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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 2022**

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 2022 (the “**Year**”) together with the comparative and audited figures for the year ended 31 March 2021 as follows:

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

*For the year ended 31 March 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	<b>141,748</b>	106,693
Cost of sales		<b>(102,147)</b>	(67,718)
Gross profit		<b>39,601</b>	38,975
Other income		<b>1,724</b>	2,177
Impairment losses under expected credit loss model, net		<b>(762)</b>	(1,125)
Other gains and losses		<b>2,439</b>	(3,737)
Selling and distribution expenses		<b>(7,447)</b>	(6,268)
Administrative expenses		<b>(35,797)</b>	(36,593)
Finance costs		<b>(873)</b>	(863)
Loss before tax	4	<b>(1,115)</b>	(7,434)
Taxation (charge) credit	5	<b>(360)</b>	897
Loss for the year		<b>(1,475)</b>	(6,537)
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(454)</b>	(4,412)
Non-controlling interests		<b>(1,021)</b>	(2,125)
		<b>(1,475)</b>	(6,537)
Loss per share, basic ( <i>HK cents</i> )	6	<b>(0.12)</b>	(1.16)

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

*For the year ended 31 March 2022*

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(1,475)</u>	<u>(6,537)</u>
<b>Other comprehensive income for the year</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>1,794</u>	<u>4,805</u>
Total comprehensive income (expense) for the year	<u><u>319</u></u>	<u><u>(1,732)</u></u>
<b>Total comprehensive income (expense) for the year attributable to:</b>		
Owners of the Company	461	(1,106)
Non-controlling interests	<u>(142)</u>	<u>(626)</u>
	<u><u>319</u></u>	<u><u>(1,732)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<b>6,711</b>	7,977
Right-of-use assets		<b>11,587</b>	13,694
Deposits placed at an insurance company		<b>4,788</b>	4,695
Deferred tax assets		<b>2,416</b>	1,877
		<u><b>25,502</b></u>	<u>28,243</u>
Current assets			
Inventories		<b>55,740</b>	65,012
Trade and other receivables	8	<b>59,971</b>	56,103
Financial assets at fair value through profit or loss		<b>25,034</b>	–
Tax recoverable		<b>1,900</b>	2,298
Bank balances and cash		<b>64,649</b>	87,437
		<u><b>207,294</b></u>	<u>210,850</u>
Current liabilities			
Trade and other payables	9	<b>8,953</b>	14,089
Contract liabilities		<b>487</b>	1,890
Lease liabilities		<b>2,001</b>	1,808
Tax payable		<b>4,009</b>	2,369
Other borrowings		<b>20,000</b>	20,000
		<u><b>35,450</b></u>	<u>40,156</u>
Net current assets		<u><b>171,844</b></u>	<u>170,694</u>
Total assets less current liabilities		<u><b>197,346</b></u>	<u>198,937</u>
Non-current liabilities			
Deferred tax liabilities		<b>126</b>	35
Lease liabilities		<b>10,915</b>	12,916
		<u><b>11,041</b></u>	<u>12,951</u>
Net assets		<u><b>186,305</b></u>	<u>185,986</u>
Capital and reserves			
Share capital		<b>38,000</b>	38,000
Reserves		<b>111,330</b>	110,869
Equity attributable to owners of the Company		<u><b>149,330</b></u>	<u>148,869</u>
Non-controlling interests		<b>36,975</b>	37,117
Total equity		<u><b>186,305</b></u>	<u>185,986</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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 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.

### 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 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 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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 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.

### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Recognised at a point in time:		
Manufacturing and trading of DTH rockdrilling tools	116,345	95,031
Trading of piling and drilling machineries	10,032	2,808
Trading of rockdrilling equipment	15,371	8,854
	<u>141,748</u>	<u>106,693</u>

Disaggregation of revenue by geographical location is disclosed in 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 contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2022 and 2021 and the expected timing of recognising revenue are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	<u>45,289</u>	<u>13,129</u>

## Segment information

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 2022

	<b>Manufacturing and trading of DTH rockdrilling tools HK\$’000</b>	<b>Trading of piling and drilling machineries HK\$’000</b>	<b>Trading of rockdrilling equipment HK\$’000</b>	<b>Total HK\$’000</b>
Segment and external sales	<u>116,345</u>	<u>10,032</u>	<u>15,371</u>	<u>141,748</u>
Segment result	<u><u>35,070</u></u>	<u><u>1,482</u></u>	<u><u>3,049</u></u>	<u>39,601</u>
Unallocated expenses				(43,244)
Other income				1,724
Impairment losses under expected credit loss (“ECL”) model, net				(762)
Other gains and losses				2,439
Finance costs				<u>(873)</u>
Loss before tax				<u><u>(1,115)</u></u>

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>
Segment result	<u><u>36,512</u></u>	<u><u>509</u></u>	<u><u>1,954</u></u>	38,975
Unallocated expenses				(42,861)
Other income				2,177
Impairment losses under 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>

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 2022

	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	778	–	–	778
Depreciation of right-of-use assets	1,475	–	–	1,475
Reversal of write down of inventories	(441)	–	–	(441)

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	3,363	–	–	3,363



## 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	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>128,918</b>	99,299	<b>1,551</b>	2,339
Macau	<b>8,698</b>	4,584	–	–
The People's Republic of China (the "PRC")	–	–	<b>16,747</b>	19,332
Others	<b>4,132</b>	2,810	–	–
	<u><b>141,748</b></u>	<u>106,693</u>	<u><b>18,298</b></u>	<u>21,671</u>

## Information about major customers

Revenue from major customers which accounted for 10% or more of the Group's revenue for each of the year are set out below:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A from manufacturing and trading of DTH rockdrilling tools and trading of rockdrilling equipment	<b>28,673</b>	27,750
Customer B from manufacturing and trading of DTH rockdrilling tools	<u><b>18,833</b></u>	<u>N/A<sup>1</sup></u>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

#### 4. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Directors' remuneration	558	360
Other staff costs	21,383	23,333
Contributions to retirement benefit schemes ( <i>note</i> )	<u>1,579</u>	<u>619</u>
Total staff costs	23,520	24,312
Capitalised in cost of inventories manufactured	<u>(5,154)</u>	<u>(5,457)</u>
	<u>18,366</u>	<u>18,855</u>
Depreciation of property, plant and equipment	2,037	2,372
Capitalised in cost of inventories manufactured	<u>(778)</u>	<u>(792)</u>
	<u>1,259</u>	<u>1,580</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	800	1,850
Cost of inventories recognised as expense	<u>102,147</u>	<u>67,718</u>

*Note:* During the year ended 31 March 2021, the Group's contribution to social insurance benefit in the PRC was reduced by HK\$705,000 following the local government's social insurance concession policy due to the outbreak of Covid-19 (2022: nil).

## 5. TAXATION (CHARGE) CREDIT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong	(237)	(443)
PRC Enterprise Income Tax	(515)	–
	<u>(752)</u>	<u>(443)</u>
(Under) over-provision in prior years:		
PRC Enterprise Income Tax	(56)	66
Current tax charge	(808)	(377)
Deferred tax credit	448	1,274
	<u>(360)</u>	<u>897</u>

The Hong Kong Profits Tax of the qualifying group entity under the two-tiered profits tax rates regime 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 for both years. The Hong Kong Profits Tax of the group entities not qualifying for the regime is calculated at a flat rate of 16.5% of the estimated assessable profits.

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 PER SHARE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the purpose of calculating basic loss per share:		
Loss for the year attributable to owners of the Company	<u>(454)</u>	<u>(4,412)</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic loss per share	<u>380,000</u>	<u>380,000</u>

No diluted loss per share for the years ended 31 March 2022 and 2021 was presented as there were no potential ordinary shares in issue during both years.

## 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	10,138	11,401
31 to 60 days	3,710	2,166
61 to 90 days	4,509	2,561
91 to 180 days	8,738	3,594
181 days to 1 year	5,917	5,089
Over 1 year	6,584	5,449
	<u>39,596</u>	<u>30,260</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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	3,554	6,197
31 to 60 days	357	1,037
61 to 90 days	-	1,156
91 to 180 days	-	916
181 to 365 days	-	43
Over 365 days	-	9
	<u>3,911</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 Year, 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 continued to exert price pressure on products sold to our customers. The Macau market has also seen signs of improvement, with increased contribution to the Group’s revenue and gross profit during the Year. At the international level, as the Novel Coronavirus (“**COVID-19**”) pandemic situation showed signs of improvement in some countries, the businesses and revenue generated from our international customers has slightly increased during the Year. As a result, this had a favourable contribution to our Group’s revenue as our local and international customers have increased their purchases of our products. However, due to the pressure on the selling price of our products locally, this has led to a decrease in gross profit margin. The effects as mentioned above have resulted in an improvement in the loss position during the Year, where the loss for the Year is approximately HK\$1.5 million, as compared with the loss of approximately HK\$6.5 million for the year ended 31 March 2021.

Hong Kong remains to be the Group’s major market, where the revenue generated from Hong Kong contributed to approximately HK\$128.9 million for the Year (2021: approximately HK\$99.3 million), or approximately 91.0% of the total revenue during the Year (2021: approximately 93.1%).

The business in Macau has improved, where the revenue generated from Macau contributed to approximately HK\$8.7 million (2021: approximately HK\$4.6 million), or approximately 6.1% of the total revenue during the Year (2021: approximately 4.3%).

### 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 82.1% of the total revenue during the Year (2021: approximately 89.0%).

## **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 7.1% of total revenue during the Year (2021: approximately 2.6%) and approximately 10.8% of the total revenue during the Year (2021: approximately 8.3%), respectively.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the Group increased by approximately HK\$35.0 million, or 32.8%, to approximately HK\$141.7 million for the Year, from approximately HK\$106.7 million for the year ended 31 March 2021. The increase in revenue is primarily caused by the improvement in business environment in Hong Kong, leading to a higher level of construction works and projects available during the Year when compared with the year ended 31 March 2021, resulting in a higher than expected demand for our products.

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

The Group's gross profit increased by approximately HK\$0.6 million, or 1.5%, to approximately HK\$39.6 million for the Year, from approximately HK\$39.0 million for the year ended 31 March 2021, primarily due to the increase in revenue as mentioned above. Gross profit margin decreased to approximately 27.9% for the Year, from approximately 36.6% for the year ended 31 March 2021. This is mainly attributable to the lower gross profit margins contributed by the manufacturing and trading of DTH rockdrilling tools segment due to the decrease in selling price of our products as a result of increased competition in the Hong Kong market, and the appreciation in Renminbi as a majority of our purchases are made in Renminbi.

### **Other gains and losses**

The Group recorded net other gains of approximately HK\$2.4 million for the Year as compared to the net other loss of approximately HK\$3.7 million for the year ended 31 March 2021. This was mainly attributable to the decrease in write down of inventories, exchange losses and impairment losses under ECL model, net when compared with the year ended 31 March 2021, and the recognition of gain on fair value changes of financial assets at fair value through profit or loss during the Year.

*Gain on fair value changes of financial assets at fair value through profit or loss and securities investment*

In March 2022, the Company acquired listed securities on the open markets at an aggregate consideration of approximately HK\$23.4 million. As at 31 March 2022, the fair value of the listed securities held by the Company amounted to approximately HK\$25.0 million. Dividend income of HK\$165,000 were received from the investment of listed securities during the Year. Details of which in respect of the acquisition of listed securities are set out in the Company's announcement dated 8 March 2022 and 9 March 2022 respectively. Save as disclosed in this announcement, there was no other additional acquisition or disposal of listed securities during the Year.

The Group regularly monitors its investment performance and make appropriate investment decisions regularly. In addition, the Group would allocate part of its idle resources from time to time to purchase principal-guaranteed wealth management products to increase its overall return.

**Selling and Distribution Expenses**

The Group's selling and distribution expenses increased by approximately HK\$1.1 million, or 17.5%, to approximately HK\$7.4 million for the Year, from approximately HK\$6.3 million for the year ended 31 March 2021, mainly due to the increase in freight, transportation and storage costs as a result of the increase in revenue during the Year.

**Administrative Expenses**

The Group's administrative expenses decreased by approximately HK\$0.8 million, or 2.2%, to approximately HK\$35.8 million for the Year, from approximately HK\$36.6 million for the year ended 31 March 2021, primarily due to the decrease in staff costs and repairs and maintenance expenses, offset with the increase in rent and rates during the Year.

**Net Loss**

The Group recorded a net loss of approximately HK\$1.5 million for the Year as compared to the net loss of approximately HK\$6.5 million for the year ended 31 March 2021. This was mainly attributable to the increase in revenue and gross profit and fair value gain in financial assets at fair value through profit or loss, offset with the increase in freight, transportation and storage costs, 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. 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. 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 pandemic situation worsens in Hong Kong, there is a possibility that the progress of budget approval will be delayed due to the cancellation in 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 showing signs of relaxation in some countries, dependent upon their COVID-19 pandemic situations. Once the travelling and quarantine restrictions relax, the Group will continue to promote and develop our international businesses at the overseas exhibitions and trade shows when resumed.

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 31 March 2022, the Group's total cash and cash equivalents amounted to approximately HK\$64.6 million of which approximately 66.2%, 29.6%, 3.2% and 1.0% 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). The decrease was mainly resulted from the increase in investment in financial assets at fair value through profit or loss during the Year.

As at 31 March 2022 and 31 March 2021, the Group had no bank borrowings. As at 31 March 2022, the Group's other borrowings 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 31 March 2022 and 31 March 2021, the Group's other borrowings were denominated in Hong Kong dollar.

The gearing ratio of the Group as at 31 March 2022 (defined as the Group's total interest-bearing liabilities divided by the Group's total equity) was approximately 17.7% (31 March 2021: approximately 18.7%). The decrease in gearing ratio was mainly due to the decrease in lease liabilities during the Year.



## **CAPITAL STRUCTURE**

As at 31 March 2022, 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**

The 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 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\$70.3 million (2021: approximately HK\$55.5 million), accounting for approximately 49.6% (2021: approximately 52.0%) of the total revenue of the Group.

During the Year, our purchases from our top five suppliers were approximately HK\$51.5 million (2021: approximately HK\$48.8 million), accounting for approximately 83.7% (2021: approximately 82.4%) 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 2022 and 31 March 2021.

## **CAPITAL COMMITMENTS**

As at 31 March 2022 and 31 March 2021, the Group had no capital commitments.

## **CHARGE ON GROUP ASSETS**

There were no bank borrowings as at 31 March 2022 and 31 March 2021. As at 31 March 2022, deposits placed at an insurance company amounting to approximately HK\$4.8 million (31 March 2021: approximately HK\$4.7 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. As disclosed in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 30 December 2016 (the “**Prospectus**”), the Group intended to apply the net proceeds received for (i) investing in a new manufacturing facility; (ii) research and development activities; (iii) participation in overseas exhibition and promotions; (iv) purchase of brand new drilling machineries; (v) increasing manpower in Hong Kong; (vi) renting a new office space for our Hong Kong headquarters; and (vii) working capital and other general corporate purposes.

As at 31 May 2022, the Group had total unutilised net proceeds of approximately HK\$8.0 million, of which approximately HK\$4.6 million for participation in overseas exhibition and promotions, approximately HK\$1.1 million for increasing manpower in Hong Kong, and approximately HK\$2.3 million for renting of new office for Hong Kong headquarters. On 22 June 2022, the Board has resolved to re-allocate the unutilised net proceeds of approximately HK\$8.0 million to provide funding for our working capital and other general corporate purposes (the “**Change in UOP**”).

The table below sets out the utilisation of the net proceeds up to 31 March 2022, 31 May 2022 and the Change in UOP:

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 31 March 2022 <i>HK\$' million</i>	Unused amounts as at 31 March 2022 <i>HK\$' million</i>	Unused amounts as at 31 May 2022 <i>HK\$' million</i>	Allocation of unutilised net proceeds after Change in UOP <i>HK\$' million</i>	Expected timeline for use of proceeds
Investing in new manufacturing facility	48.0	50.4	50.4	-	-	-	
Research and development	3.9	4.4	4.4	-	-	-	
Participation in overseas exhibition and promotions	9.6	9.7	5.1	4.6	4.6	-	
Purchase of brand new drilling machineries	8.2	8.8	8.8	-	-	-	
Increasing manpower in Hong Kong	3.8	4.4	3.2	1.2	1.1	-	
Renting of new office for Hong Kong headquarters	3.2	3.5	1.2	2.3	2.3	-	
Working capital and other general corporate purposes	6.9	7.1	7.1	-	-	8.0	By 31 March 2024
	<u>83.6</u>	<u>88.3</u>	<u>80.2</u>	<u>8.1</u>	<u>8.0</u>	<u>8.0</u>	

### Reasons for the Change in UOP

As at 31 May 2022, the amount of unutilised net proceeds of approximately HK\$4.6 million allocated for the participation in overseas exhibition and promotions has not been utilised by the Group since the financial year ended 31 March 2020. 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 at 31 May 2022, the amount of unutilised net proceeds of approximately HK\$1.1 million and HK\$2.3 million were allocated for increasing manpower in Hong Kong and renting of new office for Hong Kong headquarters respectively. The utilisation of the aforesaid proceeds was slowed down due to the uncertain market and economic conditions as a result of the COVID-19 pandemic.

As such, given it is unlikely that the aforesaid proceeds will be fully utilised in the near future, the Board has resolved that it would be in the best interest of the Company and its shareholders to reallocate the unutilised net proceeds of approximately HK\$8.0 million of which was originally assigned for the participation in overseas exhibition and promotions, increasing manpower in Hong Kong and renting of new office for Hong Kong headquarters to provide funding for our working capital and other general corporate purposes.

The Board confirms that there is no material change in the business of the Group as set out in the Prospectus. The Board considered that the Change in UOP will enable the Group to deploy its financial resources more effectively and to facilitate its business development plan, and therefore such change is in the interest of the Group and the shareholders of the Company as a whole. Save as disclosed in this announcement, there are no other changes in the use of the net proceeds. The unused net proceeds have been deposited with banks in Hong Kong.

The Board will continuously assess the plans for use of the net proceeds, and may revise or amend such plans where necessary to respond to the changing market conditions and strive for better business performance of the Group.

## **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 (which has changed to C.2.1 since 1 January 2022), 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 (which has changed to B.2.2 since 1 January 2022) 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, there are no significant events affecting the Group after the reporting period and up to the date of this announcement.

## **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 Baker Tilly Hong Kong Limited**

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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Baker Tilly Hong Kong Limited 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 Baker Tilly Hong Kong Limited on the preliminary announcement.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE 2021/22 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 2021/22 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, 22 June 2022

*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.*