement, the Directors do not anticipate any change to the plan of the use of proceeds as disclosed above. The unused net proceeds have been deposited with banks in Hong Kong.

For further information regarding the use of the Company's proceeds from the public offer, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus.

## SECURITIES TRANSACTIONS CONDUCTED BY DIRECTORS AND THE RELEVANT EMPLOYEES

The Company has adopted the standard code against which the Directors of Listed Issuers conduct securities transactions as provided in Appendix 10 to the Listing Rules (the "**Standard Code**"), taking such Code against which the Directors of the Company may conduct securities transactions.

Since the Company was listed on the Stock Exchange during the reporting period, the Standard Code does not apply to the Company before the Listing Date.

Upon specific enquiry conducted by the Company, all the Directors have confirmed that commencing from the Listing Date, they have been fully observing the Standard Code.

## CORPORATE GOVERNANCE CODE

The Company focuses on maintaining a good standard of corporate governance for purposes of enhancing the value for shareholders and protecting their interests. The Company has adopted such provisions of the Code as stated in the Corporate Governance Code (the "**Code**") provided in Appendix 14 to the Listing Rules. Since the Company was listed during the Year, the Code does not apply to the Company during the Year before it was listed. However, the Company has established the corporate governance structure in accordance with the Listing Rules and the Code and has set up a series of corporate governance system. The Directors believe that commencing from the Listing Date, the Company has been observing all mandatory provisions of the code as stipulated in the Corporate Governance Code except the provisions of A.2.1, details of which are set out below.

Mr. Leung Choi Chan has been appointed as the Chairman and Chief Executive Officer of the Company. In accordance with Rule A.2.1 of the Corporate Governance Code as provided in Appendix 14 to the Listing Rules, the roles of the Chairman and Chief Executive Officer should be separated and should not be held by the same person. The Board of Directors has noticed that there was some deviation from Rule A.2.1 of the provisions of the Corporate Governance Code. However, given the development of the Group and the rich and extensive experience that Mr. Leung Choi Chan has in the industry and the Group with a long history, the Board of Directors believes, that Mr. Chan concurrently acting as the Chairman and Chief Executive Officer will help implementing the Group's business strategies and enhance the operating efficiency. In addition, the Board of Directors comprises three independent non-executive Directors, enabling the Company's shareholders to be represented sufficiently and fairly under the monitoring of the Board of Directors.

The Board of Directors will examine and review, from time to time, the Company's corporate governance practices and operations in order to meet the relevant provisions under the Listing Rules and to protect the shareholders' interests.

## PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors nor their associates (as defined in the Listing Rules) had any competing interests in such business that is in direct or indirect competition with any of the Group's business.

## EVENTS AFTER THE REPORTING DATE

There are no significant events affecting the Group after the reporting date.

## AUDIT COMMITTEE

The Company has established the Audit and Compliance Committee in accordance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and has expressly stated the scope of job duties of such committee in writing. The Audit and Compliance Committee consists of three members, namely Mr. Lewis Chan, Mr. Chun Fung Lam and Mr. Lok Man Richard Sung. All members of the Audit and Compliance Committee are independent non-executive Directors. Mr. Lok Man Richard Sung is the chairman of the Audit and Compliance Committee.

The Audit and Compliance Committee of the Company has reviewed and discussed the annual results, the consolidated financial statements for the Year prepared in accordance with Hong Kong Financial Reporting Standards, as well as the auditing, accounting principles, and internal controls of the Group.

## FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the Year.

## REVIEW OF ANNUAL RESULTS

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 as set out in the preliminary 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. 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 the preliminary announcement.

## PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE 2016/17 ANNUAL REPORT

This announcement is published on the respective websites of the Stock Exchange at www.hkexnews.hk and on the website of the Company at http://www.yukwing.com. The Company's 2016/17 annual report containing all of the information as required by the Listing Rules will be despatched to shareholders of the Company and published on the websites of the Stock Exchange of Hong Kong and the Company in due course.

For and on behalf of the Board
**Yuk Wing Group Holdings Limited**
**Leung Choi Chan**
*Chairman*

Hong Kong, June 28, 2017

*As of the date of this announcement, the Board of the Company comprises four Executive Directors namely, Mr. Leung Choi Chan, Mr. Kin Choi Chan, Mr. Tat Choi Chan and Ms. Ning Liang; and three Independent Non-executive Directors namely, Mr. Lewis Chan, Mr. Chun Fung Lam and Mr. Lok Man Richard Sung.*