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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board (the "**Board**") of directors (the "**Director(s)**") of Yuk Wing Group Holdings Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2018 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**79,685**	39,622
Cost of sales		**(49,068)**	(22,190)
Gross profit		**30,617**	17,432
Other income		**448**	2,627
Other gains and losses	*4*	**(233)**	(98)
Selling and distribution expenses		**(3,207)**	(2,193)
Administrative expenses		**(12,282)**	(11,594)
Finance costs	*5*	**(354)**	(298)
Profit before tax	*6*	**14,989**	5,876
Income tax expense	*7*	**(3,250)**	(1,460)
Profit for the period		**11,739**	4,416
Profit for the period attributable to:			
Owners of the Company		**8,164**	2,157
Non-controlling interests		**3,575**	2,259
		11,739	4,416
Earnings per share, basic (HK cents)	*9*	**2.15**	0.57

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**11,739**	4,416
Other comprehensive (expense) income for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(3,350)**	1,225
Total comprehensive income for the period	**8,389**	5,641
Total comprehensive income for the period attributable to:		
Owners of the Company	**6,220**	2,806
Non-controlling interests	**2,169**	2,835
	8,389	5,641

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	At 30 September 2018 HK$'000 (unaudited)	At 31 March 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**8,483**	10,905
Deposits placed at an insurance company		**4,470**	4,426
		12,953	15,331
Current assets			
Inventories		**44,751**	39,483
Trade and other receivables	*10*	**58,960**	49,592
Tax recoverable		**248**	1,064
Bank balances and cash		**88,886**	71,975
		192,845	162,114
Current liabilities			
Trade and other payables	*11*	**11,467**	19,511
Contract liabilities		**573**	—
Tax payable		**2,521**	1,771
Bank and other borrowings		**30,072**	1,697
		44,633	22,979
Net current assets		**148,212**	139,135
Total assets less current liabilities		**161,165**	154,466
Non-current liability			
Deferred tax liabilities		**100**	68
		161,065	154,398
Capital and reserves			
Share capital		**38,000**	38,000
Reserves		**94,019**	89,521
Equity attributable to owners of the Company		**132,019**	127,521
Non-controlling interests		**29,046**	26,877
		161,065	154,398

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL AND BASIS OF PREPARATION

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 17 March 2016. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 11 January 2017.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded Hong Kong Accounting Standards ("**HKAS**") 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from (i) manufacture and trading of down-the-hole ("**DTH**") rockdrilling tools, which include design, manufacturing and trading of DTH rockdrilling tools; (ii) trading of piling and drilling machineries and (iii) trading of rockdrilling equipment.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.1.2 Summary of effects arising from initial application of HKFRS 15

There is no material impact of transactions to HKFRS 15 on retained profits at 1 April 2018.

The following adjustments were made to the amounts recongised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables	19,511	(2,713)	16,798
Contract liabilities *(note)*	—	2,713	2,713

Note:

As at 1 April 2018, advances from customers of HK$2,713,000 in respect of considerations received from sale contracts previously included in trade and other payables were classified to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included:

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables	11,467	573	12,040
Contract liabilities	573	(573)	—

The directors of the Company considered the application of HKFRS15 has no material impact of the timing and amounts of revenue recognised in the respective reporting periods.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

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

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

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

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

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

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

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

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS 9

Except for financial instruments which are subject to ECL upon application of HKFRS 9, all other financial assets and financial liabilities will continue to be measured on the same bases as were previously measured under HKAS 39.

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Note	**Trade receivables** *HK$'000*
Opening balance at 31 March 2018 — HKAS 39		41,802
Effect arising from initial application of HKFRS 9:		
Impairment under ECL model	(a)	(1,722)
Opening balance at 1 April 2018		40,080

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and aging analysis of the trade receivables.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and bank balances and cash, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the additional credit loss allowance of HK$1,722,000 have been recognised against retained profits. The additional loss allowance is charged against the respective assets.

No additional credit loss allowance has been made for other financial assets at amortised cost.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in (i) manufacturing and trading of DTH rockdrilling tools; (ii) trading of piling and drilling machineries; and (iii) trading of rockdrilling equipment. All of the Group's revenue is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer's premises as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The customers have neither rights of return nor rights to defer or avoid payment for the goods once they are accepted by the customers upon receipt of goods. The contracts signed with the customers are short-term and fixed price contracts.

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 DTH rockdrilling tools; (ii) trading of piling and drilling machineries; and (iii) trading of rockdrilling equipment.

Disaggregation of revenue

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Sales of DTH rockdrilling tools	**49,472**	29,158
Sales of piling and drilling machineries	**19,376**	3,728
Sales of rockdrilling equipment	**10,837**	6,736
	79,685	39,622
Geographical markets:		
Hong Kong	**60,185**	33,536
Macau	**12,619**	2,826
Peru	**5,305**	62
Others	**1,576**	3,198
	79,685	39,622

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.

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

For the six months ended 30 September 2018

	Manufacturing and trading of DTH rockdrilling tools	**Trading of piling and drilling machineries**	**Trading of rockdrilling equipment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment and external sales	**49,472**	**19,376**	**10,837**	**79,685**
RESULTS				
Segment result	**25,593**	**1,914**	**3,110**	**30,617**
Unallocated expenses				**(15,489)**
Other income				**448**
Other gains and losses				**(233)**
Finance costs				**(354)**
Profit before tax				**14,989**

For the six months ended 30 September 2017

	Manufacturing and trading of DTH rockdrilling tools	Trading of piling and drilling machineries	Trading of rockdrilling equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment and external sales	29,158	3,728	6,736	39,622
RESULTS				
Segment result	15,514	612	1,306	17,432
Unallocated expenses				(13,787)
Other income				2,627
Other gains and losses				(98)
Finance costs				(298)
Profit before tax				5,876

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 and finance costs. This is the measure reported to the CODM of the Company for the purposes of resource allocation and performance assessment.

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

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Net foreign exchange gain (loss)	**477**	(98)
Loss on disposal of property, plant and equipment	**(406)**	—
Allowance for doubtful debts	**(304)**	—
	(233)	(98)

5. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**354**	298

6. PROFIT BEFORE TAX

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**237**	367
Depreciation of property, plant and equipment capitalised in inventories	**1,071**	935
Cost of inventories recognised as expense	**49,068**	22,190
Operating lease rental in respect of minimum lease payments of rental premises	**1,995**	1,758

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong	**2,405**	947
PRC Enterprise Income Tax	**813**	503
	3,218	1,450
Deferred tax charge	**32**	10
	3,250	1,460

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

8. DIVIDENDS

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

9. EARNINGS PER SHARE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of calculating basic earnings per share: profit for the period attributable to the owners of the Company	**8,164**	2,157
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	**380,000**	380,000

No diluted earnings per share was presented since there is no potential ordinary shares outstanding for both periods.

10. TRADE AND OTHER RECEIVABLES

	At 30 September 2018 *HK$'000*	At 31 March 2018 *HK$'000*
Trade receivables	**49,719**	41,802
Other receivables, deposits and prepayments	**9,241**	7,790
	58,960	49,592

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 the reporting period:

	At 30 September 2018 *HK$'000*	At 31 March 2018 *HK$'000*
0 to 30 days	**10,150**	14,545
31 to 60 days	**8,589**	5,450
61 to 90 days	**4,050**	4,916
91 to 180 days	**11,135**	8,748
181 days to 1 year	**14,646**	6,010
Over 1 year	**1,149**	2,133
	49,719	41,802

11. TRADE AND OTHER PAYABLES

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

	At 30 September 2018 *HK$'000*	At 31 March 2018 *HK$'000*
0 to 30 days	**3,582**	4,543
31 to 60 days	**2,440**	1,322
61 to 90 days	**678**	2,227
	6,700	8,092

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$60.2 million for the Reporting Period (six months ended 30 September 2017: approximately HK$33.5 million), or 75.5% of the total revenue during the Reporting Period (six months ended 30 September 2017: 84.6%). The business in Macau has been steadily progressing during the Reporting Period, where the revenue generated from Macau contributed to approximately HK$12.6 million for the Reporting Period (six months ended 30 September 2017: approximately HK$2.8 million), or 15.8% of the total revenue during the Reporting Period (six months ended 30 September 2017: 7.1%). Revenue from Peru has shown significant increase for the Reporting Period, which contributed to approximately HK$5.3 million for the Reporting Period (six months ended 30 September 2017: approximately HK$0.1 million).

Manufacturing and Trading of DTH Rockdrilling Tools

The Group 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 62.1% of the total revenue during the Reporting Period (six months ended 30 September 2017: approximately 73.6%). Our newly developed self-designed drill pipes has seen improvement in sales during the Reporting Period, where the revenue generated from our self-designed drill pipes increased by approximately HK$4.9 million, or 114.0%, to approximately HK$9.2 million for the Reporting Period, from approximately HK$4.3 million for the six months ended 30 September 2017.

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 24.3% of total revenue during the Reporting Period (six months ended 30 September 2017: approximately 9.4%) and approximately 13.6% of the total revenue during the Reporting Period (six months ended 30 September 2017: approximately 17.0%), respectively.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$40.1 million, or 101.1%, to approximately HK$79.7 million for the Reporting Period, from approximately HK$39.6 million for the six months ended 30 September 2017, primarily due to the improvement of the business environment in Hong Kong during the Reporting Period, leading to a relatively higher level of construction activities and available projects when compared with the six months ended 30 September 2017, resulting in a higher than expected demand for our products.

Gross Profit and Gross Profit Margin

The Group's gross profit margins increased by approximately HK$13.2 million, or 75.6%, to approximately HK$30.6 million for the Reporting Period, from approximately HK$17.4 million for the six months ended 30 September 2017, primarily due to the increase in revenue as mentioned above. Gross profit margin decreased to approximately 38.4% for the Reporting Period, from approximately 44.0% for the six months ended 30 September 2017, mainly attributable to the lower gross profit margin from the trading of piling and drilling machineries segment, as the gross profit margin of machineries sold during the Reporting Period is lower than those machineries sold during the six months ended 30 September 2017.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately HK$1.0 million, or 46.2%, to approximately HK$3.2 million for the Reporting Period, from approximately HK$2.2 million for the six months ended 30 September 2017, mainly due to the increase in advertising and business promotion expenses, declaration charges, commission, and freight, transportation and storage costs as a result of the increase in revenue during the Reporting Period.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$0.7 million, or 5.9%, to approximately HK$12.3 million for the Reporting Period, from approximately HK$11.6 million for the six months ended 30 September 2017, primarily due to the increase in rental expenses, bank charges and auditor's remuneration, partially offset by the decrease in staff costs and directors' remunerations during the Reporting Period.

Net Profit

The Group reported a net profit of approximately HK$11.7 million (for the six months ended 30 September 2017: approximately HK$4.4 million). The increase in net profit was mainly attributable to the increase in revenue during the Reporting Period as explained above.

PROSPECTS

During the Reporting Period, the Group continued to develop its various business and geographical segments. The market environment in the Group's major market, Hong Kong, has improved during the Reporting Period. As more construction projects were available in the market, our customers have increased their purchases of our products, which in turn had a positive contribution to the Group's revenue and profit during the Reporting Period. As motions have passed at the Finance Committee of the Legislative Council in March 2018 to streamline the procedures on the deliberation of agenda items and committee members speaking on proposals, this has a positive impact as to the timeliness of the approval process, and it is anticipated that more construction projects will commence in the coming years.

The Macau market continued to progress steadily during the Reporting Period. The Group will continue to capture the business opportunities as and when they arise.

The Group has been continuing its efforts to extend its presence in several key international markets, including Scandinavia, Peru, Germany, Brazil, Japan and India. Progress has been made in the exploring the South America region, where the Group has commenced businesses with customers in Peru and Brazil for construction projects during the Reporting Period.

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 through participation in overseas exhibition and promotions.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had total cash and cash equivalents of approximately HK$88.9 million (as at 31 March 2018: approximately HK$72.0 million). The increase was mainly resulted from the increase in revenue during the Reporting Period.

The gearing ratio of the Group as at 30 September 2018 (defined as the Group's total interest bearing liabilities divided by the Group's total equity) was approximately 18.7% (as at 31 March 2018: approximately 1.1%). The increase in gearing ratio of the Group as at 30 September 2018 is mainly due to the increase in borrowings.

CAPITAL STRUCTURE

As at 30 September 2018 and the date of this announcement, 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 during the Reporting Period, the six months ended 30 September 2017, and up to the date of this announcement.

CHARGE ON GROUP ASSETS

As at 30 September 2018, bank borrowings amounting to approximately HK$10.1 million are guaranteed by the Company. As at 30 September 2018, deposits placed at an insurance company amounting to approximately HK$4.5 million were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 30 September 2018.

CAPITAL COMMITMENTS

As at 30 September 2018 and 2017, the Group had no capital commitments.

SEGMENT INFORMATION

Details of segment information of the Group for the six months ended 30 September 2018 are set out in note 3 to the condensed consolidated financial statements.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, there has been no significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company during the Reporting Period.

CHANGE IN CONTROL AND MANDATORY CASH OFFER

The deed of sale and purchase was entered into between Colour Shine Investments Limited ("**Colour Shine**") and Hang Yip Company Limited ("**Hang Yip**"), a former Controlling Shareholder who was interested in 195,000,000 shares of the Company, representing 51.32% of the issued share capital of the Company (the "**Sale Share(s)**"), on 2 February 2018, pursuant to which, among others, Colour Shine agreed to purchase and Hang Yip agreed to sell the Sale Shares for a total cash consideration of HK$349.05 million (equivalent to HK$1.79 per Sale Share). The completion of the sale and purchase of the Sale Shares took place on 5 February 2018.

Upon the completion of the sale and purchase of the Sale Shares, Colour Shine and parties acting in concert with it were interested in 195,000,000 shares of the Company, representing 51.32% of the issued share capital of the Company on 5 February 2018, Colour Shine therefore was required to make a mandatory unconditional cash offer for all the issued shares of the Company not already owned or agreed to be acquired by it and parties acting in concert with it under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the "**Offer**"). The Offer was closed on 13 April 2018.

Details of the Offer have been disclosed in the Company's announcements dated 7 February 2018, 13 February 2018, 28 February 2018, 23 March 2018, 29 March 2018 and 13 April 2018 respectively and the Company's circular dated 23 March 2018.

PURCHASE, SALE AND REDEMPTION OF THE 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 Reporting Period.

FOREIGN EXCHANGE RISK

Our Group's operations are mainly in Hong Kong and the People's Republic of China (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 the Group 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group had 109 employees (as at 30 September 2017: 113 employees) in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on discretionary basis, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for PRC employees.

USE OF PROCEEDS FROM THE PUBLIC OFFER

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 of the Company dated 30 December 2016 (the "**Prospectus**"), the net proceeds received were applied by the Group up to 30 September 2018 as follows:

Use of net proceeds	Estimated Net Proceeds as per the Prospectus *HK$' million*	Actual Net Proceeds *HK$' million*	Used amounts as at 30 September 2018 *HK$' million*	Unused amounts as at 30 September 2018 *HK$' million*
Investing in new manufacturing facility	48.0	50.4	5.0	45.4
Research and development	3.9	4.4	0.8	3.6
Participation in overseas exhibition and promotions	9.6	9.7	0.9	8.8
Purchase of brand new drilling machineries	8.2	8.8	8.8	—
Increasing manpower in Hong Kong	3.8	4.4	0.4	4.0
Renting of new office for Hong Kong headquarters	3.2	3.5	0.5	3.0
Working capital and other general corporate purposes	6.9	7.1	5.8	1.3
Total	**83.6**	**88.3**	**22.2**	**66.1**

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.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the Reporting Period.

COMPLIANCE OF THE 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 and complied with such provisions of the Code (the "**Code Provision(s)**") as stated in the Corporate Governance Code (the "**Code**") provided in Appendix 14 to the Listing Rules during the Year except for the Code Provision A.2.1.

In accordance with Code Provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be held by the same person. On 13 April 2018, Mr. Chan Leung Choi resigned and Mr. He Xiaoming was appointed to act as the chairman and the chief executive officer of the Company. However, given the development of the Group and the rich and extensive experience that Mr. Chan Leung Choi has in the industry and the Group with a long history, the Board believes that both Mr. Chan Leung Choi and Mr. He Xiaoming concurrently acting as the chairman and chief executive officer helped implement the Group's business strategies and enhanced the operating efficiency. In addition, the Board comprises three Independent Non-executive Directors, enabling the Company's shareholders to be represented sufficiently and fairly under the monitoring of the Board.

The Board 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as provided in Appendix 10 of the Listing Rules (the "**Model Code**") as the Company's code of conduct governing Directors' securities transactions. Upon specific enquiry conducted by the Company, each of the existing Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

REVIEW OF FINANCIAL STATEMENTS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2018 have been reviewed by the external auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee has reviewed the unaudited condensed consolidated interim financial statements for the Reporting Period and considered that the Company has adopted applicable accounting policies and made adequate disclosures in relation to preparation of relevant results.

The Audit and Compliance Committee consists of three members, namely Mr. Liu Tin Lap, Mr. Lau Leong Yuen and Ms. Lam Hoi Yu Nicki. All members of the Audit and Compliance Committee are independent non-executive Directors. Mr. Liu Tin Lap is the chairman of the Audit and Compliance Committee.

For and on behalf of the Board
Yuk Wing Group Holdings Limited
He Xiaoming
Chief Executive Officer, Chairman and Executive Director

Hong Kong, 28 November 2018

As at the date of this announcement, the executive Director is Mr. He Xiaoming, and the independent non-executive Directors are Mr. Liu Tin Lap, Mr. Lau Leong Yuen and Ms. Lam Hoi Yu Nicki.

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.