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 2020

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 2020 (the "**Year**") together with the comparative and audited figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Revenue	3	**178,559**	163,441
Cost of sales		**(112,155)**	(97,084)
Gross profit		**66,404**	66,357
Other income		**2,660**	2,108
Impairment losses under expected credit loss model, net		**(934)**	(2,952)
Other gains and losses		**228**	1,404
Selling and distribution expenses		**(7,118)**	(6,305)
Administrative expenses		**(32,736)**	(33,773)
Finance costs		**(1,911)**	(1,041)
Profit before tax	4	**26,593**	25,798
Income tax expense	5	**(5,711)**	(6,033)
Profit for the year		**20,882**	19,765
Profit for the year attributable to:			
Owners of the Company		**13,677**	13,859
Non-controlling interests		**7,205**	5,906
		20,882	19,765
Earnings per share, basic *(HK cents)*	6	**3.60**	3.65

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**20,882**	19,765
Other comprehensive expense for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(2,857)**	(2,748)
Total comprehensive income for the year	**18,025**	17,017
Total comprehensive income for the year attributable to:		
Owners of the Company	**12,036**	12,140
Non-controlling interests	**5,989**	4,877
	18,025	17,017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**8,971**	11,228
Right-of-use assets		**15,801**	—
Deposits placed at an insurance company		**4,604**	4,514
Deferred tax assets		**568**	720
		29,944	16,462
Current assets			
Inventories		**50,448**	54,990
Trade and other receivables	8	**56,389**	73,844
Bank balances and cash		**101,421**	74,047
		208,258	202,881
Current liabilities			
Trade and other payables	9	**9,548**	16,295
Contract liabilities		**1,251**	163
Lease liabilities		**1,625**	—
Tax payable		**3,336**	7,900
Bank and other borrowings		**20,000**	25,292
		35,760	49,650
Net current assets		**172,498**	153,231
Total assets less current liabilities		**202,442**	169,693
Non-current liability			
Lease liabilities		**14,724**	—
		187,718	169,693
Capital and reserves			
Share capital		**38,000**	38,000
Reserves		**111,975**	99,939
Equity attributable to owners of the Company		**149,975**	137,939
Non-controlling interests		**37,743**	31,754
		187,718	169,693

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 is located at Unit B, 13/F., Eton Building, 288 Des Voeux Road Central, Hong Kong. The directors consider that the Company's immediate and ultimate holding company is Colour Shine Investments Limited, a private limited company incorporated in the British Virgin Islands (the "**BVI**").

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

HKFRS 16 "Leases"

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

Definition of a lease

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

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

As a lessee

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

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

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical 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.

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

	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 "Financial Instruments" ("**HKFRS 9**") at 1 April 2019 was insignificant to the Group.

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

	Carrying amounts previously reported at 31 March 2019	Adjustments	Carrying amounts 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)

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 17	Insurance Contracts[1]
Amendments to HKFRS 16	Covid-19 Related Rent Concessions[5]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 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.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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.

Disaggregation of revenue

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

	2020 *HK$'000*	2019 *HK$'000*
Recognised at a point in time:		
Manufacturing and trading of DTH rockdrilling tools	**144,273**	108,273
Trading of piling and drilling machineries	**17,657**	38,700
Trading of rockdrilling equipment	**16,629**	16,468
	178,559	163,441

For disaggregation of revenue by geographical location, please refer to geographical information below.

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 normal credit term is 30 to 90 days upon delivery. 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 2020 and the expected timing of recognising revenue are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Within one year	**17,210**	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

(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 2020

	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	**144,273**	**17,657**	**16,629**	**178,559**
RESULTS				
Segment result	**60,661**	**2,200**	**3,543**	**66,404**
Unallocated expenses				**(39,854)**
Other income				**2,660**
Impairment losses under expected credit loss ("**ECL**") model, net				**(934)**
Other gains and losses				**228**
Finance costs				**(1,911)**
Profit before tax				**26,593**

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				2,108
Impairment losses under ECL model, net				(2,952)
Other gains and losses				1,404
Finance costs				(1,041)
Profit before tax				25,798

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, impairment losses under ECL model, net, other gains and losses and finance costs. This is the measure reported to the CODM of the Group 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 2020

	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 of property, plant and equipment	**1,129**	**138**	**130**	**1,397**
Depreciation of right-of-use assets	**1,702**	**209**	**196**	**2,107**
Gain on disposal of property, plant and equipment	**—**	**(18)**	**—**	**(18)**
Written off on inventories	**1,253**	**—**	**—**	**1,253**

For the year ended 31 March 2019

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

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 non-current assets by location of assets.

	Revenue from external customers For the year ended 31 March		Non-current assets As at 31 March	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**169,914**	129,974	**2,806**	3,592
Macau	**2,936**	22,434	**—**	—
The PRC	**—**	—	**21,966**	7,636
Others	**5,709**	11,033	**—**	—
	178,559	163,441	**24,772**	11,228

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:

	2020	2019
	HK$'000	*HK$'000*
Customer A from all segments	**N/A[1]**	20,668
Customer B from manufacturing and trading of DTH rockdrilling tools and trading of rockdrilling equipment	**46,833**	19,089

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

4. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2020	2019
	HK$'000	*HK$'000*
Directors' remuneration	**360**	1,058
Other staff costs	**22,428**	16,114
Contributions to retirement benefit schemes, other than those of directors	**1,296**	1,358
Total staff costs	**24,084**	18,530
Capitalised in cost of inventories manufactured	**(5,566)**	(5,982)
	18,518	12,548
Depreciation of property, plant and equipment	**3,118**	3,883
Capitalised in cost of inventories manufactured	**(1,721)**	(1,910)
	1,397	1,973
Depreciation of right-of-use assets	**2,107**	—
Capitalised in cost of inventories manufactured	**(1,475)**	—
	632	—
Auditor's remuneration	**1,850**	2,450
Cost of inventories recognised as expense	**112,155**	97,084
Operating lease rental in respect of minimum lease payments of rented premises	**—**	3,925

5. INCOME TAX EXPENSE

	2020 *HK$'000*	2019 *HK$'000*
Current tax:		
Hong Kong	**3,848**	4,896
PRC Enterprise Income Tax	**2,047**	1,925
	5,895	6,821
Overprovision in prior years		
Hong Kong	**(208)**	—
PRC Enterprise Income Tax	**(128)**	—
	(336)	—
Current tax charge	**5,559**	6,821
Deferred tax charge (credit)	**152**	(788)
	5,711	6,033

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% of the assessable profits for the subsidiary established in the PRC for both years.

6. EARNINGS PER SHARE

	2020 *HK$'000*	2019 *HK$'000*
Profit:		
Profit for the purpose of calculating basic earnings per share:		
Profit for the year attributable to the owners of the Company	**13,677**	13,859
	'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 for the years ended 31 March 2020 and 2019 was presented as there were no potential ordinary shares in issue during the years ended 31 March 2020 and 2019.

7. DIVIDENDS

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil).

8. 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 dates of delivery of goods, net of impairment losses at the end of each reporting period:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**7,926**	14,816
31 to 60 days	**5,972**	7,092
61 to 90 days	**7,997**	12,112
91 to 180 days	**7,718**	12,006
181 days to 1 year	**10,081**	12,214
Over 1 year	**7,394**	6,184
	47,088	64,424

9. 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.

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**3,073**	6,101
31 to 60 days	**630**	3,647
61 to 90 days	**—**	33
91 to 180 days	**—**	96
181 to 365 days	**12**	—
	3,715	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 trading of rockdrilling equipment.

Hong Kong remains to be the Group's major market, where the revenue generated from Hong Kong contributed to approximately HK$169.9 million for the Year (2019: HK$130.0 million), or 95.1% of the total revenue during the Year (2019: 79.6%).

The business in the Scandinavia region has been steadily progressing during the Year, where the revenue generated from Scandinavia during the Year contributed to approximately HK$3.2 million (2019: HK$1.2 million), or 1.8% of the total revenue during the Year (2019: 0.7% of total revenue). Revenue from Germany has started contributing to the Group during the Year of approximately HK$0.9 million.

The regions of Macau, Japan and Peru have experienced decreases in sales during the Year. Revenue generated from the Macau region has decreased from approximately HK$22.4 million for the year ended 31 March 2019 to approximately HK$2.9 million for the Year, a decrease of approximately HK$19.5 million or 87.1%. Revenue generated from the Japan region has decreased from approximately HK$3.9 million for the year ended 31 March 2019 to approximately HK$0.4 million for the Year, a decrease of approximately HK$3.5 million or 89.7%. Sales from the Peru region has decreased from approximately HK$5.7 million for the year ended 31 March 2019 to approximately HK$0.8 million for the Year, a decrease of approximately HK$4.9 million or 86.0%.

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 80.8% of the total revenue during the Year (2019: 66.3%).

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 9.9% of the total revenue during the Year (2019: 23.7%) and 9.3% of the total revenue during the Year (2019: 10.1%), respectively.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$15.2 million, or 9.3%, to approximately HK$178.6 million for the Year, from approximately HK$163.4 million for the year ended 31 March 2019, primarily due to the improvement in business environment in Hong Kong, which the level of construction works and projects available during the Year was comparatively higher when compared with the year ended 31 March 2019, resulting in a higher demand for our products than expected.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK$40,000, or 0.1%, to approximately HK$66.40 million for the Year, from approximately HK$66.36 million for the year ended 31 March 2019. Gross profit margin decreased to 37.2% for the Year, from 40.6% for the year ended 31 March 2019, mainly attributable to the lower gross profit margins from all segments as a result of the increase in competition in the Hong Kong market during the Year.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately HK$0.8 million, or 12.7%, to approximately HK$7.1 million for the Year, from approximately HK$6.3 million for the year ended 31 March 2019, primarily due to the increase in freight, transportation and storage expenses, net off with the decrease in sales staff salaries and sales commission.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK$1.1 million, or 3.3%, to approximately HK$32.7 million for the Year, from approximately HK$33.8 million for the year ended 31 March 2019, primarily due to the decrease in rent and rates, audit fee and donations during the Year.

Finance Costs

The Group's finance costs increased by approximately HK$0.9 million, or 90.0%, to approximately HK$1.9 million for the Year, from approximately HK$1.0 million for the year ended 31 March 2019, primarily due to the increase in interest on lease liabilities during the Year.

Net Profit

The Group recorded a net profit of approximately HK$20.9 million for the Year as compared to the net profit of approximately HK$19.8 million for the year ended 31 March 2019. The increase was mainly attributable to the increase in revenue and gross profit and the decrease in 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 during the Year.

However, the timeliness of approval of budgets for public works projects by the Finance Committee and the Public Works Subcommittee of the Legislative Council of Hong Kong has slowed down in recent months, with a number of meetings cancelled due to disruptions to the Legislative Council Building in 2019, and the Novel Coronavirus (COVID-19) pandemic in 2020 has led to further delays in meetings originally scheduled in February and March 2020. The progress of the approval of budgets has remained slow, where only 13 public works budgets have been approved up to date since the 2018–2019 Legislative Council of Hong Kong recess. It is anticipated that the progress of public works projects and the related budget approval will remain slow for the coming 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 European region, where the Group has commenced businesses with customers in Germany for construction projects during the Year.

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 31 March 2020, the Group's total cash and cash equivalents amounted to approximately HK$101.4 million of which approximately 94.4%, 2.2%, 2.4% and 1.0% of the cash and cash equivalents were denominated in Hong Kong dollar, Renminbi, United States dollar and Euro, respectively (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, United States dollar and Euro, respectively). The increase was mainly resulted from the increase in revenue and decrease in trade receivables due to settlement of balances by our customers during the Year.

As at 31 March 2020, the Group had no bank borrowings. As at 31 March 2019, the Group's bank borrowings of approximately HK$5.3 million had variable interest rates and was repayable within one year, which are guaranteed by the Company. As at 31 March 2020, the Group's other borrowings of approximately HK$20.0 million (31 March 2019: HK$20.0 million) had fixed interest rate of 5.0% per annum and was repayable within one year, which was unsecured. As at 31 March 2020 and 31 March 2019, all of the bank and other borrowings were denominated in Hong Kong dollar.

The gearing ratio of the Group as at 31 March 2020 (defined as the Group's total interest-bearing liabilities divided by the Group's total equity) was 19.3% (31 March 2019: 14.9%). The increase was mainly due to the recognition of lease liabilities upon initial application of HKFRS 16 during the Year.

CAPITAL STRUCTURE

As at 31 March 2020, 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.

During the Year, there was no change to the authorised and issued share capital of the Company.

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 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$89.7 million (2019: HK$71.8 million), accounting for 50.2% (2019: 43.9%) of the total revenue of the Group.

During the Year, our purchases from our top five suppliers were approximately HK$54.7 million (2019: HK$50.7 million), accounting for 73.3% (2019: 55.2%) 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 2020 and 31 March 2019.

CAPITAL COMMITMENTS

As at 31 March 2020 and 31 March 2019, the Group had no capital commitments.

CHARGE ON GROUP ASSETS

There were no bank borrowings as at 31 March 2020. As at 31 March 2019, bank borrowings amounting to approximately HK$5.3 million are guaranteed by the Company. As at 31 March 2020, deposits placed at an insurance company amounting to approximately HK$4.6 million (31 March 2019: HK$4.5 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 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 2020 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 2020 *HK$' million*	Unused amounts as at 31 March 2020 *HK$' million*	Expected timeline for use of proceeds
Investing in new manufacturing facility	48.0	50.4	29.0	21.4	By 31 March 2021
Research and development	3.9	4.4	1.8	2.6	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	1.6	2.8	By 31 March 2021
Renting of new office for Hong Kong headquarters	3.2	3.5	0.8	2.7	By 31 March 2021
Working capital and other general corporate purposes	6.9	7.1	7.1	—	Fully utilised as at 31 March 2020
Total	**83.6**	**88.3**	**54.2**	**34.1**	

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.

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 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 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 Year except for the Code Provisions of A.2.1 and A.4.1.

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.

Code provision A.4.1 stipulates non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors were not appointed for specific terms but were subject to retirement by rotation at least once every three years and re-election at the Company's annual general meeting in accordance with the Company's articles of association. The Board believes that such practice is sufficient to meet the underlying objectives and no less exacting than those prescribed under Code Provision A.4.1.

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 events:

(i) Mr. Yiu To Wa was appointed as the independent non-executive Director with effect from 27 May 2020; and

(ii) Mr. Liu Tin Lap resigned as the independent non-executive Director with effect from 27 May 2020.

AUDIT AND COMPLIANCE COMMITTEE

The Company has established the audit and compliance committee of the Company (the "**Audit and Compliance 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. Yiu To Wa, Mr. Lau Leong Yuen and Ms. Lam Hoi Yu Nicki. All members of the Audit and Compliance Committee are independent non-executive Directors. Mr. Yiu To Wa 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 2020 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 2019/20 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 2019/20 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, 24 June 2020

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. Yiu To Wa.

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