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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

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 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020 as follows:

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

*For the six months ended 30 September 2021*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>81,088</b>	56,602
Cost of sales		<b>(63,097)</b>	(30,394)
Gross profit		<b>17,991</b>	26,208
Other income		<b>735</b>	1,316
Impairment losses on trade receivables under expected credit loss model, net		<b>(690)</b>	(358)
Other gains and losses	4	<b>523</b>	552
Selling and distribution expenses		<b>(4,159)</b>	(2,670)
Administrative expenses		<b>(14,370)</b>	(15,351)
Finance costs	5	<b>(500)</b>	(426)
(Loss)/profit before tax	6	<b>(470)</b>	9,271
Income tax expense	7	<b>(190)</b>	(2,010)
(Loss)/profit for the period		<b>(660)</b>	7,261

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

*For the six months ended 30 September 2021*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive income for the period:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>134</u>	<u>2,414</u>
<b>Total comprehensive (expense)/income for the period</b>		<u><u>(526)</u></u>	<u><u>9,675</u></u>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		594	7,492
Non-controlling interests		<u>(1,254)</u>	<u>(231)</u>
		<u><u>(660)</u></u>	<u><u>7,261</u></u>
<b>Total comprehensive income/(expense) for the period attributable to:</b>			
Owners of the Company		390	9,120
Non-controlling interests		<u>(916)</u>	<u>555</u>
		<u><u>(526)</u></u>	<u><u>9,675</u></u>
Earnings per share, basic (HK cents)	9	<u><u>0.16</u></u>	<u><u>1.97</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		7,152	7,977
Right-of-use assets		12,641	13,694
Deposits placed at an insurance company		4,741	4,695
Deferred tax assets		2,228	1,877
		26,762	28,243
Current assets			
Inventories		62,336	65,012
Trade and other receivables	10	51,634	56,103
Tax recoverable		2,249	2,298
Bank balances and cash		86,729	87,437
		202,948	210,850
Current liabilities			
Trade and other payables	11	6,771	14,089
Contract liabilities		709	1,890
Lease liabilities		1,960	1,808
Tax payable		2,884	2,369
Other borrowing		20,000	20,000
		32,324	40,156
Net current assets		170,624	170,694
Total assets less current liabilities		197,386	198,937
Non-current liabilities			
Deferred tax liabilities		—	35
Lease liabilities		11,926	12,916
		11,926	12,951
		185,460	185,986
Capital and reserves			
Share capital		38,000	38,000
Reserves		111,259	110,869
Equity attributable to owners of the Company		149,259	148,869
Non-controlling interests		36,201	37,117
		185,460	185,986

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2021*

### 1. GENERAL AND BASIS OF PREPARATION

Yuk Wing Group Holdings Limited 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.

### 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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

#### **Application of amendments to HKFRSs**

In the current interim period, the Group has applied 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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19 — Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current interim 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.

### 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 from contracts with customers is as follows:

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
Recognised at a point in time:		
Manufacturing and trading of DTH rockdrilling tools	67,876	49,639
Trading of piling and drilling machineries	4,440	2,808
Trading of rockdrilling equipment	8,772	4,155
	<u>81,088</u>	<u>56,602</u>

#### 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.

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 2021**

	<b>Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i></b>	<b>Trading of piling and drilling machineries <i>HK\$'000</i></b>	<b>Trading of rockdrilling equipment <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>SEGMENT REVENUE</b>				
External sales	<u>67,876</u>	<u>4,440</u>	<u>8,772</u>	<u>81,088</u>
<b>RESULTS</b>				
Segment results	<u>16,214</u>	<u>303</u>	<u>1,474</u>	17,991
Unallocated expenses				(18,529)
Other income				735
Impairment losses on trade receivables under expected credit loss ("ECL") model, net				(690)
Other gains and losses				523
Finance costs				<u>(500)</u>
Loss before tax				<u><u>(470)</u></u>

**For the six months ended 30 September 2020**

	<b>Manufacturing and trading of DTH rockdrilling tools <i>HK\$'000</i></b>	<b>Trading of piling and drilling machineries <i>HK\$'000</i></b>	<b>Trading of rockdrilling equipment <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>SEGMENT REVENUE</b>				
External sales	<u>49,639</u>	<u>2,808</u>	<u>4,155</u>	<u>56,602</u>
<b>RESULTS</b>				
Segment results	<u>24,654</u>	<u>509</u>	<u>1,045</u>	26,208
Unallocated expenses				(18,021)
Other income				1,316
Impairment losses on trade receivables under ECL model, net				(358)
Other gains and losses				552
Finance costs				<u>(426)</u>
Profit before tax				<u><u>9,271</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of unallocated expenses (including selling and distribution expenses and administrative expenses), other income, impairment losses on trade receivables 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 from external customers by the location of customers.

	Six months ended 30 September	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	74,165	53,073
Macau	6,021	2,225
Others	902	1,304
	<u>81,088</u>	<u>56,602</u>

#### 4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other gains and losses include the following:		
Net foreign exchange gain/(loss)	233	(248)
Gain on modification of financial liabilities	—	800
Loss on disposal of property, plant and equipment	(15)	—
Reversal of write-down of inventories	305	—
	<u>523</u>	<u>552</u>

## 5. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other borrowings	207	100
Interest on lease liabilities	293	326
	<u>500</u>	<u>426</u>

## 6. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	1,053	1,203
Capitalised in cost of inventories manufactured	(446)	(447)
	<u>607</u>	<u>756</u>
Depreciation of right-of-use assets	1,053	1,053
Capitalised in cost of inventories manufactured	(738)	(738)
	<u>315</u>	<u>315</u>
Cost of inventories recognised as expense	63,097	30,394
Expense relating to short-term leases	1,294	999
	<u>1,294</u>	<u>999</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong	(461)	(1,623)
The People's Republic of China (the "PRC") Enterprise Income Tax	(105)	(243)
	<u>(566)</u>	<u>(1,866)</u>
Deferred tax credit/(charge)	<u>376</u>	<u>(144)</u>
	<u>(190)</u>	<u>(2,010)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 September 2020: 16.5%) to the current interim period, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profit is taxed at 8.25% and the remaining assessable profit is taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in the prior interim period.

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 profit 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 2021 (six months ended 30 September 2020: nil).

## 9. EARNINGS PER SHARE

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share:		
Profit for the period attributable to owners of the Company	<u>594</u>	<u>7,492</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>380,000</u>	<u>380,000</u>

No diluted earnings per share is presented since there is no potential ordinary shares in issue during both periods.

## 10. TRADE AND OTHER RECEIVABLES

The Group grants an average credit period ranged from 0 to 90 days upon delivery of goods to its customers. The following is an aged analysis of trade receivables based on dates of goods delivered, net of impairment losses, at the end of the reporting period:

	At 30 September 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
0 to 30 days	9,298	11,401
31 to 60 days	5,500	2,166
61 to 90 days	3,047	2,561
91 to 180 days	7,595	3,594
181 to 365 days	4,972	5,089
Over 365 days	5,866	5,449
	<u>36,278</u>	<u>30,260</u>

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 2021 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
0 to 30 days	1,598	6,197
31 to 60 days	843	1,037
61 to 90 days	—	1,156
91 to 180 days	16	916
181 to 365 days	19	43
Over 365 days	—	9
	<u>2,476</u>	<u>9,358</u>

## 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 improved due to the increase in timeliness of approval of public works budgets by the Finance Committee (the “**Finance Committee**”) of the Legislative Council of Hong Kong (the “**LegCo**”), leading to more construction projects available in the Hong Kong market. However, the increased competition in the Hong Kong market has exerted price pressure on our products sold to our customers. The Macau market has also seen signs of improvement, with increased contribution in revenue during the Reporting Period. At the international level, as the Novel Coronavirus (“**COVID-19**”) pandemic is still affecting businesses worldwide, the revenue generated from our international customers has decreased during the Reporting Period. As a result, our Group’s revenue increased as our local customers have increased their purchases for our products, but due to the pressure on the selling price of our products, this has led to a decrease in gross profit margin, and resulted in a loss position 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\$74.2 million for the Reporting Period (six months ended 30 September 2020: approximately HK\$53.1 million), or approximately 91.5% of the total revenue during the Reporting Period (six months ended 30 September 2020: approximately 93.8%). The business in Macau has continued to improve, where the revenue generated from Macau contributed to approximately HK\$6.0 million for the Reporting Period (six months ended 30 September 2020: approximately HK\$2.2 million), or approximately 7.4% of the total revenue during the Reporting Period (six months ended 30 September 2020: approximately 3.9%).

#### **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 83.7% of the total revenue during the Reporting Period (six months ended 30 September 2020: approximately 87.6%).

## **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 5.4% of total revenue during the Reporting Period (six months ended 30 September 2020: approximately 5.0%) and approximately 10.9% of the total revenue during the Reporting Period (six months ended 30 September 2020: approximately 7.4%), respectively.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased by approximately HK\$24.5 million, or 43.3%, to approximately HK\$81.1 million for the Reporting Period, from approximately HK\$56.6 million for the six months ended 30 September 2020, primarily due to the improvement in business environment in Hong Kong during the Reporting Period, leading to a relatively higher level of construction activities and available projects when compared with the six months ended 30 September 2020, resulting in a higher than expected demand for our products.

### **Gross Profit and Gross Profit Margin**

The Group's gross profit decreased by approximately HK\$8.2 million, or 31.3%, to approximately HK\$18.0 million for the Reporting Period, from approximately HK\$26.2 million for the six months ended 30 September 2020, primarily attributable to the decrease in selling price of products to our customers due to the increased competition in the Hong Kong market.

Gross profit margin decreased to approximately 22.2% for the Reporting Period, from approximately 46.3% for the six months ended 30 September 2020. This is mainly attributable to the lower gross profit margins contributed by the manufacturing and trading of DTH rockdrilling tools segment as a result of the decrease in selling price of our products due to keen competition in the Hong Kong market, and the appreciation in Renminbi as a majority of our purchases are made in Renminbi.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses increased by approximately HK\$1.5 million, or 55.6%, to approximately HK\$4.2 million for the Reporting Period, from approximately HK\$2.7 million for the six months ended 30 September 2020, mainly due to the increase in declaration charges and freight, transportation and storage costs as a result of the increase in business activities during the Reporting Period.

## **Administrative Expenses**

The Group's administrative expenses decreased by approximately HK\$1.0 million, or 6.5%, to approximately HK\$14.4 million for the Reporting Period, from approximately HK\$15.4 million for the six months ended 30 September 2020, primarily due to the decrease in repairs and maintenance expenses, and travelling expenses during the Reporting Period.

## **Net Loss**

The Group reported a net loss of approximately HK\$0.7 million (for the six months ended 30 September 2020: net profit of approximately HK\$7.3 million) for the Reporting Period. The decrease in net profit was mainly attributable to the decrease in gross profit margins during the Reporting Period as explained above.

## **PROSPECTS**

During the Reporting Period, the Group continued to develop its various business and geographical segments. In Hong Kong, there has been improvement in the progress of the approval of budgets of public works projects in recent months by the Finance Committee.

At the international level, the number of confirmed COVID-19 cases keeps increasing, and various governments 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 continue to improve for the remainder of the year, subject to the COVID-19 pandemic situation. If the COVID-19 situation worsens in Hong Kong, there is a possibility that the progress of budget approval will be delayed due to the cancellation of LegCo meetings and suspension of government public services related to the administration of the public works projects. Internationally, restrictions on people, travelling and businesses are expected to continue, dependent upon the COVID-19 pandemic situations.

Overall, the Group is cautiously positive 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 2021, the Group's total cash and cash equivalents amounted to approximately HK\$86.7 million of which approximately 83.1%, 15.1%, 1.3% and 0.5% of the cash and cash equivalents were denominated in Hong Kong dollar, Renminbi, United States dollar and Euro, respectively (31 March 2021: 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).

As at 30 September 2021 and 31 March 2021, the Group had no bank borrowings. As at 30 September 2021, the Group's other borrowing of approximately HK\$20.0 million (31 March 2021: approximately HK\$20.0 million) had fixed interest rate of 1.0% (31 March 2021: 1.0%) per annum and was repayable within one year, which was unsecured. As at 30 September 2021 and 31 March 2021, the Group's other borrowing was denominated in Hong Kong dollar.

The gearing ratio of the Group as at 30 September 2021 (defined as the Group's total interest-bearing liabilities divided by the Group's total equity) was approximately 18.3% (31 March 2021: approximately 18.7%). The decrease in gearing ratio was mainly due to the decrease in lease liabilities during the Reporting Period.

## **CAPITAL STRUCTURE**

As at 30 September 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.

There has been no change in the capital structure of the Group during the six months ended 30 September 2020, the six months ended 30 September 2021 and up to the date of this announcement.

## **CHARGE ON GROUP ASSETS**

As at 30 September 2021, deposits placed at an insurance company amounting to approximately HK\$4.7 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 2021.

## **CAPITAL COMMITMENTS**

As at 30 September 2020 and 2021, the Group had no capital commitments.

## **SEGMENT INFORMATION**

Details of segment information of the Group for the six months ended 30 September 2021 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 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 2021 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 2021, the Group had 89 employees (30 September 2020: 92 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 2021 as follows:

Use of net proceeds	Estimated Net Proceeds as per the Prospectus <i>HK\$’ million</i>	Actual Net Proceeds <i>HK\$’ million</i>	Used amounts as at 30 September 2021 <i>HK\$’ million</i>	Unused amounts as at 30 September 2021 <i>HK\$’ million</i>	Expected timeline for use of proceeds
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	2.6	1.8	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	2.8	1.6	By 31 March 2024
Renting of new office for Hong Kong headquarters	3.2	3.5	1.1	2.4	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	<u>83.6</u>	<u>88.3</u>	<u>77.9</u>	<u>10.4</u>	

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. For further details, please refer to the relevant disclosures in the Group’s audited financial statements for the year ended 31 March 2021 published on 13 July 2021.

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 chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company currently does not have any officer with the title of chairman or chief executive. 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.

## **REVIEW OF FINANCIAL STATEMENTS**

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2021 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**  
**Chui Kwong Kau**  
*Executive Director*

Hong Kong, 24 November 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.*