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 2020

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 2020 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**56,602**	116,667
Cost of sales		**(30,394)**	(73,824)
Gross profit		**26,208**	42,843
Other income		**1,316**	1,226
(Impairment losses) reversal of impairment losses under expected credit loss model, net	*4*	**(358)**	377
Other gains and losses	*4*	**552**	1,184
Selling and distribution expenses		**(2,670)**	(4,456)
Administrative expenses		**(15,351)**	(14,544)
Finance costs	*5*	**(426)**	(1,039)
Profit before tax	*6*	**9,271**	25,591
Income tax expense	*7*	**(2,010)**	(5,005)
Profit for the period		**7,261**	20,586

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Notes	Six months ended 30 September 2020 HK$'000 (unaudited)	2019 HK$'000 (unaudited)
Other comprehensive income (expense) for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,414**	(2,787)
Total comprehensive income for the period		**9,675**	17,799
Profit (loss) for the period attributable to:			
Owners of the Company		**7,492**	16,071
Non-controlling interests		**(231)**	4,515
		7,261	20,856
Total comprehensive income for the period attributable to:			
Owners of the Company		**9,120**	14,397
Non-controlling interests		**555**	3,402
		9,675	17,799
Earnings per share, basic (HK cents)	*9*	**1.97**	4.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Notes	At 30 September 2020 HK$'000 (unaudited)	At 31 March 2020 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**8,700**	8,971
Right-of-use assets		**14,748**	15,801
Deposits placed at an insurance company		**4,649**	4,604
Deferred tax assets		**424**	568
		28,521	29,944
Current assets			
Inventories		**67,550**	50,448
Trade and other receivables	*10*	**65,901**	56,389
Bank balances and cash		**92,556**	101,421
		226,007	208,258
Current liabilities			
Trade and other payables	*11*	**12,822**	9,548
Contract liabilities		**4,016**	1,251
Lease liabilities		**1,659**	1,625
Tax payable		**4,752**	3,336
Other borrowings		**20,000**	20,000
		43,249	35,760
Net current assets		**182,758**	172,498
Total assets less current liabilities		**211,279**	202,442
Non-current liability			
Lease liabilities		**13,886**	14,724
		197,393	187,718
Capital and reserves			
Share capital		**38,000**	38,000
Reserves		**121,095**	111,975
Equity attributable to owners of the Company		**159,095**	149,975
Non-controlling interests		**38,298**	37,743
		197,393	187,718

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL AND BASIS OF PREPARATION

Yuk Wing Group Holdings Limited (the "**Company**", together with its subsidiaries as the "**Group**") 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 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 (the "**HKICPA**") 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.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The stagnant business environment in Hong Kong during the six months ended 30 September 2020, where the slowdown in approval of public works budgets by the Finance Committee of the Legislative Council of Hong Kong caused by the Novel Coronavirus pandemic led to less construction projects available in the Hong Kong market. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue as disclosed in the relevant note, which resulted in a negative impact on the business performance of the Group during the current period.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of 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 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the 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 of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed 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:

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
Recognised at a point in time:		
Manufacturing and trading of DTH rockdrilling tools	**49,639**	94,215
Trading of piling and drilling machineries	**2,808**	14,096
Trading of rockdrilling equipment	**4,155**	8,356
	56,602	116,667

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.

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.

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 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	**49,639**	**2,808**	**4,155**	**56,602**
RESULTS				
Segment result	**24,654**	**509**	**1,045**	**26,208**
Unallocated expenses				**(18,021)**
Other income				**1,316**
Impairment losses under expected credit loss ("**ECL**") model, net				**(358)**
Other gains and losses				**552**
Finance costs				**(426)**
Profit before tax				**9,271**

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 ECL model, net				377
Other gains				1,184
Finance costs				(1,039)
Profit before tax				25,591

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) 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 Group 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	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**53,073**	110,652
Macau	**2,225**	1,179
Others	**1,304**	4,836
	56,602	116,667

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

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
(Impairment losses) reversal of impairment losses under ECL model, net include the following:		
(Impairment losses) reversal of impairment losses on trade receivables, net	**(358)**	377
Other gains and losses include the following:		
Net foreign exchange (loss) gain	**(248)**	1,184
Gain on modification of financial liabilities	**800**	–
	552	1,184

5. FINANCE COSTS

	Six months ended 30 September 2020 HK$'000	2019 HK$'000
Interest on bank and other borrowings	**100**	679
Interest on lease liabilities	**326**	360
	426	1,039

6. PROFIT BEFORE TAX

	Six months ended 30 September 2020 HK$'000	2019 HK$'000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,203**	1,965
Capitalised in cost of inventories manufactured	**(447)**	(1,498)
	756	467
Depreciation of right-of-use assets	**1,053**	1,053
Capitalised in cost of inventories manufactured	**(738)**	(738)
	315	315
Cost of inventories recognised as expense	**30,394**	73,824
Short-term leases payments	**999**	698

7. INCOME TAX EXPENSE

	Six months ended 30 September 2020 HK$'000	2019 HK$'000
The charge comprises:		
Current tax		
Hong Kong	**1,623**	3,683
PRC Enterprise Income Tax	**243**	1,305
	1,866	4,988
Deferred tax charge	**144**	17
	2,010	5,005

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 2020 (six months ended 30 September 2019: nil).

9. EARNINGS PER SHARE

	Six months ended 30 September	
	2020	2019
	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	**7,492**	16,071
	'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

The Group grants an average credit period ranged from 30 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 the reporting period:

	At 30 September 2020	At 31 March 2020
	HK$'000	*HK$'000*
0 to 30 days	**10,607**	7,926
31 to 60 days	**6,329**	5,972
61 to 90 days	**3,583**	7,997
91 to 180 days	**6,679**	7,718
181 days to 1 year	**6,093**	10,081
Over 1 year	**10,823**	7,394
	44,114	47,088

The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on the good repayment records for those customers and continuous business with the Group.

11. TRADE AND OTHER PAYABLES

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

	At 30 September 2020	At 31 March 2020
	HK$'000	*HK$'000*
0 to 30 days	**3,029**	3,073
31 to 60 days	**3,287**	630
61 to 90 days	**1,234**	–
91 to 180 days	**36**	–
181 days to 1 year	**10**	12
	7,596	3,715

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.

During the Reporting Period, the market environment in Hong Kong has remained stagnant due to the slowdown in approval of public works budgets by the Finance Committee (the "**Finance Committee**") of the Legislative Council of Hong Kong (the "**LegCo**") caused by the 2019 Novel Coronavirus ("**COVID-19**") pandemic, leading to less construction projects available in the Hong Kong market. The COVID-19 pandemic has caused significant disruptions to businesses and restrictions in travelling worldwide. We were unable to promote and develop our international businesses as the overseas exhibitions and trade shows were cancelled due to the COVID-19 pandemic. As a result, our local and international customers have decreased their purchases for our products, which had a considerable impact to the Group's revenue and profit during the Reporting Period.

Hong Kong remains to be the Group's major market, where the revenue generated from Hong Kong contributed to approximately HK$53.1 million for the Reporting Period (six months ended 30 September 2019: approximately HK$110.7 million), or approximately 93.8% of the total revenue during the Reporting Period (six months ended 30 September 2019: approximately 94.9%). Revenue from Scandinavia has decreased during the Reporting Period, which contributed to approximately HK$0.7 million for the Reporting Period (six months ended 30 September 2019: approximately HK$2.7 million), or approximately 1.2% of the total revenue during the Reporting Period (six months ended 30 September 2019: approximately 2.3%). The business in Macau has seen signs of improvement, where the revenue generated from Macau contributed to approximately HK$2.2 million for the Reporting Period (six months ended 30 September 2019: approximately HK$1.2 million), or approximately 3.9% of the total revenue during the Reporting Period (six months ended 30 September 2019: approximately 1.0%).

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 approximately 87.6% of the total revenue during the Reporting Period (six months ended 30 September 2019: approximately 80.7%).

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 5.0% of total revenue during the Reporting Period (six months ended 30 September 2019: approximately 12.1%) and approximately 7.4% of the total revenue during the Reporting Period (six months ended 30 September 2019: approximately 7.2%), respectively.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$60.1 million, or 51.5%, to approximately HK$56.6 million for the Reporting Period, from approximately HK$116.7 million for the six months ended 30 September 2019, primarily due to the stagnant business environment in Hong Kong during the Reporting Period, leading to a relatively lower level of construction activities and available projects when compared with the six months ended 30 September 2019, resulting in a lower than expected demand for our products.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK$16.6 million, or 38.8%, to approximately HK$26.2 million for the Reporting Period, from approximately HK$42.8 million for the six months ended 30 September 2019, primarily due to the decrease in revenue as mentioned above. Gross profit margin increased to approximately 46.3% for the Reporting Period, from approximately 36.7% for the six months ended 30 September 2019, mainly attributable to the higher gross profit margins contributed by the segments of manufacturing and trading of DTH rockdrilling tools and trading of piling and drilling machineries, as the gross profit margins of DTH rockdrilling tools and machineries sold during the Reporting Period were higher than those products sold during the six months ended 30 September 2019.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately HK$1.8 million, or 40.0%, to approximately HK$2.7 million for the Reporting Period, from approximately HK$4.5 million for the six months ended 30 September 2019, mainly due to the decrease in declaration charges and freight, transportation and storage costs as a result of the decrease in revenue during the Reporting Period.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$0.9 million, or 6.2%, to approximately HK$15.4 million for the Reporting Period, from approximately HK$14.5 million for the six months ended 30 September 2019, primarily due to the increase in staff costs, repairs and maintenance expenses and donations during the Reporting Period.

Net Profit

The Group reported a net profit of approximately HK$7.3 million (for the six months ended 30 September 2019: approximately HK$20.6 million). The decrease in net profit was mainly attributable to the decrease in revenue and gross profit during the Reporting Period as explained above.

PROSPECTS

During the Reporting Period, the Group continued to develop its various business and geographical segments. However, the market environment in the Group's major market, Hong Kong, has remained stagnant during the Reporting Period. The timeliness of approval of budgets for public works projects by the Finance Committee of the LegCo has slowed down in recent months due to the COVID-19 pandemic in 2020, where a number of meetings have been cancelled. The progress of the approval of budgets has remained slow, where no public works budget has been approved by the Finance Committee up to date since the commencement of the LegCo year 2020–21. Moreover, the suspension of certain government public services during July and August 2020 due to the increase in confirmed cases of COVID-19 has caused delays in the administration of the approved public works projects.

At the international level, the number of confirmed COVID-19 cases keeps increasing, and various governments of many countries are imposing restrictions to limit the gathering of people, travelling and operations of certain businesses.

It is anticipated that the progress of budget approval and administration of public works projects will remain sluggish for the remainder of the year, with the possibility of cancellation in LegCo meetings and suspension of government public services should the COVID-19 pandemic situation worsens in Hong Kong, and internationally, restrictions on the gathering of people, travelling and businesses are expected to continue, dependent upon the COVID-19 pandemic situations.

Overall, the Group remains cautious towards the future of the construction market and the business of the Group in Hong Kong and internationally, and will continue its efforts to capture business opportunities in Hong Kong, Macau and the overseas markets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group's total cash and cash equivalents amounted to approximately HK$92.6 million of which approximately 70.9%, 28.0% and 1.1% of the cash and cash equivalents were denominated in Hong Kong dollar, Renminbi and United States dollar, respectively (31 March 2020: 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). The decrease was mainly resulted from the decrease in revenue during the Reporting Period.

As at 30 September 2020 and 31 March 2020, the Group had no bank borrowings. As at 30 September 2020, the Group's other borrowings of approximately HK$20.0 million (31 March 2020: approximately HK$20.0 million) had fixed interest rate of 1.0% (31 March 2020: 5.0%) per annum and was repayable within one year, which was unsecured. As at 30 September 2020 and 31 March 2020, the Group's other borrowings were denominated in Hong Kong dollar.

The gearing ratio of the Group as at 30 September 2020 (defined as the Group's total interest-bearing liabilities divided by the Group's total equity) was approximately 18.0% (31 March 2020: approximately 19.3%). The decrease in gearing ratio was mainly due to the decrease in lease liabilities during the Reporting Period.

CAPITAL STRUCTURE

As at 30 September 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.

There has been no change in the capital structure of the Group during the Reporting Period, the six months ended 30 September 2019, and up to the date of this announcement.

CHARGE ON GROUP ASSETS

As at 30 September 2020, 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 2020.

CAPITAL COMMITMENTS

As at 30 September 2019 and 2020, the Group had no capital commitments.

SEGMENT INFORMATION

Details of segment information of the Group for the six months ended 30 September 2020 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 2020 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 2020, the Group had 92 employees (30 September 2019: 111 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 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 30 September 2020 *HK$' million*	Unused amounts as at 30 September 2020 *HK$' million*	Expected timeline for use of proceeds
Investing in new manufacturing facility	48.0	50.4	43.2	7.2	By 31 March 2021
Research and development	3.9	4.4	2.0	2.4	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	2.0	2.4	By 31 March 2021
Renting of new office for Hong Kong headquarters	3.2	3.5	0.9	2.6	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**	**69.1**	**19.2**	

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 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. On 14 August 2020, Mr. He Xiaoming has resigned as an executive Director, the chairman and the chief executive officer of the Company. Notwithstanding the aforementioned, the Board will review the current structure from time to time and as and when appropriate if candidate with suitable leadership, knowledge, skills and experience is identified, the Company may make the necessary modification to the management structure.

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.

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.

NON-COMPLIANCE WITH RULE 3.05 OF THE LISTING RULES

On 14 August 2020, Mr. He Xiaoming resigned as an executive Director, the chairman of the Board and the chief executive officer of the Company and ceased to act as the authorised representative of the Company (the "**Authorised Representative**") under Rule 3.05 of the Listing Rules. The Company had only one Authorised Representative and therefore failed to meet the requirement under Rule 3.05 of the Listing Rules. Following the appointment of Mr. Huang Shixin, the executive Director, as the Authorised Representative on 13 November 2020, the Company has complied with Rule 3.05 of the Listing Rules.

REVIEW OF FINANCIAL STATEMENTS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2020 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 (the "**Audit and Compliance Committee**") has reviewed the unaudited condensed consolidated financial statements for the Reporting Period and considered that the Company has adopted applicable accounting policies and made adequate disclosures in relation to preparation of relevant results.

The Audit and Compliance Committee consists of three members, namely Mr. 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.

By order of the Board
Yuk Wing Group Holdings Limited
Huang Shixin
Executive Director

Hong Kong, 25 November 2020

As at the date of this announcement, the executive Directors are 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.