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 2019

The board (the "**Board**") of directors (the "**Director(s)**") of Yuk Wing Group Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2019 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**116,667**	79,685
Cost of sales		**(73,824)**	(49,068)
Gross profit		**42,843**	30,617
Other income		**1,226**	448
Reversal of (impairment losses) under expected credit loss model, net	*4*	**377**	(304)
Other gains and losses	*4*	**1,184**	71
Selling and distribution expenses		**(4,456)**	(3,207)
Administrative expenses		**(14,544)**	(12,282)
Finance costs	*5*	**(1,039)**	(354)
Profit before tax	*6*	**25,591**	14,989
Income tax expense	*7*	**(5,005)**	(3,250)
Profit for the period		**20,586**	11,739
Profit for the period attributable to:			
Owners of the Company		**16,071**	8,164
Non-controlling interests		**4,515**	3,575
		20,586	11,739
Earnings per share, basic (HK cents)	*9*	**4.23**	2.15

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**20,586**	11,739
Other comprehensive expense for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(2,787)**	(3,350)
Total comprehensive income for the period	**17,799**	8,389
Total comprehensive income for the period attributable to:		
Owners of the Company	**14,397**	6,220
Non-controlling interests	**3,402**	2,169
	17,799	8,389

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	At 30 September 2019 HK$'000 (unaudited)	At 31 March 2019 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**9,460**	11,228
Right-of-use assets		**16,855**	–
Deposits placed at an insurance company		**4,559**	4,514
Deferred tax assets		**703**	720
		31,577	16,462
Current assets			
Inventories		**56,360**	54,990
Trade and other receivables	*10*	**82,931**	73,844
Bank balances and cash		**81,840**	74,047
		221,131	202,881
Current liabilities			
Trade and other payables	*11*	**10,142**	16,295
Contract liabilities		**–**	163
Lease liabilities		**1,592**	–
Tax payable		**11,548**	7,900
Bank and other borrowings		**26,389**	25,292
		49,671	49,650
Net current assets		**171,460**	153,231
Total assets less current liabilities		**203,037**	169,693
Non-current liability			
Lease liabilities		**15,545**	–
		187,492	169,693
Capital and reserves			
Share capital		**38,000**	38,000
Reserves		**114,336**	99,939
Equity attributable to owners of the Company		**152,336**	137,939
Non-controlling interests		**35,156**	31,754
		187,492	169,693

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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.

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 of Hong Kong Limited.

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 and amendments to 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 2019 are the same as those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

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

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

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**"), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transitional provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and initially measured at fair value and subsequently at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.125% per annum.

	At 1 April 2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	22,434
Lease liabilities discounted at relevant incremental borrowing rate	18,995
Less: Recognition exemption — short-term leases	(1,087)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	17,908
Analysed as	
Current	1,559
Non-current	16,349
	17,908

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

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	17,908
By class:	
Factory premises	17,908

The directors of the Company considered that the impact of refundable rental deposits paid under HKFRS 9 at 1 April 2019 was insignificant to the Group.

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

	Carrying amount previously reported at 31 March 2019	**Adjustments**	**Carrying amount under HKFRS 16 at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	17,908	17,908
Current liabilities			
Lease liabilities	–	(1,559)	(1,559)
Non-current liability			
Lease liabilities	–	(16,349)	(16,349)

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in (i) manufacturing and trading of down-the-hole ("**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

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

	Six months ended 30 September 2019 *HK$'000*	2018 *HK$'000*
Recognised at a point in time:		
Manufacturing and trading of DTH rockdrilling tools	**94,215**	49,472
Trading of piling and drilling machineries	**14,096**	19,376
Trading of rockdrilling equipment	**8,356**	10,837
	116,667	79,685

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 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	**94,215**	**14,096**	**8,356**	**116,667**
RESULTS				
Segment result	**38,754**	**2,068**	**2,021**	**42,843**
Unallocated expenses				**(19,000)**
Other income				**1,226**
Reversal of impairment losses under expected credit loss ("**ECL**") model, net				**377**
Other gains and losses				**1,184**
Finance costs				**(1,039)**
Profit before tax				**25,591**

For the six months ended 30 September 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	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
Impairment losses under ECL model, net				(304)
Other gains and losses				71
Finance costs				(354)
Profit before tax				14,989

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 (including selling and distribution expenses and administrative expenses), other income, reversal of (impairment losses) under ECL model, net, 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.

Geographical information

The following table sets out information about the Group's revenue form external customers by the location of customers.

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**110,652**	60,185
Macau	**1,179**	12,619
Scandinavia	**2,708**	916
Germany	**747**	156
Peru	**842**	5,305
Others	**539**	504
	116,667	79,685

4. REVERSAL OF (IMPAIRMENT LOSSES) UNDER EXPECTED CREDIT LOSS MODEL, NET AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Reversal of (impairment losses) on trade receivables under ECL model, net	**377**	(304)
Other gains and losses		
Net foreign exchange gain	**1,184**	477
Loss on disposal of property, plant and equipment	**–**	(406)
	1,184	71

5. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**679**	354
Interest on lease liabilities	**360**	–
	1,039	354

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**1,965**	1,308
Capitalised in cost of inventories manufactured	**(1,498)**	(1,071)
	467	237
Depreciation of right-of-use assets	**1,053**	–
Cost of inventories recognised as expense	**73,824**	49,068
Operating lease rental in respect of minimum lease payments of rental premises	**–**	1,995
Short-term leases payments	**465**	–

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong	**3,683**	2,405
PRC Enterprise Income Tax	**1,305**	813
	4,988	3,218
Deferred tax charge	**17**	32
	5,005	3,250

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 condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Under the Law of the People's Republic of China (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 2019 (six months ended 30 September 2018: nil).

9. EARNINGS PER SHARE

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of calculating basic earnings per share:		
profit for the period attributable to owners of the Company	**16,071**	8,164
	'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 is presented since there is no potential ordinary shares outstanding for both periods.

10. TRADE AND OTHER RECEIVABLES

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
Trade receivables, net	**73,185**	64,424
Other receivables		
– Value-added tax recoverable	**4,246**	2,149
– Prepayments	**3,275**	4,223
– Deposits	**1,388**	2,224
– Other receivables	**837**	824
	82,931	73,844

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 impairments losses, at the end of the reporting period:

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
0 to 30 days	**16,037**	14,816
31 to 60 days	**15,602**	7,092
61 to 90 days	**14,261**	12,112
91 to 180 days	**14,246**	12,006
181 days to 1 year	**7,727**	12,214
Over 1 year	**5,312**	6,184
	73,185	64,424

11. TRADE AND OTHER PAYABLES

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

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
0 to 30 days	**1,929**	6,101
31 to 60 days	**1,395**	3,647
61 to 90 days	**22**	33
91 to 180 days	**38**	96
	3,384	9,877

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 remains to be the Group's major market, where the revenue generated from Hong Kong contributed to approximately HK$110.7 million for the Reporting Period (six months ended 30 September 2018: approximately HK$60.2 million), or 94.9% of the total revenue during the Reporting Period (six months ended 30 September 2018: 75.5%). The business in Scandinavia has been steadily progressing during the Reporting Period, where the revenue generated from Scandinavia contributed to approximately HK$2.7 million for the Reporting Period (six months ended 30 September 2018: approximately HK$0.9 million), or 2.3% of the total revenue during the Reporting Period (six months ended 30 September 2018: 1.1%). Revenue from Germany has started contributing to the Group for the Reporting Period, which contributed to approximately HK$0.7 million for the Reporting Period (six months ended 30 September 2018: approximately HK$0.2 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 80.7% of the total revenue during the Reporting Period (six months ended 30 September 2018: approximately 62.1%).

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 12.1% of total revenue during the Reporting Period (six months ended 30 September 2018: approximately 24.3%) and approximately 7.2% of the total revenue during the Reporting Period (six months ended 30 September 2018: approximately 13.6%), respectively.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$37.0 million, or 46.4%, to approximately HK$116.7 million for the Reporting Period, from approximately HK$79.7 million for the six months ended 30 September 2018, 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 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$12.2 million, or 39.9%, to approximately HK$42.8 million for the Reporting Period, from approximately HK$30.6 million for the six months ended 30 September 2018, primarily due to the increase in revenue as mentioned above. Gross profit margin decreased to approximately 36.7% for the Reporting Period, from approximately 38.4% for the six months ended 30 September 2018, mainly attributable to the lower gross profit margin from the segments of manufacturing and trading of DTH rockdrilling tools and trading of rockdrilling equipment as a result of the increase in competition in the Hong Kong market. This is offset by the effect of the increase in gross profit margin in the trading of piling and drilling machineries segment, as the gross profit margins of machineries sold during the Reporting Period are higher than those machineries sold during the six months ended 30 September 2018.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately HK$1.3 million, or 40.6%, to approximately HK$4.5 million for the Reporting Period, from approximately HK$3.2 million for the six months ended 30 September 2018, mainly due to the increase in advertising and business promotion expenses, declaration charges, 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$2.2 million, or 17.9%, to approximately HK$14.5 million for the Reporting Period, from approximately HK$12.3 million for the six months ended 30 September 2018, primarily due to the increase in staff costs, depreciation expenses, travelling expenses, repairs and maintenance expenses and donations, partially offset by the decrease in rental expenses and professional fees during the Reporting Period.

Net Profit

The Group reported a net profit of approximately HK$20.6 million (for the six months ended 30 September 2018: approximately HK$11.7 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.

However, the timeliness of approval of budgets for public works projects by the Finance Committee of the Legislative Council of Hong Kong has slowed down in recent months, with a number of meetings cancelled before the year 2018–2019 recess due to disruptions of the Legislative Council Building. The progress of the approval of budgets has remained slow, where only 4 public works budgets have been approved up to date since the recess. It is anticipated that the progress of budget approval on public works will remain slow for the remainder of the year.

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 Europe region, where the Group has commenced businesses with customers in Germany for construction projects during the Reporting Period.

Overall, the Group remains cautious towards the future of the construction market and the business of the Group in Hong Kong, 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 2019, the Group's total cash and cash equivalents amounted to approximately HK$81.8 million of which approximately 94.0%, 2.3%, 2.6% and 1.1% of the cash and cash equivalents were denominated in Hong Kong dollar, Renminbi, U.S. dollar and Euro, respectively (as at 31 March 2019: 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, U.S. dollar and Euro, respectively). The increase was mainly resulted from the increase in revenue during the Reporting Period.

As at 30 September 2019, the Group's bank borrowings of approximately HK$6.4 million (as at 31 March 2019: approximately HK$5.3 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 (as at 31 March 2019: HK$20.0 million) had fixed interest rate of 5.0% per annum and was repayable in the second year, which was unsecured. As at 31 March 2019 and 30 September 2019, all of the bank and other borrowings were denominated in Hong Kong dollar.

The gearing ratio of the Group as at 30 September 2019 (defined as the Group's total interest bearing liabilities divided by the Group's total equity) was approximately 14.1% (as at 31 March 2019: approximately 14.9%).

CAPITAL STRUCTURE

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

CHARGE ON GROUP ASSETS

As at 30 September 2019, bank borrowings amounting to approximately HK$6.4 million are guaranteed by the Company. As at 30 September 2019, deposits placed at an insurance company amounting to approximately HK$4.6 million were pledged to secure general banking facilities granted to the Group.

CASH FLOW MANAGEMENT AND LIQUIDITY RISK

The Group's objective regarding cash flow management is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, bank borrowings, and other debt or equity securities, as appropriate. The Group is comfortable with the present financial and liquidity position, and will continue to maintain a reasonable liquidity buffer to ensure sufficient funds are available to meet liquidity requirements at all times.

CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 30 September 2019.

CAPITAL COMMITMENTS

As at 30 September 2018 and 2019, the Group had no capital commitments.

SEGMENT INFORMATION

Details of segment information of the Group for the six months ended 30 September 2019 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.

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.

EVENTS AFTER THE REPORTING PERIOD

Save as mentioned elsewhere in this announcement, there were no significant events subsequent to 30 September 2019 which would materially affect the Group's operating and financial performance as of the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group had 111 employees (as at 30 September 2018: 109 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, and state-sponsored retirement plans for PRC employees. The Group also offers a variety of training schemes to its 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 2019 as follows:

Use of net proceeds	**Estimated Net Proceeds as per the Prospectus**	**Actual Net Proceeds**	**Used amounts as at 30 September 2019**	**Unused amounts as at 30 September 2019**	**Expected timeline for use of proceeds**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	
Investing in new manufacturing facility	48.0	50.4	26.2	24.2	By 31 March 2021
Research and development	3.9	4.4	2.3	2.1	By 31 March 2021
Participation in overseas exhibition and promotions	9.6	9.7	5.1	4.6	By 31 March 2021
Purchase of brand new drilling machineries	8.2	8.8	8.8	–	Fully utilised as at 31 March 2019
Increasing manpower in Hong Kong	3.8	4.4	1.2	3.2	By 31 March 2021
Renting of new office for Hong Kong headquarters	3.2	3.5	0.7	2.8	By 31 March 2021
Working capital and other general corporate purposes	6.9	7.1	6.5	0.6	By 31 March 2020
Total	**83.6**	**88.3**	**50.8**	**37.5**	

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 high standard of corporate governance for purposes of enhancing the value for its shareholders and protecting their interests. The Company has established the corporate governance structure in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Corporate Governance Code (the "**Code**") provided in Appendix 14 to the Listing Rules and has set up a series of corporate governance measures. The Company has adopted and complied with such provisions of the Code (the "**Code Provision(s)**") as stated in the Code during the Reporting Period except for the Code Provision of 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. Mr. He Xiaoming has been the chairman and the chief executive officer of the Company since 13 April 2018. However, given the development of the Group, the Board believes that 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 2019 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 of the Company 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 of the Company 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, 27 November 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.