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Yuk Wing Group Holdings Limited

煜榮集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1536)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021 (the “**Year**”) together with the comparative and audited figures for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 HK\$’000	2020 <i>HK\$’000</i>
Revenue	3	106,693	178,559
Cost of sales		(67,718)	(112,155)
Gross profit		38,975	66,404
Other income		2,177	2,660
Impairment losses under expected credit loss model, net		(1,125)	(934)
Other gains and losses		(3,737)	228
Selling and distribution expenses		(6,268)	(7,118)
Administrative expenses		(36,593)	(32,736)
Finance costs		(863)	(1,911)
(Loss) profit before tax	4	(7,434)	26,593
Taxation credit (charge)	5	897	(5,711)
(Loss) profit for the year		(6,537)	20,882
(Loss) profit for the year attributable to:			
Owners of the Company		(4,412)	13,677
Non-controlling interests		(2,125)	7,205
		(6,537)	20,882
(Loss) earnings per share, basic (<i>HK cents</i>)	6	(1.16)	3.60

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss) profit for the year	<u>(6,537)</u>	<u>20,882</u>
Other comprehensive income (expense) for the year		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>4,805</u>	<u>(2,857)</u>
Total comprehensive (expense) income for the year	<u><u>(1,732)</u></u>	<u><u>18,025</u></u>
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	(1,106)	12,036
Non-controlling interests	<u>(626)</u>	<u>5,989</u>
	<u><u>(1,732)</u></u>	<u><u>18,025</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		7,977	8,971
Right-of-use assets		13,694	15,801
Deposits placed at an insurance company		4,695	4,604
Deferred tax assets		1,877	568
		<u>28,243</u>	<u>29,944</u>
Current assets			
Inventories		65,012	50,448
Trade and other receivables	8	56,103	56,389
Tax recoverable		2,298	—
Bank balances and cash		87,437	101,421
		<u>210,850</u>	<u>208,258</u>
Current liabilities			
Trade and other payables	9	14,089	9,548
Contract liabilities		1,890	1,251
Lease liabilities		1,808	1,625
Tax payable		2,369	3,336
Other borrowings		20,000	20,000
		<u>40,156</u>	<u>35,760</u>
Net current assets		<u>170,694</u>	<u>172,498</u>
Total assets less current liabilities		<u>198,937</u>	<u>202,442</u>
Non-current liabilities			
Deferred tax liabilities		35	—
Lease liabilities		12,916	14,724
		<u>12,951</u>	<u>14,724</u>
		<u>185,986</u>	<u>187,718</u>
Capital and reserves			
Share capital		38,000	38,000
Reserves		110,869	111,975
Equity attributable to owners of the Company		<u>148,869</u>	<u>149,975</u>
Non-controlling interests		37,117	37,743
		<u>185,986</u>	<u>187,718</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 down-the-hole (“**DTH**”) rockdrilling tools and trading of piling and drilling machineries and rockdrilling equipment.

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

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT YEAR

The continued stagnant business environment in Hong Kong, which the level of construction works and projects available during the year ended 31 March 2021 was comparatively lower when compared with the year ended 31 March 2020, resulted in a lower demand for the Group’s products. 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 year.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2020 for the preparation of the 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

Application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. 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 to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs 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.

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 and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

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

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

⁶ Effective for annual periods beginning on or after 1 April 2021

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

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments to clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liabilities within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 March 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in (i) manufacturing and trading of DTH rockdrilling tools; (ii) trading of piling and drilling machineries; and (iii) trading of rockdrilling equipment.

Disaggregation of revenue

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

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Recognised at a point in time:		
Manufacturing and trading of DTH rockdrilling tools	95,031	144,273
Trading of piling and drilling machineries	2,808	17,657
Trading of rockdrilling equipment	8,854	16,629
	<u>106,693</u>	<u>178,559</u>

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 0 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 2021 and the expected timing of recognising revenue are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	<u>13,129</u>	<u>17,210</u>

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 2021

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment and external sales	<u>95,031</u>	<u>2,808</u>	<u>8,854</u>	<u>106,693</u>
RESULTS				
Segment result	<u>36,512</u>	<u>509</u>	<u>1,954</u>	38,975
Unallocated expenses				(42,861)
Other income				2,177
Impairment losses under expected credit loss ("ECL") model, net				(1,125)
Other gains and losses				(3,737)
Finance costs				<u>(863)</u>
Loss before tax				<u><u>(7,434)</u></u>

For the year ended 31 March 2020

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment and external sales	<u>144,273</u>	<u>17,657</u>	<u>16,629</u>	<u>178,559</u>
RESULTS				
Segment result	<u>60,661</u>	<u>2,200</u>	<u>3,543</u>	66,404
Unallocated expenses				(39,854)
Other income				2,660
Impairment losses under ECL model, net				(934)
Other gains and losses				228
Finance costs				<u>(1,911)</u>
Profit before tax				<u><u>26,593</u></u>

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 segment information

For the year ended 31 March 2021

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts regularly provided to the CODM but not included in the measurement of segment result:				
Depreciation of property, plant and equipment	792	—	—	792
Depreciation of right-of-use assets	1,475	—	—	1,475
Write down on inventories	<u>3,363</u>	<u>—</u>	<u>—</u>	<u>3,363</u>

For the year ended 31 March 2020

	Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i>	Trading of piling and drilling machineries <i>HK\$'000</i>	Trading of rockdrilling equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts regularly provided to the CODM but not included in the measurement of segment result:				
Depreciation of property, plant and equipment	1,721	—	—	1,721
Depreciation of right-of-use assets	1,475	—	—	1,475
Write down on inventories	<u>1,253</u>	<u>—</u>	<u>—</u>	<u>1,253</u>

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		Non-current assets	
	For the year ended 31 March		As at 31 March	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	99,299	169,914	2,339	2,806
Macau	4,584	2,936	—	—
The PRC	—	—	19,332	21,966
Others	2,810	5,709	—	—
	<u>106,693</u>	<u>178,559</u>	<u>21,671</u>	<u>24,772</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A from manufacturing and trading of DTH rockdrilling tools and trading of rockdrilling equipment	<u>27,750</u>	<u>46,833</u>

4. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Directors' remuneration	360	360
Other staff costs	23,333	22,428
Contributions to retirement benefit schemes, other than those of directors	<u>619</u>	<u>1,296</u>
Total staff costs	24,312	24,084
Capitalised in cost of inventories manufactured	<u>(5,457)</u>	<u>(5,566)</u>
	<u>18,855</u>	<u>18,518</u>
Depreciation of property, plant and equipment	2,372	3,118
Capitalised in cost of inventories manufactured	<u>(792)</u>	<u>(1,721)</u>
	<u>1,580</u>	<u>1,397</u>
Depreciation of right-of-use assets	2,107	2,107
Capitalised in cost of inventories manufactured	<u>(1,475)</u>	<u>(1,475)</u>
	<u>632</u>	<u>632</u>
Auditor's remuneration	1,850	1,850
Cost of inventories recognised as expense	<u>67,718</u>	<u>112,155</u>

5. TAXATION CREDIT (CHARGE)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong	(443)	(3,848)
PRC Enterprise Income Tax	—	(2,047)
	<u>(443)</u>	<u>(5,895)</u>
Overprovision in prior years		
Hong Kong	—	208
PRC Enterprise Income Tax	66	128
	<u>66</u>	<u>336</u>
Current tax charge	<u>(377)</u>	<u>(5,559)</u>
Deferred tax credit (charge)	<u>1,274</u>	<u>(152)</u>
	<u><u>897</u></u>	<u><u>(5,711)</u></u>

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%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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. (LOSS) EARNINGS PER SHARE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss) profit for the purpose of calculating basic (loss) earnings per share:		
(Loss) profit for the year attributable to the owners of the Company	<u>(4,412)</u>	<u>13,677</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<u>380,000</u>	<u>380,000</u>

No diluted (loss) earnings per share for the years ended 31 March 2021 and 2020 was presented as there were no potential ordinary shares in issue during the years ended 31 March 2021 and 2020.

7. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of the reporting period.

8. TRADE AND OTHER RECEIVABLES

The Group grants a credit period ranged from 0 day 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	11,401	7,926
31 to 60 days	2,166	5,972
61 to 90 days	2,561	7,997
91 to 180 days	3,594	7,718
181 days to 1 year	5,089	10,081
Over 1 year	<u>5,449</u>	<u>7,394</u>
	<u>30,260</u>	<u>47,088</u>

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	6,197	3,073
31 to 60 days	1,037	630
61 to 90 days	1,156	—
91 to 180 days	916	—
181 to 365 days	43	12
Over 365 days	9	—
	<hr/> 9,358 <hr/>	<hr/> 3,715 <hr/>

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 Year, the market environment in Hong Kong has remained stagnant due to the slowdown in approval of public works budgets by the Finance Committee (“**Finance Committee**”) of the Legislative Council of Hong Kong (“**LegCo**”) caused by the 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 Year.

Hong Kong remains to be the Group’s major market, where the revenue generated from Hong Kong contributed to approximately HK\$99.3 million for the Year (2020: approximately HK\$169.9 million), or approximately 93.1% of the total revenue during the Year (2020: approximately 95.1%).

The business in Macau has seen signs of improvement, where the revenue generated from Macau contributed to approximately HK\$4.6 million for the Year (2020: approximately HK\$2.9 million), or approximately 4.3% of the total revenue during the Year (2020: approximately 1.6%).

The business in the Scandinavia region has decreased during the Year, where the revenue generated from Scandinavia during the Year contributed to approximately HK\$2.0 million (2020: approximately HK\$3.2 million), or approximately 1.9% of the total revenue during the Year (2020: approximately 1.8% of total revenue).

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 89.0% of the total revenue during the Year (2020: approximately 80.8%).

Trading of Piling and Drilling Machineries and Rockdrilling Equipment

The Group is also engaged in the trading of piling and drilling machineries and rockdrilling equipment to our customers as part of our technical rockdrilling solutions. Revenue from the trading of piling and drilling machineries, and rockdrilling equipment, contributed to approximately 2.6% of total revenue during the Year (2020: approximately 9.9%) and approximately 8.3% of the total revenue during the Year (2020: approximately 9.3%), respectively.

FINANCIAL REVIEW

Revenue

Revenue for the Group has decreased from approximately HK\$178.6 million for the year ended 31 March 2020 to approximately HK\$106.7 million for the year ended 31 March 2021, a decrease of approximately HK\$71.9 million or 40.3%. The decrease in revenue is primarily caused by the continued stagnant business environment in Hong Kong, which the level of construction works and projects available during the Year was comparatively lower when compared with the year ended 31 March 2020, resulting in a lower demand for our products.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$27.4 million, or 41.3%, to approximately HK\$39.0 million for the Year, from approximately HK\$66.4 million for the year ended 31 March 2020, primarily due to the decrease in revenue as mentioned above. Gross profit margin decreased to approximately 36.6% for the Year, from approximately 37.2% for the year ended 31 March 2020, mainly attributable to the lower gross profit margins contributed by the manufacturing and trading of DTH rockdrilling tools segment.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately HK\$0.8 million, or 11.3%, to approximately HK\$6.3 million for the Year, from approximately HK\$7.1 million for the year ended 31 March 2020, mainly due to the decrease in freight, transportation and storage costs as a result of the decrease in revenue during the Year.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$3.9 million, or 11.9%, to approximately HK\$36.6 million for the Year, from approximately HK\$32.7 million for the year ended 31 March 2020, primarily due to the increase in staff costs and repairs and maintenance expenses during the Year.

Finance Costs

The Group's finance costs decreased by approximately HK\$1.0 million, or 52.6%, to approximately HK\$0.9 million for the Year, from approximately HK\$1.9 million for the year ended 31 March 2020, primarily due to the decrease in loan interest rates during the Year.

Net Loss

The Group recorded a net loss of approximately HK\$6.5 million for the Year as compared to the net profit of approximately HK\$20.9 million for the year ended 31 March 2020. This was mainly attributable to the decrease in revenue and gross profit, together with the increase in foreign exchange loss, impairment loss on inventories, repairs and maintenance expenses and staff costs during the Year.

STRATEGY AND PROSPECTS

During the Year, 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 Year. The timeliness of approval of budgets for public works projects by the Finance Committee of the LegCo has slowed down recently due to the COVID-19 pandemic in 2020 and 2021, where a number of meetings have been cancelled. 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. There has been an improvement in the progress of the approval of budgets in recent months, where approximately 41 public works budgets have been approved by the Finance Committee up to date since the commencement of the LegCo year 2020–21.

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

It is anticipated that the timeliness of budget approval at LegCo should continue to improve if the number of confirmed COVID-19 cases remain to be low and under control. However, with the possibility of the worsening COVID-19 pandemic situation in Hong Kong, the LegCo meetings and government public services might be subject to cancellations and suspensions respectively, affecting the progress in the administration of public works projects for the coming year. 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, Macau 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 31 March 2021, the Group's total cash and cash equivalents amounted to approximately HK\$87.4 million of which approximately 79.4%, 20.3% and 0.3% 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 Year.

As at 31 March 2021 and 31 March 2020, the Group had no bank borrowings. As at 31 March 2021, 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 31 March 2021 and 31 March 2020, the Group's other borrowings were denominated in Hong Kong dollar.

The gearing ratio of the Group as at 31 March 2021 (defined as the Group's total interest-bearing liabilities divided by the Group's total equity) was approximately 18.7% (31 March 2020: 19.3%).

CAPITAL STRUCTURE

As at 31 March 2021, 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\$55.5 million (2020: approximately HK\$89.7 million), accounting for approximately 52.0% (2020: approximately 50.2%) of the total revenue of the Group.

During the Year, our purchases from our top five suppliers were approximately HK\$48.8 million (2020: approximately HK\$54.7 million), accounting for approximately 82.4% (2020: approximately 73.3%) 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 2021 and 31 March 2020.

CAPITAL COMMITMENTS

As at 31 March 2021 and 31 March 2020, the Group had no capital commitments.

CHARGE ON GROUP ASSETS

There were no bank borrowings as at 31 March 2021 and 31 March 2020. As at 31 March 2021, deposits placed at an insurance company amounting to approximately HK\$4.7 million (31 March 2020: approximately HK\$4.6 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 2021 as follows:

Use of net proceeds	Estimated	Actual Net	Used	Unused	Expected timeline for use of proceeds
	Net Proceeds as per the Prospectus		amounts as at 31 March 2021	amounts as at 31 March 2021	
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
Investing in new manufacturing facility	48.0	50.4	50.4	—	Fully utilised as at 31 March 2021
Research and development	3.9	4.4	2.3	2.1	By 31 March 2024
Participation in overseas exhibition and promotions	9.6	9.7	5.1	4.6	By 31 March 2024
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	2.4	2.0	By 31 March 2024
Renting of new office for Hong Kong headquarters	3.2	3.5	1.0	2.5	By 31 March 2024
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	77.1	11.2	

The COVID-19 pandemic caused significant disruptions to businesses and restrictions in travelling worldwide and continued stagnant business environment in Hong Kong during the Year. Taking into account of the impact from the ongoing COVID-19 pandemic, the Company planned to extend the expected timeline for the utilisation of the unused proceeds to 31 March 2024 in order to enhance flexibility for the future development of the Group.

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. 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.

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. Chui Kwong Kau was appointed as the executive Director with effect from 4 June 2021; and
- (ii) Mr. Huang Shixin has resigned as the executive Director with effect from 4 June 2021.

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 2021 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 2020/21 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 2020/21 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
Chui Kwong Kau
Executive Director

Hong Kong, 23 June 2021

As at the date of this announcement, the executive Directors are Mr. Chui Kwong Kau and Ms. Li Kai Lai Miranda; 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.