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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 31 MARCH 2019

The board (the "**Board**") of directors (the "**Director(s)**") of Yuk Wing Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 (the "**Year**") together with the comparative and audited figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Revenue	4	**163,441**	99,703
Cost of sales		**(97,084)**	(62,234)
Gross profit		**66,357**	37,469
Other income and expenses		**2,108**	202
Impairment losses, net of reversal		**(2,952)**	(1,179)
Other gains and losses		**1,404**	(872)
Selling and distribution expenses		**(6,305)**	(4,806)
Administrative expenses		**(33,773)**	(27,419)
Finance costs		**(1,041)**	(473)
Profit before tax	5	**25,798**	2,922
Income tax expense	6	**(6,033)**	(2,431)
Profit for the year		**19,765**	491
Profit (loss) for the year attributable to:			
Owners of the Company		**13,859**	(2,324)
Non-controlling interests		**5,906**	2,815
		19,765	491
Earnings (loss) per share, basic *(HK cents)*	7	**3.65**	(0.61)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**19,765**	491
Other comprehensive (expense) income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(2,748)**	3,265
Total comprehensive income for the year	**17,017**	3,756
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**12,140**	(551)
Non-controlling interests	**4,877**	4,307
	17,017	3,756

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**11,228**	10,905
Deposits placed at an insurance company		**4,514**	4,426
Deferred tax assets		**720**	—
		16,462	15,331
Current assets			
Inventories		**54,990**	39,483
Trade and other receivables	9	**73,844**	49,592
Tax recoverable		—	1,064
Bank balances and cash		**74,047**	71,975
		202,881	162,114
Current liabilities			
Trade and other payables	10	**16,295**	19,511
Contract liabilities		**163**	—
Tax payable		**7,900**	1,771
Bank and other borrowings		**25,292**	1,697
		49,650	22,979
Net current assets		**153,231**	139,135
Total assets less current liabilities		**169,693**	154,466
Non-current liability			
Deferred tax liabilities		—	68
		169,693	154,398
Capital and reserves			
Share capital		**38,000**	38,000
Reserves		**99,939**	89,521
Equity attributable to owners of the Company		**137,939**	127,521
Non-controlling interests		**31,754**	26,877
		169,693	154,398

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. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 was located at Unit B, 17/F., E-Trade Plaza, No. 24 Lee Chung Street, Chai Wan, Hong Kong and changed to Unit 2102, 21/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong with effective from 18 April 2018 and changed to Unit B, 13/F., Eton Building, 288 Des Voeux Road Central, Hong Kong with effect from 23 November 2018. 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 equipment and machineries.

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

2. BASIS OF PRESENTATION

The consolidated financial statements have been prepared on the historical cost basis, and in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND AMENDMENTS TO 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 HKICPA for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs 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 these consolidated financial statements.

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

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 (or other components of equity, as appropriate) 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 were 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.

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

Summary of effects arising from initial application of HKFRS 15

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

The following adjustments were made to the amounts recognised in the 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, receipt in advance from customers of approximately HK$2,713,000 in respect of considerations received from customers previously included in trade and other payables were reclassified to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included:

Impact on the consolidated statement of financial position

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables	16,295	163	16,458
Contract liabilities	163	(163)	—

The directors of the Company considered the application of HKFRS 15 has no material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 9 "Financial Instruments" and the related amendments

In the current year, 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. the Group has applied the classification and measurement requirements (including impairment under the ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) but has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between the 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 the comparative information.

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

Summary of effects arising from initial application of HKFRS 9

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

	Note	Trade receivables *HK$'000*	Retained profits *HK$'000*
Opening balance at 31 March 2018 — HKAS 39		41,802	30,266
Effect arising from initial application of HKFRS 9:			
Impairment under ECL model	(a)	(1,722)	(1,722)
Opening balance at 1 April 2018		40,080	28,544

Note:

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables.

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flow. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$22,195,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with HKAS 17 would result in significant impact on the Group's result but expected that the above operating lease arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

The application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$514,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The Group elects 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 applying HKAS 17 and HK(IFRIC) — Int 4. Therefore, the Group does not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of HKFRS 16 as lessee and recognises the cumulative effect of initial application to opening retained profits without restating comparative information.

4. 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.

Disaggregation of revenue

For the year ended 31 March 2019

An analysis of the Group's revenue is as follows:

	2019
	HK$'000
Recognised at a point in time:	
Manufacturing and trading of DTH rockdrilling tools	**108,273**
Trading of piling and drilling machineries	**38,700**
Trading of rockdrilling equipment	**16,468**
	163,441

Performance obligations for contracts with customers

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.

Transaction price allocated to the remaining performance obligation for contract with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue are as follows:

	HK$'000
Within one year	**23,466**

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.

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 31 March 2019

	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	**108,273**	**38,700**	**16,468**	**163,441**
RESULTS				
Segment result	**54,533**	**7,380**	**4,444**	**66,357**
Unallocated expenses				**(40,078)**
Other income and expenses				**2,108**
Impairment losses, net of reversal				**(2,952)**
Other gains and losses				**1,404**
Finance costs				**(1,041)**
Profit before tax				**25,798**

For the year ended 31 March 2018

	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	62,609	27,489	9,605	99,703
RESULTS				
Segment result	31,962	3,438	2,069	37,469
Unallocated expenses				(32,225)
Other income and expenses				202
Impairment losses, net of reversal				(1,179)
Other gains and losses				(872)
Finance costs				(473)
Profit before tax				2,922

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 and expenses, impairment losses, net of reversal, 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.

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 31 March 2019

	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 result:				
Depreciation	**1,827**	**132**	**14**	**1,973**
Loss on disposal of property, plant and equipment	**—**	**406**	**—**	**406**

For the year ended 31 March 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*
Amounts regularly provided to the CODM but not included in the measurement of segment result:				
Depreciation	994	224	43	1,261

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		**Property, plant and equipment**	
	For the year ended 31 March		**As at 31 March**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**129,974**	88,520	**3,592**	941
Macau	**22,434**	6,046	**—**	—
Peru	**5,655**	—	**—**	—
Japan	**3,948**	348	**—**	—
Scandinavia	**1,241**	2,839	**—**	—
The People's Republic of China (the "**PRC**")	**—**	—	**7,636**	9,964
Others	**189**	1,950	**—**	—
	163,441	99,703	**11,228**	10,905

Information about major customers

Revenue from major customers which accounted for 10% or more of the Group's revenue for each of the years are set out below:

	2019	2018
	HK$'000	*HK$'000*
Customer A from trading of piling and drilling machineries	**N/A[1]**	12,257
Customer B from all segments	**N/A[1]**	10,545
Customer C from all segments	**20,668**	N/A[1]
Customer D from manufacturing and trading of DTH rockdrilling tools and trading of rockdrilling equipment	**19,089**	N/A[1]

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Directors' remuneration	**1,058**	5,424
Other staff costs	**16,114**	11,462
Contributions to retirement benefit schemes, other than those of directors	**1,358**	1,271
Total staff costs	**18,530**	18,157
Capitalised in cost of inventories manufactured	**(5,982)**	(4,936)
	12,548	13,221
Depreciation of property, plant and equipment	**3,883**	3,137
Capitalised in cost of inventories manufactured	**(1,910)**	(1,876)
	1,973	1,261
Auditor's remuneration	**2,450**	2,428
Cost of inventories recognised as expense	**97,084**	62,234
Operating lease rental in respect of minimum lease payments of rented premises	**3,925**	3,532

6. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**4,896**	1,596
PRC Enterprise Income Tax	**1,925**	683
	6,821	2,279
Underprovision in prior years		
Hong Kong	**—**	47
	—	47
Deferred tax (credit) charge	**(788)**	105
	6,033	2,431

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The 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%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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% (2018: 25%) of the assessable profits for the subsidiary established in the PRC.

7. EARNINGS (LOSS) PER SHARE

	2019	2018
	HK$'000	*HK$'000*
Profit (loss):		
Profit (loss) for the purpose of calculating basic earnings (loss) per share:		
Profit (loss) for the year attributable to the owners of the Company	**13,859**	(2,324)
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**380,000**	380,000

No diluted earnings (loss) per share for the years ended 31 March 2019 and 2018 was presented as there were no potential ordinary shares in issue during the years ended 31 March 2019 and 2018.

8. DIVIDENDS

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: nil).

9. TRADE AND OTHER RECEIVABLES

The Group grants a 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 impairment losses at the end of each reporting period:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**14,816**	14,545
31 to 60 days	**7,092**	5,450
61 to 90 days	**12,112**	4,916
91 to 180 days	**12,006**	8,748
181 days to 1 year	**12,214**	6,010
Over 1 year	**6,184**	2,133
	64,424	41,802

10. TRADE AND OTHER PAYABLES

The 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.

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**6,101**	4,543
31 to 60 days	**3,647**	1,322
61 to 90 days	**33**	2,227
91 to 180 days	**96**	—
	9,877	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 trading of 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$130.0 million for the Year (2018: approximately HK$88.5 million), or approximately 79.6% of the total revenue during the Year (2018: approximately 88.8%). The business in Macau has been steadily progressing during the Year, where the revenue generated from Macau contributed to approximately HK$22.4 million for the Year (2018: approximately HK$6.0 million), or approximately 13.7% of the total revenue during the Year (2018: approximately 6.0%). Revenue from Peru has shown significant increase during the Year, which contributed to approximately HK$5.7 million (2018: nil), or approximately 3.5% of the total revenue during the Year (2018: nil).

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 66.3% of the total revenue during the Year (2018: approximately 62.8%).

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 23.7% of the total revenue during the Year (2018: approximately 27.6%) and approximately 10.1% of the total revenue during the Year (2018: approximately 9.6%), respectively.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$63.7 million, or 63.9%, to approximately HK$163.4 million for the Year, from approximately HK$99.7 million for the year ended 31 March 2018, primarily due to the improvement of the business environment in Hong Kong during the Year, leading to a relatively higher level of construction activities and available projects when compared with the year ended 31 March 2018, resulting in a higher than expected demand for our products.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK$28.9 million, or 77.1%, to approximately HK$66.4 million for the Year, from approximately HK$37.5 million for the year ended 31 March 2018, primarily due to the increase in revenue as mentioned above. Gross profit margin increased to approximately 40.6% for the Year, from approximately 37.6% for the year ended 31 March 2018, mainly attributable to the increase in gross profit margins from the trading of piling and drilling machineries and trading of rockdrilling equipment segments.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately HK$1.5 million, or 31.3%, to approximately HK$6.3 million for the Year, from approximately HK$4.8 million for the year ended 31 March 2018, primarily due to the increase in sales staff costs and sales commission during the Year.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$6.4 million, or 23.4%, to approximately HK$33.8 million for the Year, from approximately HK$27.4 million for the year ended 31 March 2018, primarily due to the increase in staff costs, rental expenses and donations during the Year.

Finance Costs

The Group's finance costs increased by approximately HK$0.5 million, or 100.0%, to approximately HK$1.0 million for the Year, from approximately HK$0.5 million for the year ended 31 March 2018, primarily due to the increase in borrowings during the Year.

Net Profit

The Group recorded a net profit of approximately HK$19.8 million for the Year as compared to the net profit of approximately HK$0.5 million for the year ended 31 March 2018. The increase was mainly attributable to the increase in revenue and gross profit, net off with the increase in selling and distribution expenses and administrative expenses as explained above.

STRATEGY AND PROSPECTS

During the Year, 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 Year. 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 Year. 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 Year. 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 Year. Peru, in particular, has shown significant progress, where the revenue contributed to approximately 3.5% of the total revenue during the Year.

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 31 March 2019, the Group's total cash and cash equivalents amounted to approximately HK$74.0 million of which approximately 94.1%, 2.6%, 3.2% and 0.1% of the cash and cash equivalents were denominated in Hong Kong dollar, Renminbi, United States dollar and Euro, respectively (2018: approximately HK$72.0 million of which approximately 96.3%, 2.2%, 1.2% and 0.3% of the cash and cash equivalents were denominated in Hong Kong dollar, Renminbi, United States dollar and Euro, respectively). The increase was mainly resulted from the increase in revenue during the Year.

As at 31 March 2019, the Group's bank borrowings of approximately HK$5.3 million (2018: approximately HK$1.7 million) had variable interest rates and was repayable within one year, which are guaranteed by the Company, and the Group's other borrowings of approximately HK$20.0 million (2018: nil) had fixed interest rate of 5.0% per annum and was repayable in the second year, which was unsecured. As at 31 March 2018 and 2019, all of the bank and other borrowings were denominated in Hong Kong dollar.

The gearing ratio of the Group as at 31 March 2019 (defined as the Group's total interest-bearing liabilities divided by the Group's total equity) was approximately 14.9% (2018: approximately 1.1%). The increase in the gearing ratio of the Group as at 31 March 2019 is mainly due to the increase in borrowings.

CAPITAL STRUCTURE

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 11 January 2017 (the "**Listing Date**").

As at 31 March 2019, 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 Company 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$71.8 million (2018: approximately HK$42.0 million), accounting for approximately 43.9% (2018: approximately 42.1%) of the total revenue of the Group.

During the Year, our purchases from our top five suppliers were approximately HK$50.7 million (2018: approximately HK$29.4 million), accounting for approximately 55.2% (2018: approximately 59.0%) 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 Year.

CONTINGENT LIABILITIES

The Group has not had any material contingent liability as at 31 March 2019 and 31 March 2018.

CAPITAL COMMITMENTS

As at 31 March 2019 and 31 March 2018, the Group had no capital commitments.

CHARGE ON GROUP ASSETS

As at 31 March 2019, bank borrowings amounting to approximately HK$5.3 million (2018: approximately HK$1.7 million) are guaranteed by the Company. As at 31 March 2019, deposits placed at an insurance company amounting to approximately HK$4.5 million (2018: approximately HK$4.4 million) were pledged to secure general banking facilities granted to the Group.

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 Group 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 on 11 January 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 dated 30 December 2016 (the "**Prospectus**"), the net proceeds received were applied by the Group from the Listing Date up to 31 March 2019 as follows:

Use of net proceeds	**Estimated Net Proceeds as per the Prospectus** *HK$' million*	**Actual Net Proceeds** *HK$' million*	**Used amounts as at 31 March 2019** *HK$' million*	**Unused amounts as at 31 March 2019** *HK$' million*
Investing in new manufacturing facility	48.0	50.4	9.9	40.5
Research and development	3.9	4.4	1.3	3.1
Participation in overseas exhibition and promotions	9.6	9.7	4.5	5.2
Purchase of brand new drilling machineries	8.2	8.8	8.8	—
Increasing manpower in Hong Kong	3.8	4.4	0.8	3.6
Renting of new office for Hong Kong headquarters	3.2	3.5	0.6	2.9
Working capital and other general corporate purposes	6.9	7.1	6.0	1.1
Total	**83.6**	**88.3**	**31.9**	**56.4**

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 Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its model code for securities transactions by the Directors. Following a specific enquiry to all Directors by the Company, all Directors have confirmed that they have complied with the Model Code standard set out in the Model Code throughout the Year.

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 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.

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 PERIOD

Save as disclosed in this announcement, subsequent to the end of the reporting period and up to the date of this announcement, the Group has the following significant event:

(i) Mr. Huang Shixin has been appointed as the executive Director on 1 April 2019.

AUDIT COMMITTEE

The Company has established the audit and compliance committee of the Company (the "**Audit Committee**") in accordance with Rule 3.21 of the Listing Rules and the Code and has expressly stated the scope of job duties of such committee in writing. As at the date of this announcement, 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.

The Audit and Compliance Committee 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

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 2019 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 2018/19 ANNUAL REPORT

This announcement is published on the respective websites of the Stock Exchange at http://www.hkexnews.hk and the Company at http://www.yukwing.com. The Company's 2018/19 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 and the Company in due course.

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

Hong Kong, 27 June 2019

As at the date of this announcement, the executive Directors are Mr. He Xiaoming, Mr. Huang Shixin and Mr. Wong Ka Shing; and the independent non-executive Directors are Ms. Lam Hoi Yu Nicki, Mr. Lau Leong Yuen and Mr. Liu Tin Lap.

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