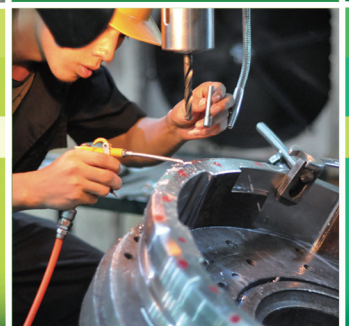


# Yuk Wing Group Holdings Limited

## 煜榮集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1536



# 2017/18

ANNUAL REPORT

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# CORPORATE INFORMATION

## COMPANY DIRECTORS

### Executive Directors

Mr. He Xiaoming (*Chairman and Chief Executive Officer*)  
(*appointed on 13 April 2018*)

Mr. Chan Tat Choi

Mr. Chan Leung Choi (*resigned on 13 April 2018*)

Mr. Chan Kin Choi (*resigned on 13 April 2018*)

Ms. Liang Ning (*resigned on 13 April 2018*)

### Independent Non-executive Directors

Mr. Liu Tin Lap (*appointed on 20 April 2018*)

Mr. Lau Leong Yuen (*appointed on 20 April 2018*)

Ms. Lam Hoi Yu Nicki (*appointed on 20 April 2018*)

Mr. Chan Lewis (*resigned on 20 April 2018*)

Mr. Lam Chun Fung (*resigned on 20 April 2018*)

Mr. Sung Lok Man Richard (*resigned on 20 April 2018*)

## AUDIT AND COMPLIANCE COMMITTEE (THE “AUDIT AND COMPLIANCE COMMITTEE”)

Mr. Liu Tin Lap (*Chairman*) (*appointed on 20 April 2018*)

Mr. Lau Leong Yuen (*appointed on 20 April 2018*)

Ms. Lam Hoi Yu Nicki (*appointed on 20 April 2018*)

Mr. Sung Lok Man Richard (*resigned on 20 April 2018*)

Mr. Lam Chun Fung (*resigned on 20 April 2018*)

Mr. Chan Lewis (*resigned on 20 April 2018*)

## REMUNERATION COMMITTEE (THE “REMUNERATION COMMITTEE”)

Ms. Lam Hoi Yu Nicki (*Chairman*)  
(*appointed on 20 April 2018*)

Mr. He Xiaoming (*appointed on 13 April 2018*)

Mr. Liu Tin Lap (*appointed on 20 April 2018*)

Mr. Lau Leong Yuen (*appointed on 20 April 2018*)

Mr. Chan Lewis (*resigned on 20 April 2018*)

Mr. Chan Leung Choi (*resigned on 13 April 2018*)

Mr. Sung Lok Man Richard (*resigned on 20 April 2018*)

Mr. Lam Chun Fung (*appointed on 13 April 2018 and*  
*resigned on 20 April 2018*)

## NOMINATION COMMITTEE (THE “NOMINATION COMMITTEE”)

Mr. Lau Leong Yuen (*Chairman*)  
(*appointed on 20 April 2018*)

Mr. He Xiaoming (*appointed on 13 April 2018*)

Mr. Liu Tin Lap (*appointed on 20 April 2018*)

Ms. Lam Hoi Yu Nicki (*appointed on 20 April 2018*)

Mr. Chan Leung Choi (*resigned on 13 April 2018*)

Mr. Chan Lewis (*resigned on 20 April 2018*)

Mr. Lam Chun Fung (*resigned on 20 April 2018*)

Mr. Sung Lok Man Richard (*appointed on 13 April 2018 and*  
*resigned on 20 April 2018*)

## AUTHORISED REPRESENTATIVES

Mr. He Xiaoming (*appointed on 20 April 2018*)

Ms. Choi Yee Man (*appointed on 20 April 2018*)

Mr. Chan Tat Choi (*resigned on 20 April 2018*)

Mr. Chow Jonathan Edward Chun-chung

(*resigned on 20 April 2018*)

## COMPANY SECRETARY

Ms. Choi Yee Man (*appointed on 20 April 2018*)

Mr. Chow Jonathan Edward Chun-chung

(*resigned on 20 April 2018*)

## AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants  
35/F One Pacific Place  
88 Queensway  
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
1 Garden Road, Central  
Hong Kong

DBS Bank (Hong Kong) Limited  
16th Floor, The Center  
99 Queen’s Road Central  
Hong Kong

# CORPORATE INFORMATION

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## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2102, 21/F  
West Tower, Shun Tak Centre  
168–200 Connaught Road Central  
Sheung Wan, Hong Kong

## LEGAL ADVISERS

### As to Hong Kong law:

Latham & Watkins  
18th Floor, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### As to Cayman Islands law:

Conyers Dill & Pearman  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## COMPLIANCE ADVISER

Octal Capital Limited  
801–805, 8th Floor, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

## CAYMAN SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## STOCK CODE

01536

## COMPANY WEBSITE

[www.yukwing.com](http://www.yukwing.com)

# CHAIRMAN'S STATEMENT

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Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Yuk Wing Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), I would like to present the 2017/18 annual report of the Group for the year ended 31 March 2018.

## REVIEW

For the year ended 31 March 2018 (the "**Year**"), the Group's revenue was approximately HK\$99.7 million (2017: approximately HK\$126.7 million). Such decrease was mainly attributable to the continued delays in funding approvals for construction jobs in Hong Kong by the Legislative Council of Hong Kong (the "**Legislative Council**"), resulting in a lower than expected demand of our products.

The Group's net profit decreased from approximately HK\$2.8 million for the year ended 31 March 2017 to approximately HK\$0.5 million for the Year. The decrease in net profit was mainly due to the decrease in revenue for the Group, together with the one-off legal and professional fees of approximately HK\$3.4 million in relation to the mandatory cash offer made by Colour Shine Investments Limited ("**Colour Shine**") incurred during the Year. Excluding these non-recurring expenses, the Group's net profit would have been approximately HK\$3.9 million for the Year.

## PROSPECTS

Looking ahead, the Group remains positive about the prospects of the market and will continue to focus on our core business of manufacturing and trading of down-the-hole ("**DTH**") rockdrilling tools in Hong Kong and Macau, and our efforts to strengthen and extend our presence in the overseas markets. In order to maximise the long term returns to our shareholders, the Group will devote more resources towards the development of our manufacturing and trading of DTH rockdrilling tools business.

## APPRECIATION

Lastly, I would like to express our sincere gratitude to our shareholders, customers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

By order of the Board

**Yuk Wing Group Holdings Limited**

**He Xiaoming**

*Chairman*

Hong Kong, 28 June 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. 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.

Hong Kong and Macau remain to be the Group's major markets, where the revenue generated from Hong Kong contributed to approximately HK\$88.5 million for the Year (2017: approximately HK\$110.8 million), or approximately 88.8% of the total revenue during the Year (2017: approximately 87.5%). There has been a decrease in revenue generated from Macau during the Year, where the revenue generated from Macau contributed to approximately HK\$6.0 million for the Year (2017: approximately HK\$9.9 million), or approximately 6.0% of the total revenue during the Year (2017: approximately 7.8%). The business in the Scandinavia region has seen signs of improvement during the Year, where revenue generated from Scandinavia contributed to approximately HK\$2.8 million (2017: approximately HK\$1.1 million), or approximately 2.8% of the total revenue during the Year (2017: approximately 0.9%).

### 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 62.8% of the total revenue during the Year (2017: approximately 68.5%).

### 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 27.6% of the total revenue during the Year (2017: approximately 20.0%) and approximately 9.6% of the total revenue during the Year (2017: approximately 11.5%), respectively.

## 2. FINANCIAL REVIEW

### 2.1 Consolidated Results of Operations

The Group's revenue decreased by approximately HK\$27.0 million, or 21.3%, to approximately HK\$99.7 million for the Year, from approximately HK\$126.7 million for the year ended 31 March 2017. Our gross profit for the years ended 31 March 2017 and 2018 were approximately HK\$57.9 million and approximately HK\$37.5 million, respectively. For the years ended 31 March 2017 and 2018, the revenue from the manufacturing and trading of DTH rockdrilling tools accounted for approximately 68.5% and approximately 62.8% of the total revenue, respectively. The revenue from trading of piling and drilling machineries, and trading of rockdrilling equipment accounted for the rest of our revenue. We sell our products to customers in Hong Kong, Macau, and through distributors in Finland and Japan to end users in Scandinavia and Japan respectively. We generated most of our revenue from sales in Hong Kong, which accounted for approximately 87.5% and approximately 88.8% of our total revenue in the years ended 31 March 2017 and 2018, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. FINANCIAL REVIEW *(Continued)*

### 2.1 Consolidated Results of Operations *(Continued)*

The following discussion addresses the principal trends that have affected our results of operations during the Year. The following table sets out our consolidated results of operations for the years indicated:

	For the year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Revenue	99,703	126,675
Cost of sales	(62,234)	(68,730)
Gross profit	37,469	57,945
Other income and expenses	202	1,539
Other gains and losses	(2,051)	2,616
Selling and distribution expenses	(4,806)	(4,808)
Administrative expenses	(27,419)	(23,518)
Listing expenses	–	(25,159)
Finance costs	(473)	(718)
Profit before tax	2,922	7,897
Income tax expense	(2,431)	(5,146)
Profit for the year	491	2,751
<b>Total comprehensive income for the year</b>	<b>3,756</b>	<b>1,101</b>

#### (a) Revenue

The Group's revenue decreased by approximately HK\$27.0 million, or 21.3%, to approximately HK\$99.7 million for the Year, from approximately HK\$126.7 million for the year ended 31 March 2017, primarily due to the continued delay in funding approvals for construction works in Hong Kong by the Legislative Council, which led to a lower level of construction works and projects available during the Year, resulting in a lower demand of our products than expected.

#### (b) Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$20.4 million, or 35.2%, to approximately HK\$37.5 million for the Year, from approximately HK\$57.9 million for the year ended 31 March 2017, primarily due to the decrease in revenue as mentioned above. Gross profit margin decreased to approximately 37.6% for the Year, from approximately 45.7% for the year ended 31 March 2017, mainly attributable to the increased competition among foundation companies and contractors which sought to tender projects in both public sector and private sector at lower price, which in turn exerted pressure on the price of the Group's products.

#### (c) Administrative Expenses

The Group's administrative expenses increased by approximately HK\$3.9 million, or 16.6%, to approximately HK\$27.4 million for the Year, from approximately HK\$23.5 million for the year ended 31 March 2017, primarily due to the increase in audit fees, repairs and maintenance expenses, and donations during the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. FINANCIAL REVIEW *(Continued)*

### 2.1 Consolidated Results of Operations *(Continued)*

#### (d) Listing Expenses

No listing expenses were recognised during the Year (2017: approximately HK\$25.2 million) as the Group was successfully listed in January 2017, and all the listing expenses were recognised during the year ended 31 March 2017.

#### (e) Finance Costs

The Group's finance costs decreased by approximately HK\$245,000, or 34.1%, to approximately HK\$473,000 for the Year, from approximately HK\$718,000 for the year ended 31 March 2017, primarily due to the repayment of bank borrowings during the Year.

#### (f) Net Profit

The Group recorded a net profit of approximately HK\$0.5 million for the Year as compared to the net profit of approximately HK\$2.8 million for the year ended 31 March 2017. The decrease was mainly attributable to the decrease in revenue, together with the one-off legal and professional fees of approximately HK\$3.4 million in relation to the mandatory cash offer made by Colour Shine incurred during the Year. Excluding these non-recurring expenses, the Group's net profit would have been approximately HK\$3.9 million for the Year. Details of the mandatory cash offer are set out in the section headed "Change in Control and Mandatory Cash Offer" under "Management Discussion and Analysis" in this report.

## 3. STRATEGY AND PROSPECTS

The Group is a leading manufacturer and supplier of DTH rockdrilling tools in Hong Kong. We also supply piling and drilling equipment and machineries and rockdrilling equipment sourced from external suppliers, and provide technical rockdrilling solutions to our customers with a variety of rockdrilling needs.

During the Year, the Group continued to steadily develop its various business segments. However, for Hong Kong, the Group's major market, the market environment has remained challenging during the Year due to the continued delay in the funding approval process, as well as the increased uncertainties in obtaining approvals for public works by the Legislative Council. From the information available from the Legislative Council in December 2017, a total of 92 projects were pending for approval from the Finance Committee of the Legislative Council (the "**Finance Committee**") before the 2018 summer recess in the 2017–18 legislative session. The progress of funding approval remained slow, where only 9 out of the 92 projects have obtained funding approval up to 31 March 2018. This has impacted the Group's revenue and profitability for the Year. A total of 74 projects remained outstanding for funding approval up to 31 May 2018. Although the approval of the public works projects from the relevant government departments continue to be delayed from the Legislative Council, motions have passed at the Finance Committee in March 2018 to streamline the procedures on the deliberation of agenda items and committee members speaking on proposals. Moreover, the government will be increasing land supply and addressing the supply and demand imbalance by implementing short, medium and long-term measures as mentioned in the 2017 Policy Address. It is anticipated that the timeliness of the funding approval will be improved, and more construction projects will be approved and commenced by the government and the private sector in the coming years.

The Scandinavia market has seen signs of improvement during the Year. The Group will continue to capture the business opportunities as and when they arise.

The Group has been continuing its efforts to strengthen and extend its presence in several key international markets, including Japan and India.

Overall, the Group remains positive towards the future of the construction market and the business of the Group in Hong Kong, and will continue its efforts to strengthen and extend its presence in the overseas markets.



# MANAGEMENT DISCUSSION AND ANALYSIS

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## 4. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group's total cash and cash equivalents amounted to approximately HK\$72.0 million of which approximately 96.3%, 2.2%, 1.2% and 0.3 % of the cash and cash equivalents were denominated in Hong Kong dollar, Renminbi, United States dollar and Euro, respectively (2017: approximately HK\$100.9 million of which approximately 95.7%, 1.2%, 3.0% and 0.1% 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 2018, the Group's bank borrowings of approximately HK\$1.7 million (2017: approximately HK\$19.9 million) had variable interest rates and was repayable within one year, which are guaranteed by the Company. As at 31 March 2017 and 2018, the bank borrowings were denominated in Hong Kong dollar.

The gearing ratio of the Group as at 31 March 2018 (defined as the Group's total interest-bearing liabilities divided by the Group's total equity) was approximately 1.1% (2017: approximately 13.2%).

## 5. CAPITAL STRUCTURE

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 11 January 2017 (the "Listing Date").

As at 31 March 2018, 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 Company since the Listing Date and up to the date of this report.

## 6. FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

As at 31 March 2018, the Group did not have plan for material investment and capital assets.

## 7. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this report, there has been no significant investment, material acquisition or disposal of subsidiaries and associated companies by the Group during the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 8. CHANGE IN CONTROL AND MANDATORY CASH OFFER

The deed of sale and purchase was entered into between Colour Shine and Hang Yip Company Limited (“**Hang Yip**”), a former Controlling Shareholder who was interested in 195,000,000 shares of the Company, representing 51.32% of the issued share capital of the Company (the “**Sale Share(s)**”), on 2 February 2018, pursuant to which, among others, Colour Shine agreed to purchase and Hang Yip agreed to sell the Sale Shares for a total cash consideration of HK\$349.05 million (equivalent to HK\$1.79 per Sale Share). The completion of the sale and purchase of the Sale Shares took place on 5 February 2018.

Upon the completion of the sale and purchase of the Sale Shares, Colour Shine and parties acting in concert with it were interested in 195,000,000 shares of the Company, representing 51.32% of the issued share capital of the Company on 5 February 2018, Colour Shine therefore was required to make a mandatory unconditional cash offer for all the issued shares of the Company not already owned or agreed to be acquired by it and parties acting in concert with it under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the “**Offer**”). The Offer was closed on 13 April 2018.

Details of the Offer have been disclosed in the Company’s announcements dated 7 February 2018, 13 February 2018, 28 February 2018, 23 March 2018, 29 March 2018 and 13 April 2018 respectively and the Company’s circular dated 23 March 2018.

## 9. CONTINGENT LIABILITIES

The Group has not had any material contingent liabilities as at 31 March 2017 and 2018.

## 10. CAPITAL COMMITMENTS

As at 31 March 2017 and 2018, the Group had no capital commitments.

## 11. CHARGE ON GROUP ASSETS

As at 31 March 2018, bank borrowings amounting to approximately HK\$1.7 million (2017: approximately HK\$19.9 million) are guaranteed by the Company. As at 31 March 2018, deposits placed at an insurance company amounting to approximately HK\$4.4 million (2017: approximately HK\$4.3 million) were pledged to secure general banking facilities granted to the Group.

## 12. FOREIGN EXCHANGE RISK

The Group’s operations are mainly in Hong Kong and the People’s Republic of China (the “**PRC**”), and most of the operating transactions, revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars and Renminbi. As such, the Directors are of the view that the Group’s risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirements as and if it arises. The Group has not engaged in any derivative to hedge its exposure to foreign exchange risk.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 13. USE OF PROCEEDS FROM THE PUBLIC OFFER

The shares of the Company were listed on the Main Board of the Stock Exchange on 11 January 2017. 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 2018 as follows:

<b>Use of net proceeds</b>	<b>Estimated Net Proceeds as per the Prospectus HK\$' million</b>	<b>Actual Net Proceeds HK\$' million</b>	<b>Used amounts as at 31 March 2018 HK\$' million</b>	<b>Unused amounts as at 31 March 2018 HK\$' million</b>
Investing in new manufacturing facility	48.0	50.4	2.2	48.2
Research and development	3.9	4.4	0.7	3.7
Participation in overseas exhibition and promotions	9.6	9.7	0.2	9.5
Purchase of brand new drilling machineries	8.2	8.8	8.8	–
Increasing manpower in Hong Kong	3.8	4.4	–	4.4
Renting of new office for Hong Kong headquarters	3.2	3.5	–	3.5
Working capital and other general corporate purposes	6.9	7.1	5.6	1.5
<b>Total</b>	<b>83.6</b>	<b>88.3</b>	<b>17.5</b>	<b>70.8</b>

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 report, 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.

## 14. EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had approximately 96 employees (2017: approximately 127 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.

# CORPORATE GOVERNANCE REPORT

## 1. 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 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 the Code Provision of A.2.1.

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. Chan Leung Choi was the chairman and the chief executive officer of the Company during the Year. However, given the development of the Group and the rich and extensive experience that Mr. Chan Leung Choi has in the industry and the Group with a long history, the Board believes that both Mr. Chan Leung Choi 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. Mr. Chan Leung Choi has resigned and Mr. He Xiaoming has been appointed as the chairman and chief executive officer of the Company on 13 April 2018.

The Board will examine and review, from time to time, the Company’s corporate governance practices and operation in order to meet the relevant Code Provisions under the Listing Rules and to protect the shareholders’ interests.

## 2. 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 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.

## 3. BOARD OF DIRECTORS

### 3.1 Board of Directors

#### (a) Composition of Board of Directors

As at the date of this report, the Board comprises (i) executive Directors, Mr. He Xiaoming (Chairman) and Mr. Chan Tat Choi; and (ii) independent non-executive Directors, Mr. Liu Tin Lap, Mr. Lau Leong Yuen and Ms. Lam Hoi Yu Nicki.

The Company has at least three Independent Non-executive Directors (representing at least one-third of the Board), in compliance with the provisions of the Listing Rules and among whom, at least one Independent Non-executive Director must possess professional qualifications or accounting knowledge or professional knowledge related to finance management. After taking into consideration of the factors regarding the evaluation of the independence of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and the written confirmation of all Independent Non-executive Directors, the Board believe that all independent non-executive Directors shall be independent individuals.

# CORPORATE GOVERNANCE REPORT

## 3. BOARD OF DIRECTORS *(Continued)*

### 3.1 Board of Directors *(Continued)*

#### (a) Composition of Board of Directors *(Continued)*

The Directors may, at the Company's expense, seek independent professional advice in appropriate circumstances. The Company will provide separate independent professional advice to the Directors upon request to assist the Directors to discharge their duties to the Company.

Before each Board meeting, the senior management will provide relevant information pertaining to matters to be brought before the Board for decision as well as reports relating to the operational and financial performance of the Group. Where any Director requires more information than is supplied by the senior management, each Director has the right to separately and independently access the Company's senior management to make further enquiries.

#### (b) Job Duties and Authority of the Board of Directors

The Board shall be accountable to the general meeting and have the duty to report to the general meeting. The Board is responsible for convening the general meeting, implementing the resolutions of the general meeting, determining the operational plan and investment proposals of the Company, setting up the annual financial budget proposal, final accounts, profit distribution proposal, proposal for increase or decrease of capital and others, deciding on the establishment of the Company's management authority, determining the appointment or dismissal of chief executive officer, chief financial officer and other senior management officers, formulating the basic management system of the Company and determining the establishment of the special committees of the Board.

#### (c) Job Duties and Authority of the Senior Management

The senior management is responsible for the specific implementation of the resolutions of the Board and of the daily business management of the Company, which includes formulating (i) the Company's operating plan and investment proposal, (ii) the plan of establishing the internal management authority, (iii) the basic management system of the Company and (iv) the Company's specific regulations.

### 3.2 Meetings of the Board of Directors

Pursuant to the Code Provision A.1.1 of the Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Agenda of Board meetings are presented to the Directors for comments and approval. The Board is provided with adequate, timely and reliable information about the Group's business and developments before each Board meeting at which the Directors actively participate and hold informed discussions. A notice of regular board meeting shall be given to all directors at least 14 days before the meeting is convened pursuant to the requirements of the Code, and such notice shall state the date, time and venue of the meeting to be convened and the format to be adopted of such meeting. Other interim Board meetings have reasonable notices be delivered to all Directors.

In accordance with the provisions of the Listing Rules, in the event that the Company decides to announce to distribute, propose or pay dividends, or it shall pass at the meeting of the Board such resolutions in respect of profits or losses for any year, half-year or other periods, the Company must give a notice to the Stock Exchange at least seven working days before the convening of such meeting and must issue an announcement thereof.

# CORPORATE GOVERNANCE REPORT

## 3. BOARD OF DIRECTORS *(Continued)*

### 3.2 Meetings of the Board of Directors *(Continued)*

The quorum for a Board meeting shall be the presence of two Directors. The Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person. The secretary of the Company's Board is responsible for preparing and safekeeping the minutes of the Board meetings and ensuring that the Directors can enquire about such minutes.

During the Year, the Board convened a total of 5 meetings. The attendance record of the meetings by the Directors was as follows:

Name	Position	Number of meetings of Board of Directors attended/ should attend	Attendance rate
Mr. Chan Leung Choi <i>(resigned on 13 April 2018)</i>	Executive Director, Chairman of the Board and Chief Executive Officer	5/5	100%
Mr. Chan Kin Choi <i>(resigned on 13 April 2018)</i>	Executive Director	5/5	100%
Mr. Chan Tat Choi	Executive Director	5/5	100%
Ms. Liang Ning <i>(resigned on 13 April 2018)</i>	Executive Director	5/5	100%
Mr. Chan Lewis <i>(resigned on 20 April 2018)</i>	Independent Non-executive Director	5/5	100%
Mr. Lam Chun Fung <i>(resigned on 20 April 2018)</i>	Independent Non-executive Director	5/5	100%
Mr. Sung Lok Man Richard <i>(resigned on 20 April 2018)</i>	Independent Non-executive Director	5/5	100%

### 3.3 Appointment of Directors

In accordance with the provisions of the Articles of Association of the Company, the Directors have been appointed at the general meeting for a term of three years, after which they may be re-elected. The Company has formulated the procedures of such appointment. The Nomination Committee shall be responsible for nominating new Directors and then submitting such nomination to the Board for review and consideration. All newly nominated Directors must be elected and approved at the general meeting.

# CORPORATE GOVERNANCE REPORT

## 3. BOARD OF DIRECTORS *(Continued)*

### 3.4 Training and continuing development of Directors

During the Year, the Directors actively participated in seminars on the obligations and responsibilities required to be fulfilled for being the directors of a listed company in Hong Kong, as well as the obligations for the listing compliance of a listed company. During the Year, all Directors (including Mr. Chan Leung Choi, Mr. Chan Kin Choi, Mr. Chan Tat Choi, Ms. Liang Ning, Mr. Chan Lewis, Mr. Lam Chun Fung and Mr. Sung Lok Man Richard) have participated in continuous professional development to develop and refresh their knowledge and skills pursuant to the Code Provision A.6.5 of the Code.

### 3.5 Company Secretary and his training

Mr. Chow Jonathan Edward Chun-chung acted as the Company Secretary of the Company during the Year and was responsible for overseeing our Group's financial and accounting operations and internal controls, and provided financial and business advice to the Board and senior management of our Group. Mr. Chow Jonathan Edward Chun-chung shall report significant events to the chairman. During the Year, Mr. Chow Jonathan Edward Chun-chung undertook more than 15 hours of professional training to update his skills and knowledge.

On 20 April 2018, Mr. Chow Jonathan Edward Chun-chung resigned as the Company Secretary, and Ms. Choi Yee Man was appointed as the Company Secretary. The profile of the Company Secretary is stated in the section of "Biographies of Directors and Senior Management" of this annual report.

## 4. BOARD OF DIRECTORS COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with relevant laws, regulations, the Articles of Association of the Company and the certain rules and regulations, we have formed three board committees, namely the Audit and Compliance Committee, the Remuneration Committee and the Nomination Committee.

### 4.1 Audit and Compliance Committee

The Company has established 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. The Audit and Compliance Committee consists of three members, namely Mr. Liu Tin Lap, Mr. Lau Leong Yuen and Ms. Lam Hoi Yu Nicki (appointed on 20 April 2018 respectively). Mr. Sung Lok Man Richard, Mr. Chan Lewis and Mr. Lam Chun Fung ceased to be the members of the Audit and Compliance Committee since their resignation as Independent Non-executive Directors on 20 April 2018, respectively. All members of the Audit and Compliance Committee are Independent Non-executive Directors. Mr. Liu Tin Lap is the chairman of the Audit and Compliance Committee.

The principal responsibilities of the Audit and Compliance Committee are to review and supervise the Company's financial reporting process, financial and internal control systems, to supervise the Company's internal audit system, to oversee the audit process and to recommend the engagement or replacement of external auditors. The Audit and Compliance Committee is also responsible for the communications between the internal and the external auditors and performing other duties and responsibilities as assigned by the Board.

# CORPORATE GOVERNANCE REPORT

## 4. BOARD OF DIRECTORS COMMITTEES *(Continued)*

### 4.1 Audit and Compliance Committee *(Continued)*

During the Year, 3 meetings were held by the Audit and Compliance Committee. The attendance record of each member of the Audit and Compliance Committee is set out below:

Name of committee members	Number of meetings attended/ should attend	Attendance rate
Mr. Sung Lok Man Richard ( <i>Chairman</i> ) ( <i>resigned on 20 April 2018</i> )	3/3	100%
Mr. Lam Chun Fung ( <i>resigned on 20 April 2018</i> )	3/3	100%
Mr. Chan Lewis ( <i>resigned on 20 April 2018</i> )	3/3	100%

During the Year, the Audit and Compliance Committee has reviewed the effectiveness of the internal control policies, the risk management and internal control systems of the Company. During the Year and up to the date of this report, the Audit and Compliance Committee considered that the internal controls and risk management functions of the Company were reasonable, effective and sufficient.

During the Year, the Audit and Compliance Committee has performed its duties strictly in accordance with the relevant regulatory requirements, corporate governance rules and the rules of procedure of the Audit and Compliance Committee of the listing place of the Company.

### 4.2 Remuneration Committee

The Company has established the Remuneration Committee in accordance with Rule 3.25 of the Listing Rules and the Code, and has expressly stated the scope of job duties of such committee in writing. The Remuneration Committee consists of four members, namely Ms. Lam Hoi Yu Nicki, Mr. Liu Tin Lap and Mr. Lau Leong Yuen (appointed on 20 April 2018 respectively) and Mr. He Xiaoming (appointed on 13 April 2018). Mr. Chan Leung Choi, Mr. Chan Lewis and Mr. Sung Lok Man Richard ceased to be the members of the Remuneration Committee since their resignation as Executive Director on 13 April 2018 and Independent Non-executive Directors on 20 April 2018, respectively. Mr. Lam Chun Fung was appointed as a member of the Remuneration Committee on 13 April 2018 and ceased to be the member of the Remuneration Committee since his resignation as Independent Non-executive Director on 20 April 2018. Except for Mr. Chan Leung Choi who was an Executive Director and Mr. He Xiaoming who is an Executive Director, all other members are Independent Non-executive Directors. Ms. Lam Hoi Yu Nicki is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management, to establish the performance evaluation standard, procedures and system, to annually evaluate the performance of the Directors and senior management, to make corresponding recommendations to the Board, and to perform other duties and responsibilities as assigned by the Board.



# CORPORATE GOVERNANCE REPORT

## 4. BOARD OF DIRECTORS COMMITTEES *(Continued)*

### 4.2 Remuneration Committee *(Continued)*

The emoluments of the Executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions. The remuneration policy of the Independent Non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of Independent Non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends.

During the Year, 1 meeting was held by the Remuneration Committee. The attendance record of each member of the Remuneration Committee is set out below:

<b>Name of committee members</b>	<b>Number of meetings attended/ should attend</b>	<b>Attendance rate</b>
Mr. Chan Lewis <i>(Chairman) (resigned on 20 April 2018)</i>	1/1	100%
Mr. Chan Leung Choi <i>(resigned on 20 April 2018)</i>	1/1	100%
Mr. Sung Lok Man Richard <i>(resigned on 20 April 2018)</i>	1/1	100%

During the Year, the Remuneration Committee has performed its duties strictly in accordance with the relevant regulatory requirements, corporate governance rules and the rules of procedure of the Remuneration Committee of the listing place of the Company.

### 4.3 Nomination Committee

The Company has established the Nomination Committee in accordance with the Code, and has expressly stated the scope of job duties of such committee in writing. The Nomination Committee consists of four members, namely Mr. Lau Leong Yuen, Mr. Liu Tin Lap and Ms. Lam Hoi Yu Nicki (appointed on 20 April 2018 respectively) and Mr. He Xiaoming (appointed on 13 April 2018). Mr. Chan Leung Choi, Mr. Chan Lewis and Mr. Lam Chun Fung ceased to be the members of the Remuneration Committee since their resignation as Executive Director on 13 April 2018 and Independent Non-executive Directors on 20 April 2018, respectively. Mr. Sung Lok Man Richard was appointed as the chairman of the Nomination Committee on 13 April 2018 and ceased to be the member of the Nomination Committee since his resignation as the Independent Non-executive Director on 20 April 2018. Except for Mr. Chan Leung Choi who was an Executive Director and Mr. He Xiaoming who is an Executive Director, all other members are Independent Non-executive Directors. Mr. Lau Leong Yuen is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to make recommendations to the Board on the scale, structure, and composition of the Board and on the nomination of Directors, to review the director and senior management candidates, to review the independence of the Independent Non-executive Directors, and to perform other duties and responsibilities as assigned by the Board.

# CORPORATE GOVERNANCE REPORT

## 4. BOARD OF DIRECTORS COMMITTEES *(Continued)*

### 4.3 Nomination Committee *(Continued)*

During the Year, 1 meeting was held by the Nomination Committee. The attendance record of each member of the Nomination Committee is set out below:

Name of committee members	Number of meetings attended/ should attend	Attendance rate
Mr. Chan Leung Choi <i>(Chairman) (resigned on 13 April 2018)</i>	1/1	100%
Mr. Chan Lewis	1/1	100%
Mr. Lam Chun Fung	1/1	100%

During the Year, the Nomination Committee has performed its duties strictly in accordance with the relevant regulatory requirements, corporate governance rules and the rules of procedure of the Nomination Committee of the listing place of the Company.

## 5. BOARD DIVERSIFICATION POLICY

The Company adopted a board diversity policy (the “**Board Diversity Policy**”) since the Listing Date. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will monitor the Board Diversity Policy and review its Board Diversity Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the Year, the Nomination Committee reviewed the composition of the Board and concluded that the Company had met the diversification requirements with regard to age, cultural and educational background, professional experience, skills and knowledge. When making the appointment and re-appointment of Directors in the future, the Nomination Committee will nominate new Directors pursuant to the requirements of the Board Diversity Policy to achieve the objective of diversity in Board members.

# CORPORATE GOVERNANCE REPORT

## 6. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board and the senior management are accountable for the overall responsibility in respect of monitoring the implementation of internal control and risk management procedures and other measures in the Group. The Company's risk management and internal control system aims at managing but not eliminating the risk of not being able to achieve the business objectives. Moreover, only reasonable but not absolute warranties can be given for statements which are not materially untrue or will not result in material losses.

The Board has conducted an annual review of the effectiveness of the Company's risk management and internal control systems. The Board believed that the Company's risk management and internal control system is effective and sufficient, and is satisfied that the Group has fully complied with the Code in respect of internal controls during the Year.

We have appointed external professional advisors (including the auditor, legal or other advisors) for provision of professional advice in respect of how we observe applicable laws and regulations.

The Board has reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs.

During the Year, the Group appointed Baker Tilly Hong Kong Risk Assurance Limited ("**Baker Tilly**") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit and Compliance Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Baker Tilly to enhance the risk management and internal control systems, and risk mitigating measures of the Group were adopted by the Board. Based on the findings and recommendations of Baker Tilly, as well as the comments from the Audit and Compliance Committee, the Board considered the internal control and risk management systems effective and adequate.

### Enterprise Risk Management Framework

The Group established its enterprise risk management framework during the Year. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing internal control systems to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritised and allocated treatments. The Group's risk management framework follows the COSO Enterprise Risk Management — Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit and Compliance Committee that oversees risk management and internal audit functions.

# CORPORATE GOVERNANCE REPORT

## 6. RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

### Principal Risks

The following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks during the Year.

<b>Risk Areas</b>	<b>Principal Risks</b>
Strategic Risks	No significant risk identified
Operational Risks	Increasing costs of raw materials Increase in labour costs and labour shortages
Financial Risks	No significant risk identified
Compliance Risks	No significant risk identified

### Compliance Risk

This is the risk of exposure to legal penalties and/or financial loss due to the fact that the Group fails to comply with the relevant laws and regulations as well as internal policies. This also includes reputation risk.

### Financial Risk

The financial risk is associated with the financial impacts of the transactions, which covers credit risk, liquidity risk, exchange rate risk and interest rate risk, etc.

### Operational Risk

The operational risk results from inadequate or failed internal processes, people and system. This includes fraud risk, vendor outage and/or processing errors, etc.

### Strategic Risk

The current and prospective adverse impact on earnings and/or capital arises from adverse business development decisions, improper strategic decision-making process, and/or lack of responsiveness to industry changes, etc..

# CORPORATE GOVERNANCE REPORT

## 6. RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

### **Risk Control Mechanism**

The Group adopts a “three lines of defence model” corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance team and independent internal audit function outsourced to and conducted by Baker Tilly. The Group has adopted risk management policy and procedures (the “**Risk Management Policy**”) and maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit and Compliance Committee, and management with a profile of its major risks and records management’s action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient and timely manner.

The Group’s risk management activities are performed by management on an ongoing basis. The effectiveness of the Group’s risk management framework is evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group’s system of internal controls and risk management annually to further enhance the Group’s internal control and risk management systems as appropriate.

### **Handling and Dissemination of Inside Information**

The Company places a great emphasis on inside information management. For purposes of strengthening the confidentiality of inside information, maintaining the fairness of information disclosure and protecting the legal interests and rights of the vast number of investors, the Company’s information disclosure system and mechanism is established in accordance with the Listing Rules and domestic or foreign laws, regulations and other regulatory requirements. Since the Listing Date, the Company has strictly developed information disclosure pursuant to the regulatory requirements and expressly stipulated that the Board shall manage in uniform manner and be responsible for the Company’s information disclosure. The chairman is the first officer in charge of the Company’s information disclosure and the company secretary is the main person in charge of the Company’s information disclosure. Moreover, detailed provisions in respect of the managerial responsibility of the Directors, senior management and officers in charge of branches or subsidiaries shall be made.

# CORPORATE GOVERNANCE REPORT

## 7. THE DIRECTORS' LIABILITY TO THE FINANCIAL STATEMENTS

The Company has not encountered with any significant and uncertain events and circumstances that might produce significant doubts on the Company's capability of its continuous operation of business. The Board has confirmed that it is responsible for the preparation of the Group's consolidated financial statements as at 31 March 2018.

## 8. REMUNERATION OF AUDITOR

For the Year, the Company has appointed Deloitte Touche Tohmatsu, Certified Public Accountants, an international accounting firm, to provide the Company with auditing service and the remuneration amounted to approximately HK\$2.0 million. The responsibilities of Deloitte Touche Tohmatsu as to the consolidated financial statements are set out on pages 38 to 39 of this annual report.

Non-audit services provided to the Group during the Year of approximately HK\$0.4 million for review of interim results and approximately HK\$0.3 million for other non-audit services.

## 9. SHAREHOLDERS' RIGHTS

### 9.1 Shareholders have the right to initiate and convene the general meeting

In accordance with the provisions of the Articles of Association of the Company, the shareholders shall be entitled to the following right: Any one or more shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There is no provision in the Articles of Association setting out procedures for shareholders to put forward a resolution at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

As regards proposing a person for election as a Director by shareholders, please refer to the procedures available on the website of the Company.

### 9.2 Procedures for putting forward proposals at general meetings

Shareholders are welcome to suggest proposals relating to the operations, strategy and/or management of the Group at a general meeting. Proposals shall be sent to the Board or the company secretary by written requisition to the company secretary at the Company's principal place of business in Hong Kong at Unit 2102, 21/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

### 9.3 Shareholders are entitled to the inquiry right

Shareholders are entitled to make enquiries of which the Board should pay attention, directly to the Company at its principal place of business in Hong Kong at Unit 2102, 21/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company will deal with all enquiries in a timely and appropriate manner.

# CORPORATE GOVERNANCE REPORT

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## 10. COMMUNICATIONS WITH SHAREHOLDERS

The Company believes that effective communications with shareholders is essential to enhancement of the relationship with investors and enhancement of investors' understanding of the Company's business and strategies. The Company highly values shareholders' opinions and suggestions, and actively organises and conducts various activities related to the relationship with investors in order to keep the communications with shareholders, and to timely satisfy the reasonable demands of all shareholders.

To enhance effective communication, the Company maintains its website at [www.yukwing.com](http://www.yukwing.com) where latest information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

The 2018 annual general meeting (the "AGM") of the Company will be held on 22 August 2018. The notice of the AGM will be sent to shareholders at least 20 clear business days before the AGM.

## 11. RELATIONSHIP WITH INVESTORS

The Company believes that good relationship with investors may help build more stable and consolidated shareholder base. As a result, since the Listing Date, the Company has been and will be dedicated to maintaining a higher degree of transparency, observing the Listing Rules and timely providing investors with comprehensive and accurate information, and sustainably performing the obligation of disclosing the information of a listed company. The Company will strengthen its communications with investors and let investors understand corporate strategies and business operation by organising road shows, participating in investors summit, voluntary information disclosure and others.

The Company will continue to maintain open-up and effective investors communication policies for purposes of timely providing investors with the latest information on the Company's business when the Company is in compliance with the relevant regulatory provisions.

## 12. ARTICLES OF ASSOCIATION

The Company has amended the Articles of Association in accordance with the requirements of the Listing Rules. The amended Articles of Association have been effective since the Listing Date. The Articles of Association have been published on the website of the Stock Exchange and the website of the Company. There have been no amendment made thereto the Articles of Association since the Listing Date and up to the date of this report.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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## 1. EXECUTIVE DIRECTORS

**Mr. He Xiaoming**, aged 44, is our chairman and was appointed as our Executive Director and our chief executive officer on 13 April 2018. He is a member of our Remuneration Committee and our Nomination Committee.

Mr. He is an entrepreneur in various industries, including real estate, manufacturing and distribution, etc. He also possesses extensive business management, corporate planning and property investment experience. Mr. He currently serves as the vice chairman and an executive director of Teamway International Group Holdings Limited (formerly known as Jin Bao Bao Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1239).

**Mr. Chan Tat Choi**, aged 42, has been our Executive Director since 17 March 2016. He joined our Group as our sales and marketing manager in August 1999, and is currently responsible for the management of our sales and marketing operations both locally and overseas. Mr. Chan Tat Choi graduated from The Hong Kong Polytechnic University in Hong Kong with a bachelor's degree of science in applied mathematics in December 1999. Since then, he has nearly 18 years of experience in the engineering and DTH rockdrilling tool industry.

Mr. Chan Tat Choi is the brother of Mr. Chan Leung Choi and Mr. Chan Kin Choi, the former Executive Directors, and the brother of Ms. Chan Yuen Ming, our senior management, and the brother-in-law of Ms. Liang Ning, the former Executive Director.

## 2. INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Liu Tin Lap**, aged 35, was appointed as our Independent Non-executive Director on 20 April 2018. He is the chairman of our Audit and Compliance Committee, and a member of our Remuneration Committee and our Nomination Committee.

Mr. Liu has over 10 years of experience in the fields of accounting and auditing of listed companies in Hong Kong. He obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in 2006. Mr. Liu has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since July 2010. Mr. Liu is the chairman and an executive director of Combest Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8190).

**Mr. Lau Leong Yuen**, aged 33, was appointed as our Independent Non-executive Director on 20 April 2018. He is the chairman of our Nomination Committee, and a member of our Audit and Compliance Committee and our Remuneration Committee.

Mr. Lau obtained a bachelor's degree of engineering in electronic and communication from the City University of Hong Kong in 2008 and a master degree of science in E-Commerce from the Hong Kong Polytechnic University in 2011. Mr. Lau is currently a senior information technology analyst in a leading air cargo terminal operator in Hong Kong. Mr. Lau has over 9 years of experience in software engineering and information technology system development. Mr. Lau is an independent non-executive director of China Environmental Energy Investment Limited, a company listed on the Main Board of the Stock Exchange (stock code: 986).



# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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## 2. INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

**Ms. Lam Hoi Yu Nicki**, aged 31, was appointed as our Independent Non-executive Director on 20 April 2018. She is the chairman of our Remuneration Committee and a member of our Audit and Compliance Committee and our Nomination Committee.

Ms. Lam obtained a bachelor's degree of science in Actuarial Science from London School of Economics and Political Science, University of London. Ms. Lam has experiences in business management, financial and corporate secretarial services. Ms. Lam was an executive director of Cornerstone Financial Holdings Limited (formerly known as Focus Media Network Limited) (stock code: 8112), a company listed on the GEM of the Stock Exchange, from 28 June 2016 to 12 January 2018.

## 3. SENIOR MANAGEMENT

**Dr. Alberto Barbera**, aged 69, joined our Group in November 2015 and is responsible for exports, overseas sales and marketing and managing our relationships with our overseas distributors. Dr. Barbera has also been appointed as the head of our research and development team in January 2016.

Dr. Barbera was an engineer registered with Ordine degli Ingegneri della Provincia Di Vercelli (Order of Engineers of Province of Vercelli\* in Italy in June 1975 and has more than 40 years of experience in the engineering and DTH rockdrilling tool industries. Prior to joining our Group, Dr. Barbera served as a civil engineer and Hong Kong agent for C.C.C. Fondisa S.p.A., a company engaged in work relating to foundation diaphragm walls, site investigation micropiles, piling, chemical grouting and soil anchors, from 1975 to 1979. He worked at Rodio S.p.A. from 1979 to 1986 and served as a technical manager at Brasfond Group from 1986 to 1992, both companies specialised in the field of geotechnical engineering. Dr. Barbera also served as a technical manager at ItalSonda S.p.A., an Italian company engaged in drilling works, which he began working at from December 1992 and left the company in February 1997. He then served as a manager and work task of executive assistant at MAIT S.p.A, an Italian company engaged in offering foundation equipment, from January 1997 to October 2015. Dr. Barbera was also invited by Studio Geotecnico provide advice on the European standard on jet grouting during the period from November 1994 to May 1998.

Dr. Barbera graduated from Politecnico di Torino (Polytechnic University of Turin\*) in Italy with a degree of doctor in civil engineering in July 1974. Dr. Barbera was also a member of the Deep Foundations Institute established in the United States from 2007 to 2013.

\* English translation for reference only.

**Ms. Chan Yuen Ming**, aged 47, is our factory control manager. She joined our Group in January 2010 and is responsible for the administration and coordination of the manufacturing process of our Group. She is in charge of managing orders from customers, monitoring our work orders and coordinating the production schedules at our Shunde Factory, procurement of raw materials required by our manufacturing processes, inventory management, and managing the shipping and export of the products from our Shunde Factory in the PRC to Hong Kong and overseas including the delivery of the final manufactured products to our customers and attending to all administrative and compliance issues including handling of warranty claims.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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## 3. SENIOR MANAGEMENT *(Continued)*

Ms. Chan Yuen Ming has nearly 8 years of experience in the DTH rockdrilling tool industry and more than 15 years' experience in sales and merchandising. Prior to joining our Group, Ms. Chan Yuen Ming worked as an assistant merchandiser at Famous Horse Garment Factory Ltd. from July 1994 to June 1995 and at Caitac (Hong Kong) Limited from September 1995 to August 1996. She worked as a junior merchandiser at Mutual Bond International Ltd. in November 1996 and then was promoted to merchandiser in March 1997 and left the company in July 1997. She subsequently served as a senior merchandiser from August 1997 to June 2002 at Lever Shirt Limited. Ms. Chan Yuen Ming also worked at LF Centennial Services (Hong Kong) Limited as a senior merchandiser in the women woven team from June 2002 to May 2007, and served as a senior merchandiser at Quicksilver Asia Sourcing Limited from May 2007 to June 2009.

Ms. Chan Yuen Ming graduated from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in Hong Kong with a bachelor's degree of science in textiles in November 1994.

Ms. Chan Yuen Ming is the sister of Mr. Chan Tai Choi, our Executive Director, the sister of Mr. Chan Leung Choi and Mr. Chan Kin Choi, our former Executive Directors, and the sister-in-law of Ms. Liang Ning, our former Executive Director.

**Mr. Chow Jonathan Edward Chun-chung**, aged 34, is the chief financial officer of our Company. He joined our Group in April 2016 as financial controller and was appointed as chief financial officer and company secretary of our Company on 18 July 2016. Mr. Chow is responsible for overseeing our Group's financial and accounting operations and internal controls, and provides financial and business advice to the Board and senior management of our Group.

Mr. Chow has nearly 13 years of experience in auditing, accounting and management. Mr. Chow started his career with PricewaterhouseCoopers, an international accounting firm in 2004. Before joining our Group, Mr. Chow was the chief financial officer of Clot Co. Limited and its associated companies engaged in the businesses of distribution and retailing of branded consumer goods.

Mr. Chow graduated from the School of Oriental and African Studies, University of London in the United Kingdom with a bachelor's degree of science in economics. Mr. Chow is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

## 4. COMPANY SECRETARY

Mr. Chow Jonathan Edward Chun-chung was the company secretary of our Company during the Year, and resigned on 20 April 2018. For details of his biography, please refer to the above paragraph headed "Senior Management" in this section.

Ms. Choi Yee Man was appointed as the company secretary of the Company on 13 April 2018. Ms. Choi holds a bachelor's degree in Business Administration from The City University of Hong Kong. Ms. Choi started her career in an international accounting firm and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Choi possesses extensive experience in the area of accounting, finance, auditing and corporate secretarial matters. Ms. Choi is also the company secretary of Teamway International Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1239) and an independent non-executive director of PacRay International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1010).

# DIRECTORS' REPORT

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The Directors hereby presents the annual report and the audited consolidated financial statements for the year ended 31 March 2018.

## 1. PRINCIPAL ACTIVITIES

The Company is an investment holding company and details of the principal activities of its subsidiaries are set out in Note 31 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Year.

## 2. BUSINESS REVIEW

Details of business review and future development of the Group's business are set out respectively in the sections headed "Business review" and "Strategy and Prospects" under "Management Discussion and Analysis" of this annual report, and details of principal risks and uncertainties are set out in the sections under "Risk Management and Internal Controls" of the "Corporate Governance Report".

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. During the Year, there were no material and significant dispute between the Group and its key stakeholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

## 3. SEGMENT INFORMATION

An analysis of the Group's performance for the Year by operating segment is set out in Note 5 to the consolidated financial statements.

## 4. RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiaries for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 40 of this report.

The Board does not recommend the distribution of a final dividend for the year ended 31 March 2018.

## 5. SHARE CAPITAL

The Company's shares were successfully listed on the Main Board of the Stock Exchange on 11 January 2017.

As at 31 March 2017 and 2018, 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 since the Listing Date and up to the date of this report.

## 6. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, the Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment and has endeavored to incorporate sustainability practices into the policies and procedures. By adopting green operational practices, the Group strives to reduce the environmental impacts caused by the operations.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report on the websites of the Company and the Stock Exchange with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

# DIRECTORS' REPORT

## 7. COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of noncompliance with the applicable rules and regulations. To the best knowledge of the Directors, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Year. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the Year.

## 8. 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 Year.

## 9. PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

## 10. RESERVES

The details in relation to the changes in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 42 of this annual report. The Company's reserves available for distribution to shareholders as at 31 March 2018 are approximately HK\$89,743,000.

## 11. FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 85 of this annual report.

## 12. PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the Year in the property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements of this annual report.

## 13. DIRECTORS

The Directors during the Year and up to the date of this annual report were:

### Executive Directors

Mr. He Xiaoming (*Chairman*) (*appointed on 13 April 2018*)

Mr. Chan Tat Choi

Mr. Chan Leung Choi (*resigned on 13 April 2018*)

Mr. Chan Kin Choi (*resigned on 13 April 2018*)

Ms. Liang Ning (*resigned on 13 April 2018*)

### Independent Non-executive Directors

Mr. Liu Tin Lap (*appointed on 20 April 2018*)

Mr. Lau Leong Yuen (*appointed on 20 April 2018*)

Ms. Lam Hoi Yu Nicki (*appointed on 20 April 2018*)

Mr. Chan Lewis (*resigned on 20 April 2018*)

Mr. Lam Chun Fung (*resigned on 20 April 2018*)

Mr. Sung Lok Man Richard Sung (*resigned on 20 April 2018*)

# DIRECTORS' REPORT

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## **13. DIRECTORS** *(Continued)*

The Company has received the confirmation of the independence issued by the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules and is of the opinion that all Independent Non-executive Directors are independent of the Company.

In accordance with Article 84(1) of the Articles of Association of the Company, Mr. Chan Tat Choi shall retire from office as the Executive Director at the AGM and he, being eligible, will offer himself for re-election.

In accordance with the Article 83(3) the Articles of Association of the Company, Mr. He Xiaoming as the Executive Director, and Mr. Liu Tin Lap, Mr. Lau Leong Yuen and Ms. Lam Hoi Yu Nicki as the Independent Non-executive Directors, shall retire from office at the AGM and each of them, being eligible, will offer themselves for re-election respectively.

## **14. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT**

Details of the biographies of the Directors and the senior management of the Group are set out on pages 23 to 25 of this annual report.

## **15. SERVICE CONTRACTS OF DIRECTORS**

No Director eligible for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## **16. REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS**

The details of the remuneration of the Company's Directors and the five highest paid individuals of the Group are set out in Note 11 to the consolidated financial statements.

## **17. INTERESTS OF DIRECTORS (AND THEIR CONNECTED ENTITIES) IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

To the best knowledge of the Directors, none of the Directors (and their connected entities) is or was materially interested, directly or indirectly, in any transaction, arrangement or contract of significance entered into by the Company or its controlling shareholders or any of their respective subsidiaries at any time during the Reporting Period or subsisted at the end of the Year.

## **18. INTERESTS OF DIRECTORS 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.

# DIRECTORS' REPORT

## 19. THE INTEREST AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 Part XV of the SFO and none of the Directors, the chief executive of the Company nor their associates had any other interests or short positions in the shares of the Company, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code.

## 20. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 March 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows the following shareholders had notified the Company of relevant interests and short positions, being 5% or more of the issued share capital of the Company:

### (i) Substantial Shareholders of the Company

Name of Shareholder	Nature of interest	Long or Short Position	Number of Shares (share)	Approximate percentage of the total issued share capital of the Company (%)
Colour Shine	Beneficial owner	Long	231,486,000	60.92%
		Short (Note 1)	231,486,000	60.92%
Mr. He Xiaoming (Note 2)	Interest of a controlled corporation	Long	231,486,000	60.92%
		Short (Note 1)	231,486,000	60.92%

Notes:

1. Colour Shine has charged 231,486,000 Shares to Kingston Securities Limited as security as at 31 March 2018 pursuant to the share charge entered into between Kingstone Securities Limited as chargee and Colour Shine as charger dated 1 February 2018.
2. 231,486,000 Shares are held by Colour Shine whose entire issued share capital is held by Mr. He Xiaoming. Mr. He Xiaoming also the sole directors of Colour Shine as at 31 March 2018. On 13 April 2018, Mr. He Xiaoming was appointed as the chairman, Executive Director and chief executive officer of the Company.

# DIRECTORS' REPORT

## 20. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY *(Continued)*

### (ii) Substantial Shareholders of Other Members of the Group

Name of subsidiary of the Company	Name of Shareholder	Approximate percentage of the total issued share capital in our subsidiary (%)
Tristate International	Mr. Chan Lap Wai Gary <i>(Note)</i>	49%
Norry Tech	Mr. Chan Lap Wai Gary	49%

*Note:* Dawn Success Ltd, a company wholly-owned by Ms. Vane Siu Ling Linda, wife of Mr. Chan Lap Wai Gary, holds the 49% holdings in Tristate International on trust for Mr. Chan Lap Wai Gary.

Save as disclosed above, our Directors are not aware of any person who has an interest or a short position in the Shares or underlying Shares which is required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or to be recorded in the register placed in the Company pursuant to Section 336 of the SFO, or is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of our subsidiaries.

## 21. MANAGEMENT CONTRACTS

During the Year, the Group did not enter into any contracts in respect of the management and administration of all or any significant portion of the business (except for such service contracts entered into with the Group's Directors and all employees) and there existed no such contracts in respect of the management and administration of all or any significant portion of the business (except for such service contracts entered into with the Group's Directors and all employees).

## 22. CONNECTED TRANSACTIONS

We have entered into some transactions with connected persons of the Company. In accordance with Chapter 14A of the Listing Rules, such transactions have constituted the connected transactions or continuing connected transactions of the Company.

### 22.1 Continuing Connected Transaction – Lease Agreement

On 1 December 2015, Top Champion Industries Limited entered into a lease agreement with Top Mark Mechanical Equipment Limited ("**Top Mark**") (the "**Lease Agreement**"), pursuant to which Top Champion Industries Limited as lessor agreed to lease to Top Mark as lessee the premises situated at Unit 9, 15/F, Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong (the "**Chai Wan Premises**") for use as our industrial warehouse in Hong Kong for a term commencing from 1 December 2015 to 30 November 2017, and renewed for a term commencing from 1 December 2017 to 30 November 2019 at an agreed monthly rental of HK\$21,900 (excluding government rates, utilities, management fees and other outgoings).

# DIRECTORS' REPORT

## 22. CONNECTED TRANSACTIONS *(Continued)*

### 22.1 Continuing Connected Transaction – Lease Agreement *(Continued)*

Top Champion Industries Limited is a company incorporated in Hong Kong with limited liability on 16 July 1999. It is owned as to 95% by Mr. Chan Leung Choi and 5% by Mr. Chan Kin Choi and therefore is an associate of a connected person of our Company by virtue of Rule 14A.12(1)(c) of the Listing Rules.

Our rental expenses (excluding government rates, utilities, management fees and other outgoings) in relation to the leasing of the Chai Wan Premises for the Year is approximately HK\$263,000.

The rental amount payable by Top Mark under the Lease Agreement was determined with reference to the prevailing market rent at that time for similar premises. Our Directors (including our Independent Non-executive Directors) consider that it is in the interests of our Company and Shareholders as a whole to enter into the Lease Agreement.

Since each of the applicable percentage ratios (other than the profit ratio) for the Lease Agreement is less than 5% on an annual basis, the total consideration is less than HK\$3,000,000, and the transaction is on normal commercial terms, the transaction is fully exempt from the reporting, annual review, announcement, circular, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### 22.2 Connected Transactions – Sales of DTH rockdrilling tools to Simon & Sons

During the Year, we sold DTH rockdrilling tools to Simon & Sons Engineering Limited (“**Simon & Sons**”) and the sales of our DTH rockdrilling tools amounted to approximately HK\$47,000. Simon & Sons is a company incorporated in Hong Kong with liability on 31 October 1986. Mr. Chan Lap Wai Gary is deemed to be interested in approximately 72.3% interest in Simon & Sons, a substantial shareholder of our subsidiary Norry Tech and a connected person pursuant to Rule 14A.07(1) of the Listing Rules, and therefore Simon & Sons is an associate of a connected person by virtue of Rule 14A.12(1)(c) of the Listing Rules.

Our Directors confirm that the transactions were on normal commercial terms and negotiated on an arm's length basis, and are of the view that it is in the interests of our Company and its shareholders as a whole to continue such transactions with Simon & Sons.

Since each of the applicable percentage ratios for the transaction is less than 5% and the total consideration is less than HK\$3,000,000, and the transaction is on normal commercial terms, the transaction is fully exempt from the reporting, annual review, announcement, circular, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.



# DIRECTORS' REPORT

## 23. COMPLIANCE WITH DEED OF NON-COMPETITION

On 20 December 2016, Mr. Chan Leung Choi, Mr. Chan Kin Choi and Hang Yip (collectively, the “**Covenantors**”), the Controlling Shareholders, have entered into a deed of non-competition (the “**Deed**”) in favour of the Company and its subsidiaries, pursuant to which the Covenantors will not compete against the Group in respect of the relevant business and will urge its associated enterprises not to compete against the Group in respect of the relevant business. The Covenantors also undertake to the Company that it will and will procure its associated enterprises to refer new business opportunity to the Company. For more specific details, please refer to the section with the heading of “Relationship with Our Controlling Shareholder” in the Prospectus.

The Independent Non-executive Directors of the Company are responsible for examining, reviewing, considering and determining whether to adopt and accept the new business opportunities referred to the Company by the Covenantors or his/its associates.

Pursuant to the Deed, it shall be terminated upon (i) the Covenantors and his/its associates (jointly or severally) cease to exercise or control the exercise of 30% or more of the voting power at a general meeting of the Company or otherwise cease to be a controlling shareholder of the Company; or (ii) the Shares cease to be listed and traded on the Stock Exchange due to any reason (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason). On 5 February 2018, Hang Yip disposed 195,000,000 Shares, representing 51.32% of the issued share capital of the Company, to Colour Shine. The Covenantors ceased to be the Controlling Shareholder, and the Deeds of Non-competition terminated on 5 February 2018.

The Covenantors have committed that during the period from 1 April 2017 up to 5 February 2018, they have complied with the Deed. The Independent Non-executive Directors of the Company have examined and reviewed the implementation of the Deed during the period from 1 April 2017 to 5 February 2018 and have confirmed that the Covenantors have fully complied with the Deed and there had no violation of the Deed.

## 24. RETIREMENT AND EMPLOYEE BENEFIT PLANS

Details of the retirement and employee benefits plans of the Group are set out in Note 29 to the consolidated financial statements.

## 25. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Being a company listed on the Stock Exchange, the Company is always dedicated to maintaining the corporate governance practices at a high level. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 11 to 22 of this annual report.

## 26. PUBLIC FLOAT

Based on publicly available information and to the knowledge of the Directors, there is sufficient public float of at least 25% of the Company's issued shares throughout the year and as at the date of this annual report, in compliance with the requirements of the Listing Rules.

## 27. MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales attributable to the Group's five largest customers was approximately HK\$42.0 million (2017: approximately HK\$63.3 million), accounted for approximately 42.1% (2017: approximately 50.0%) of the total revenue of the Group, and sales attributable to the largest customer represented approximately 12.3% (2017: approximately 23.0%).

During the Year, purchases attributable to the Group's five largest suppliers was HK\$29.4 million (2017: approximately HK\$32.6 million), accounted for approximately 59.0% (2017: approximately 61.6%) of the total purchases of the Group, and purchases attributable to the largest supplier represented approximately 23.9% (2017: approximately 17.5%).

The Group's top five customers and suppliers during the reporting period were independent third parties, and none of the Directors, their associates or any shareholder (who, to the knowledge of the Directors, owned more than 5% of the Company's share capital as at the date of this report) had any interest in any of the top five customers or suppliers during the Year.

# DIRECTORS' REPORT

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## 28. EVENTS AFTER REPORTING PERIOD

Save as disclosed in this report, subsequent to the end of the reporting period and up to the date of this report, the Group has the following significant events:

- (i) Mr. Chan Leung Choi has resigned as the chairman, executive Director, chief executive officer, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company on 13 April 2018;
- (ii) Mr. Chan Kin Choi has resigned as the executive Director on 13 April 2018;
- (iii) Ms. Liang Ning has resigned as the executive Director on 13 April 2018;
- (iv) Mr. He Xiaoming has been appointed as the chairman, executive Director, chief executive officer, and a member of the Nomination Committee and the Remuneration Committee of the Company on 13 April 2018;
- (v) Mr. Chan Lewis has resigned as the independent non-executive Director, the chairman of the Remuneration Committee, and a member of the Audit and Compliance Committee and the Nomination Committee on 20 April 2018;
- (vi) Mr. Lam Chun Fung has resigned as the independent non-executive Director, and a member of the Audit and Compliance Committee, the Nomination Committee and the Remuneration Committee on 20 April 2018;
- (vii) Mr. Sung Lok Man Richard has resigned as the independent non-executive Director, the chairman of the Audit and Compliance Committee and the Nomination Committee, and a member of the Remuneration Committee on 20 April 2018;
- (viii) Mr. Liu Tin Lap has been appointed as the independent non-executive Director, the chairman of the Audit and Compliance Committee, and a member of the Nomination Committee and the Remuneration Committee on 20 April 2018;
- (ix) Mr. Lau Leong Yuen has been appointed as the independent non-executive Director, the chairman of the Nomination Committee, and a member of the Audit and Compliance Committee and the Remuneration Committee on 20 April 2018; and
- (x) Ms. Lam Hoi Yu Nicki has been appointed as the independent non-executive Director, the chairman of the Remuneration Committee, and a member of the Audit and Compliance Committee and the Nomination Committee on 20 April 2018.

# DIRECTORS' REPORT

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## **29. PERMITTED INDEMNITY PROVISIONS**

During the Year, the Company (including but not limited to) had purchased and maintained a group liability insurance for the Directors of the Company and its "Associated Companies" (as defined for such term under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).)

## **30. DONATIONS**

The Group made charitable or other donations of approximately HK\$1,152,000 during the Year.

## **31. AUDITOR**

The consolidated financial statements for the years ended 31 March 2017 and 2018 have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for reappointment, at the forthcoming AGM.

On behalf of the Board

**He Xiaoming**

*Chairman and Executive Director*

Hong Kong, 28 June 2018



## To the Shareholders of Yuk Wing Group Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Yuk Wing Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as “**the Group**”) set out on pages 40 to 84, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matters

### How our audit addressed the key audit matters

#### *Estimated write down of inventories*

We identified estimated write down of inventories as a key audit matter due to the management's use of estimation, with reference to their industry knowledge and experience, in assessing whether the carrying amounts of inventories are recoverable.

Allowance for inventories was based on the management's assessment in estimating the net realisable values of the inventories, after considering the current market conditions, material price fluctuation and subsequent usage or sales. As at 31 March 2018, the Group's inventories with carrying amounts of HK\$39,483,000 without any allowance for inventories recognised.

Details relating to the Group's inventories are set out in notes 4 and 16 to the consolidated financial statements.

Our procedures in relation to estimated write down of inventories included:

- Obtaining an understanding of the management's assessment in estimating the net realisable values of the inventories;
- Understanding the key controls of the Group relating to the valuation of inventories;
- Discussing with the management and evaluating the basis of net realisable values of inventories determined by the management, based on the management's consideration for the current market conditions, material price fluctuation and subsequent usage or sales;
- Testing the net realisable values of inventories, on a sample basis, by tracing to the latest material price or latest sales invoices; and
- Evaluating the reasonableness of the historical management's assessment in assessing the recoverability of the carrying amounts of the inventories.

# INDEPENDENT AUDITOR'S REPORT

## Key audit matters

## How our audit addressed the key audit matters

### *Estimated impairment of trade receivables*

We identified estimated impairment of trade receivables as a key audit matter due to the management's use of judgement and estimates in assessing the recoverability of trade receivables.

In determining whether an allowance for doubtful debts is required, the management considers the credit history of the customers including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.

At 31 March 2018, the carrying amount of trade receivables is approximately HK\$41,802,000.

Details of the trade receivables are set out in notes 4 and 17 to the consolidated financial statements.

Our procedures in relation to estimated impairment of trade receivables included:

- Obtaining an understanding of the management's assessment of the recoverability of trade receivables;
- Understanding the key controls of the Group relating to the valuation of trade receivables;
- Assessing the reasonableness of recoverability of trade receivables with reference to the credit history of the customers including default or delay in payments, settlement records, subsequent settlements and aging analysis of trade receivable from each individual customer;
- Testing the accuracy of the aging analysis of trade receivables, on a sample basis, to the goods delivery documents;
- Tracing subsequent settlements of trade receivables, on a sample basis, to the bank statements and monthly statements of debtors; and
- Evaluating the reasonableness of the management's historical assessment of the recoverability of trade receivables.

# INDEPENDENT AUDITOR'S REPORT

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## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# INDEPENDENT AUDITOR'S REPORT

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Faith Corazon Del Rosario.

## **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 June 2018



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	5	99,703	126,675
Cost of sales		(62,234)	(68,730)
Gross profit		37,469	57,945
Other income and expenses	6	202	1,539
Other gains and losses	7	(2,051)	2,616
Selling and distribution expenses		(4,806)	(4,808)
Administrative expenses		(27,419)	(23,518)
Listing expenses		–	(25,159)
Finance costs	8	(473)	(718)
Profit before tax	9	2,922	7,897
Income tax expense	10	(2,431)	(5,146)
Profit for the year		491	2,751
<b>(Loss) profit for the year attributable to:</b>			
Owners of the Company		(2,324)	(2,311)
Non-controlling interests		2,815	5,062
		491	2,751
<b>Other comprehensive income (expense) for the year</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		3,265	(1,650)
Total comprehensive income for the year		3,756	1,101
<b>Total comprehensive (expense) income for the year attributable to:</b>			
Owners of the Company		(551)	(3,083)
Non-controlling interests		4,307	4,184
		3,756	1,101
Loss per share, basic (HK cents)	13	(0.61)	(0.73)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	10,905	11,288
Deposits placed at an insurance company	15	4,426	4,340
Deferred tax assets	21	–	37
		<b>15,331</b>	15,665
<b>Current assets</b>			
Inventories	16	39,483	32,834
Trade and other receivables	17	49,592	30,839
Tax recoverable		1,064	830
Bank balances and cash	18	71,975	100,856
		<b>162,114</b>	165,359
<b>Current liabilities</b>			
Trade and other payables	19	19,511	6,084
Tax payable		1,771	4,422
Bank borrowings	20	1,697	19,876
		<b>22,979</b>	30,382
Net current assets		<b>139,135</b>	134,977
Total assets less current liabilities		<b>154,466</b>	150,642
<b>Non-current liability</b>			
Deferred tax liabilities	21	68	–
		<b>154,398</b>	150,642
<b>Capital and reserves</b>			
Share capital	22	38,000	38,000
Reserves		89,521	90,072
Equity attributable to owners of the Company		<b>127,521</b>	128,072
Non-controlling interests		<b>26,877</b>	22,570
		<b>154,398</b>	150,642

The consolidated financial statements on pages 40 to 84 were approved and authorised for issue by the Board of Directors on 28 June 2018 and are signed on its behalf by:

**He Xiaoming**  
DIRECTOR

**Chan Tat Choi**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (note i)	Statutory reserve HK\$'000 (note ii)	Exchange reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000			
At 1 April 2016	11,500	-	1,015	633	46	-	58,100	71,294	24,782	96,076
(Loss) profit for the year	-	-	-	-	-	-	(2,311)	(2,311)	5,062	2,751
Exchange differences arising on translation of foreign operations	-	-	-	-	(772)	-	-	(772)	(878)	(1,650)
Total comprehensive (expense) income for the year	-	-	-	-	(772)	-	(2,311)	(3,083)	4,184	1,101
Issue under reorganisation (Note 22)	30,000	-	-	-	-	-	-	30,000	-	30,000
Issue of new shares upon listing (Note 22)	8,000	84,000	-	-	-	-	-	92,000	-	92,000
Cost of issuance of shares	-	(9,058)	-	-	-	-	-	(9,058)	-	(9,058)
Dividends paid (Note 12)	-	-	-	-	-	-	(23,120)	(23,120)	(5,880)	(29,000)
Effect of reorganisation (note i, iii)	(11,500)	-	(18,500)	-	-	-	-	(30,000)	-	(30,000)
Acquisition of additional interest in subsidiaries (Note 25)	-	-	-	-	20	19	-	39	(516)	(477)
Transfer	-	-	-	19	-	-	(19)	-	-	-
At 31 March 2017	38,000	74,942	(17,485)	652	(706)	19	32,650	128,072	22,570	150,642
(Loss) profit for the year	-	-	-	-	-	-	(2,324)	(2,324)	2,815	491
Exchange differences arising on translation of foreign operations	-	-	-	-	1,773	-	-	1,773	1,492	3,265
Total comprehensive income (expense) for the year	-	-	-	-	1,773	-	(2,324)	(551)	4,307	3,756
Transfer	-	-	-	60	-	-	(60)	-	-	-
At 31 March 2018	38,000	74,942	(17,485)	712	1,067	19	30,266	127,521	26,877	154,398

Note i: Amount represents difference between the nominal value of the share capital issued by Hang Wing Holdings Limited ("Hang Wing") for the acquisition of the entire equity interests and the amount of share capital in Top Mark Mechanical Equipment Limited, Tristate International Industrial Limited, Top Glory Construction Equipment Limited and Maxa RockDrills Limited.

Note ii: Amount represents statutory reserve of 佛山市順德區萊利達工程設備有限公司 (Norry Tech Engineering Equipment Limited) ("Norry Tech"), a subsidiary of the Company. According to the relevant laws in the People's Republic of China (the "PRC"), Norry Tech is required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

Note iii: The adjustment in share capital of HK\$11,500,000 represented the elimination of combined share capital of the companies comprising the Group upon the completion of reorganisation for the purpose of listing of shares of the Company on The Stock Exchange of Hong Kong Limited.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
Operating activities		
Profit before tax	2,922	7,897
Adjustments for:		
Allowance for doubtful debts	1,179	–
Depreciation of property, plant and equipment	1,261	1,288
Gain on disposal of property, plant and equipment	–	(1,127)
Interest expense	473	718
Interest income	(106)	(92)
Operating cash flows before movements in working capital	5,729	8,684
Increase in inventories	(2,588)	(2,733)
(Increase) decrease in trade and other receivables	(19,727)	20,981
Increase (decrease) in trade and other payables	12,771	(6,646)
Cash (used in) generated from operations	(3,815)	20,286
PRC Enterprise Income Tax paid	(47)	(1,575)
Hong Kong Profits Tax paid	(5,177)	(6,654)
Net cash (used in) from operating activities	(9,039)	12,057
Investing activities		
Interest received	20	8
Purchase of property, plant and equipment	(1,356)	(3,243)
Proceeds from disposal of property, plant and equipment	–	2,501
Placement of deposits placed at an insurance company	–	(4,256)
Repayment from related parties	–	6,344
Net cash (used in) from investing activities	(1,336)	1,354

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Financing activities		
New borrowings raised	<b>5,322</b>	38,066
Interest paid	<b>(473)</b>	(718)
Repayment of bank borrowings	<b>(23,501)</b>	(24,613)
Proceeds from issue of shares	–	92,000
Repayment to related parties	–	(4)
Acquisition of additional interest in subsidiaries	–	(477)
Repayment to directors	–	(1,195)
Repayment to shareholders	–	(5,839)
Dividends paid to non-controlling shareholders of a subsidiary	–	(5,880)
Listing expenses paid	–	(8,891)
Dividends paid	–	(23,120)
Net cash (used in) from financing activities	<b>(18,652)</b>	59,329
Net (decrease) increase in cash and cash equivalents	<b>(29,027)</b>	72,740
Cash and cash equivalents at beginning of the year	<b>100,856</b>	27,628
Effect of foreign exchange rate changes	<b>146</b>	488
Cash and cash equivalents at end of the year, represented by bank balances and cash	<b>71,975</b>	100,856

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

Yuk Wing Group Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 17 March 2016. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 11 January 2017.

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 was located at Unit B, 17/F., E-Trade Plaza, No. 24 Lee Chung Street, Chai Wan, Hong Kong and changed to Unit 2102, 21/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong with effect from 18 April 2018. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the manufacturing and trading of rockdrilling tools and equipment and trading of piling and drilling equipment and machineries.

On 2 February 2018, Colour Shine Investments Limited (“**Colour Shine**”) entered into a deed of sale and purchase to acquire 195,000,000 shares of the Company, which represents 51.32% of total issued share capital of the Company, from Hang Yip Company Limited (“**Hang Yip**”), a private limited company incorporated in the British Virgin Islands (the “**BVI**”). The transaction was completed on 5 February 2018 and the Company’s ultimate holding company was changed from Hang Yip to Colour Shine, a private limited company incorporated in the BVI.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time in the current year.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation of changes from financing cash flow is provided in note 30. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 30, the application of these amendments has had no impact on the Group’s consolidated financial statements.

### New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“**FVTOCI**”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

#### Classification and measurement

Except for financial instruments which are subject to the expected credit loss model upon application of HKFRS 9, all other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

#### Impairment

For financial assets originally categorised as loans and receivables under HKAS 39 which continue to be measured at amortised cost under HKFRS 9 from 1 April 2018, the provision for doubtful debts for these financial assets will be determined based on whether their credit risk is low at each reporting date, and, if so, by recognising a 12-month expected losses amount. If the financial asset is not of low credit risk and the credit risk has significantly increased, the corresponding provision for doubtful debts will be recognised as equal to lifetime expected losses. For trade and other receivables, the Group will apply the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 April 2018.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

### HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### HKFRS 16 Leases (Continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$25,971,000 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK\$589,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would result in adjustments to the initial measurement of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power to direct the relevant activities of the investee unilaterally, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Basis of consolidation** *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Company's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

### **Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Property, plant and equipment** *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **The Group as lessor**

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant leases.

#### **The Group as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### **Financial assets**

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits placed at an insurance company and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Financial assets *(Continued)*

##### *Impairment of financial assets (Continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

##### *Financial liabilities*

Financial liabilities, including trade and other payables and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment losses (other than financial assets)**

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Borrowing costs**

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Retirement benefit costs**

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

### **Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

### **Government subsidies**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Key sources of estimation uncertainty

#### Estimated write down of inventories

Management of the Group assesses whether the carrying amounts of the inventories are recoverable and estimates the allowance for inventories based on their industry knowledge and experience at the end of the reporting period. Management estimates the amount of allowance for inventories based on the lower of cost and their estimated net realisable value. In determining the net realisable values of the Group's inventories, the management considers the current market conditions, material price fluctuation and subsequent usage or sales. When the actual net realisable values are lower than expectation, such difference will impact the carrying amounts of inventories. As at 31 March 2018, the carrying amounts of inventories are approximately HK\$39,483,000 (2017: HK\$32,834,000). No allowance for inventories is recognised for the years ended 31 March 2017 and 2018.

#### Estimated impairment of trade receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be recoverable. In determining whether an allowance for doubtful debts is required, the management takes into consideration of the credit history of the customers including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables and determined no impairment was necessary at the end of the reporting period except for the trade receivables written off of HK\$1,179,000 during the year. Where the expectation on the recoverability of the debts is different from the original estimate, such difference will impact the carrying amounts of trade receivables and doubtful debt expenses in the periods in which such estimate has been changed. At 31 March 2018, the carrying amount of trade receivables are approximately HK\$41,802,000 (2017: HK\$26,432,000).

## 5. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of rockdrilling tools and equipment and trading of piling and drilling equipment and machineries.

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 down-the-hole ("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 which include design, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### 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 2018

	Manufacturing and trading of DTH rockdrilling tools HK\$'000	Trading of piling and drilling machineries HK\$'000	Trading of rockdrilling equipment HK\$'000	Total HK\$'000
Segment and external sales	62,609	27,489	9,605	99,703
<b>RESULTS</b>				
Segment result	31,962	3,438	2,069	37,469
Unallocated expenses				(32,225)
Other income and expenses				202
Other gains and losses				(2,051)
Finance costs				(473)
Profit before tax				2,922

#### For the year ended 31 March 2017

	Manufacturing and trading of DTH rockdrilling tools HK\$'000	Trading of piling and drilling machineries HK\$'000	Trading of rockdrilling equipment HK\$'000	Total HK\$'000
Segment and external sales	86,779	25,282	14,614	126,675
<b>RESULTS</b>				
Segment result	45,853	6,730	5,362	57,945
Unallocated expenses				(28,326)
Other income and expenses				1,539
Other gains and losses				2,616
Listing expenses				(25,159)
Finance costs				(718)
Profit before tax				7,897

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Segment revenue and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of unallocated expenses (including general office expenses, selling and distribution expenses and unallocated depreciation), other income and expenses, other gains and losses, listing expenses and finance costs. This is the measure reported to the CODM of the Company for the purposes of resource allocation and performance assessment.

### Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group.

### Other information

#### For the year ended 31 March 2018

	Manufacturing and trading of DTH rockdrilling tools HK\$'000	Trading of piling and drilling machineries HK\$'000	Trading of rockdrilling equipment HK\$'000	Total HK\$'000
Amounts regularly provided to the CODM but not included in the measurement of segment result:				
Depreciation	994	224	43	1,261
Allowance for doubtful debts	416	719	44	1,179

#### For the year ended 31 March 2017

	Manufacturing and trading of DTH rockdrilling tools HK\$'000	Trading of piling and drilling machineries HK\$'000	Trading of rockdrilling equipment HK\$'000	Total HK\$'000
Amounts regularly provided to the CODM but not included in the measurement of segment result:				
Depreciation	967	203	118	1,288

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### 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 property, plant and equipment by location of assets.

	Revenue from external customers For the year ended 31 March		Property, plant and equipment As at 31 March	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	88,520	110,758	941	1,014
Macau	6,046	9,898	–	–
Scandinavia	2,839	1,052	–	–
Japan	348	3,242	–	–
People's Republic of China (the "PRC")	–	–	9,964	10,274
Others	1,950	1,725	–	–
	<b>99,703</b>	126,675	<b>10,905</b>	11,288

### 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:

	2018 HK\$'000	2017 HK\$'000
Ngai Shun Construction & Drilling Company Limited from all segments	N/A <sup>1</sup>	29,120
Customer A from trading of piling and drilling machineries	12,257	N/A <sup>1</sup>
Customer B from all segments	10,545	N/A <sup>1</sup>

<sup>1</sup> Revenue from the customer is less than 10% of the total sales of the Group.

## 6. OTHER INCOME AND EXPENSES

	2018 HK\$'000	2017 HK\$'000
Rental income of piling and drilling machineries and equipment	513	720
Scrap sales	102	176
Bank interest income	20	8
Interest income on insurance scheme	86	84
Government grant (note (1))	2,877	–
Income from repairing services	–	406
Sundry income	27	145
Legal and professional fees (note (2))	(3,423)	–
	<b>202</b>	1,539

Notes:

- (1) Government subsidies of approximately HK\$2,877,000 have been received in the current year to award the listing of the Company. The PRC subsidiary has complied with the conditions attached to the grants and, therefore, the Group recognised the grants in profit or loss upon receipt.
- (2) Legal and professional fees of approximately HK\$3,423,000 (2017: Nil) in relation to change in shareholders in February 2018 was charged to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. OTHER GAINS AND LOSSES

	2018 HK\$'000	2017 HK\$'000
Net foreign exchange (loss) gain	(872)	1,489
Allowance for doubtful debts	(1,179)	–
Gain on disposal of property, plant and equipment	–	1,127
	<b>(2,051)</b>	2,616

## 8. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on bank borrowings	473	718

## 9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2018 HK\$'000	2017 HK\$'000
Directors' remuneration (Note 11)	5,424	4,519
Other staff costs	11,462	13,444
Contributions to retirement benefit schemes, other than those of directors	1,271	1,405
Total staff costs	<b>18,157</b>	19,368
Auditor's remuneration	2,428	1,829
Depreciation of property, plant and equipment	1,261	1,288
Depreciation of property, plant and equipment capitalised in inventories	1,876	1,971
Cost of inventories recognised as expense	62,234	68,730
Operating lease rental in respect of minimum lease payments of rented premises	3,532	3,851

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. INCOME TAX EXPENSE

	2018 HK\$'000	2017 HK\$'000
Current tax:		
Hong Kong	1,596	5,680
PRC Enterprise Income Tax	683	307
	<b>2,279</b>	5,987
Under (over) provision in prior years		
Hong Kong	47	(859)
PRC Enterprise Income Tax	-	227
	<b>47</b>	(632)
Deferred tax charge (credit) (Note 21)	<b>105</b>	(209)
	<b>2,431</b>	5,146

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2018 (2017: 16.5%).

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% (2017: 25%) of the assessable profits for the subsidiary established in the PRC.

The income tax expense for the year ended 31 March 2018 can be reconciled to the profit before tax as follows:

	2018 HK\$'000	2017 HK\$'000
Profit before tax	2,922	7,897
Tax at the domestic income tax rate of 16.5%	482	1,303
Tax effect of expenses not deductible for tax purposes	1,658	4,424
Tax effect of income not taxable for tax purposes	(4)	(208)
Tax effect of tax losses not recognised	59	74
Under (over) provision in prior years	47	(632)
Tax effect of different tax rate of subsidiary operating in other jurisdiction	232	79
Tax concession (note)	(90)	(80)
Others	47	186
Income tax expense	<b>2,431</b>	5,146

Note: During the year ended 31 March 2018, each subsidiary incorporated in Hong Kong entitled tax concession of HK\$30,000 (2017: HK\$20,000).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND EMPLOYEES

### Directors and Chief Executive

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance is as follows:

#### For the year ended 31 March 2018

	Fee HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payment (note) HK\$'000	Contributions to retirement benefit schemes HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Mr. Chan Leung Choi (note 1)	-	1,312	410	18	1,740
Mr. Chan Kin Choi (note 1)	-	1,270	314	33	1,617
Mr. Chan Tat Choi	-	882	244	18	1,144
Ms. Liang Ning (note 1)	-	547	32	44	623
	-	4,011	1,000	113	5,124
<b>Independent non-executive directors</b>					
Mr. Lewis Chan (note 2)	100	-	-	-	100
Mr. Lam Chun Fung (note 2)	100	-	-	-	100
Mr. Sung Lok Man Richard (note 2)	100	-	-	-	100
	300	-	-	-	300
	300	4,011	1,000	113	5,424

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as Directors of the Company.

Note 1: Mr. Chan Leung Choi, Mr. Chan Kin Choi and Ms. Liang Ning had resigned as executive directors and Mr. Chan Leung Choi has also resigned his position as the chairman and the chief executive officer of the Company on 13 April 2018.

Note 2: Mr. Lewis Chan, Mr. Lam Chun Fung and Mr. Sung Lok Man Richard had resigned as independent non-executive directors on 20 April 2018.

Note 3: Subsequent to the year end, Mr. He Xiaoming has been appointed as an executive director, chief executive officer and chairman of the board of directors, on 13 April 2018. Mr. Liu Tin Lap, Mr. Lau Leong Yuen and Ms. Lam Hoi Yu Nicki were appointed as independent non-executive directors on 20 April 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND EMPLOYEES (Continued)

### Directors and Chief Executive (Continued)

For the year ended 31 March 2017

	Fee HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payment (note) HK\$'000	Contributions to retirement benefit schemes HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Mr. Chan Leung Choi	–	1,490	328	18	1,836
Mr. Chan Kin Choi	–	1,188	232	29	1,449
Mr. Chan Tat Choi	–	492	164	18	674
Ms. Liang Ning	–	455	–	39	494
	–	3,625	724	104	4,453
<b>Independent non-executive directors</b>					
Mr. Lewis Chan (note 1)	22	–	–	–	22
Mr. Lam Chun Fung (note 1)	22	–	–	–	22
Mr. Sung Lok Man Richard (note 1)	22	–	–	–	22
	66	–	–	–	66
	66	3,625	724	104	4,519

Note 1: Mr. Lewis Chan, Mr. Lam Chun Fung and Mr. Sung Lok Man Richard were appointed as independent non-executive directors on 15 December 2016.

### Employees

The five highest paid individuals for the year ended 31 March 2018 include three (2017: three) directors of the Company, details of whose remunerations are set out above. Details of the remuneration for the year ended 31 March 2018 of the remaining two (2017: two) highest paid employees who are neither director nor chief executive of the Company are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and allowances	1,471	1,417
Performance related incentive payment (note)	588	330
Contributions to retirement benefits schemes	36	15
	2,095	1,762

Note: The performance related incentive payments are determined on the performance of the individuals and the profitability of the group entities during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND EMPLOYEES *(Continued)*

### Employees *(Continued)*

The number of these highest paid employees, whose emolument fell within the following bands is as follows:

	2018 HK\$'000	2017 HK\$'000
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	1	1
	2	2

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2018 and 2017. None of the directors waived or agreed to waive any emoluments for the years ended 31 March 2018 and 2017.

## 12. DIVIDENDS

The board of directors of the Company does not recommend the payment of a final dividend for the years ended 31 March 2018 and 2017.

## 13. LOSS PER SHARE

	2018 HK\$'000	2017 HK\$'000
Loss:		
Loss for the purpose of calculating basic loss per share: loss for the year attributable to the owners of the Company	(2,324)	(2,311)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	380,000	317,534

No diluted loss per share for the years ended 31 March 2018 and 2017 was presented as there were no potential ordinary shares in issue during the years ended 31 March 2018 and 2017.

The number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2017 had been determined on the assumption that the group reorganisation to enable the Company to become the holding Company of the Group (the “**Group Reorganisation**”) had been effective on 1 April 2016 and 300,000,000 shares in issue upon completion of the Group Reorganisation.

On 11 January 2017, upon listing on the Stock Exchange, the Company issued an additional 80,000,000 ordinary shares.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Group Reorganisation had been effective on 1 April 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Plant and machineries HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 April 2016	2,417	2,560	20,930	1,415	27,322
Currency realignment	(206)	(59)	(1,044)	(116)	(1,425)
Additions	1,554	–	104	1,697	3,355
Disposal	(19)	(192)	(2,231)	–	(2,442)
At 31 March 2017	3,746	2,309	17,759	2,996	26,810
Currency realignment	378	94	1,696	316	2,484
Additions	175	–	400	1,181	1,756
Disposal	(6)	–	–	–	(6)
At 31 March 2018	4,293	2,403	19,855	4,493	31,044
<b>DEPRECIATION</b>					
At 1 April 2016	1,610	1,611	9,696	1,156	14,073
Currency realignment	(111)	(44)	(515)	(72)	(742)
Provided for the year	417	491	1,868	483	3,259
Elimination on disposals	(12)	(192)	(864)	–	(1,068)
At 31 March 2017	1,904	1,866	10,185	1,567	15,522
Currency realignment	215	76	999	196	1,486
Provided for the year	375	260	1,516	986	3,137
Elimination on disposals	(6)	–	–	–	(6)
At 31 March 2018	2,488	2,202	12,700	2,749	20,139
<b>CARRYING VALUES</b>					
At 31 March 2018	1,805	201	7,155	1,744	10,905
At 31 March 2017	1,842	443	7,574	1,429	11,288

During the year ended 31 March 2018, additions of plant and machineries of HK\$400,000 was transferred from inventories. Rental income of approximately HK\$93,000 was recognised as an other income in respect of the plant and machineries and is included 'other income and expenses'.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture, fixtures and office equipment	20%
Motor vehicles	25% – 30%
Plant and machineries	10% – 25%
Leasehold improvements	20% – 33%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. DEPOSITS PLACED AT AN INSURANCE COMPANY

	2018 HK\$'000	2017 HK\$'000
Deposits placed at an insurance company	4,426	4,340

During the year ended 31 March 2017, the Group entered into several life insurance contracts (the “Policies”) with an insurance company to insure all the executive directors of the Company. Under the Policies, the beneficiary and policy holder are Top Mark Mechanical Equipment Limited (“Top Mark”), a wholly-owned subsidiary of the Company, and the total insured sum is US\$1,800,000 (equivalent to approximately HK\$14,040,000). The Group needs to pay a premium charge at inception amounting to US\$548,000 (equivalent to approximately HK\$4,256,000). The Group is allowed to terminate the Policies at any time and receive value in cash based on the value of the Policies at the date of withdrawal, which is determined by the upfront payment of US\$548,000 (equivalent to approximately HK\$4,274,000) plus accumulated interest earned and minus premium charge, notional amount charge, cost of insurance charge and premium loan (if any). A specified amount of surrender charge will apply if withdrawal of the Policies is made between the 1st to 14th policy year. An interest income of 3.9% per annum on the outstanding cash value of the Policies is applied.

At the inception date, the premium charge was separated into deposits placed and prepayments of life insurance premium according to the terms set out in the policy. The management considered that the life insurance premium included in deposits is insignificant. Therefore, the deposits and life insurance premium are both considered as loans and receivables and are measured at amortised cost using effective interest method with interest income recognised in profit and loss.

The effective interest rates on initial recognition were ranged from 1.97%–2.31%, which was determined by discounting the estimated future cash receipts through the expected life of the Policies, net of financial effect of surrender charge. The carrying amount of deposits placed for the Policies as at 31 March 2018 represented the cash value of the Policies.

As at 31 March 2018, the expected life of the Policies was remained unchanged from the initial recognition and the directors considered the chance of exercising the option to surrender the Policies is remote. The financial impact of the option to terminate the Policies was insignificant.

## 16. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Raw materials and consumables	13,755	13,377
Work in progress	3,439	1,456
Finished goods	22,289	18,001
	39,483	32,834

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	41,802	26,432
Other receivables		
– Value-added tax recoverable	935	328
– Prepayments	1,052	1,004
– Deposits	5,598	3,006
– Other receivables	205	69
Total trade and other receivables	49,592	30,839

The Group grants an average credit period ranged from 30 days to 90 days upon delivery of goods to its customers. The following is an aged analysis of trade receivables based on delivery dates, net of allowance for doubtful debts at the end of each reporting period:

	2018 HK\$'000	2017 HK\$'000
0 to 30 days	14,545	5,373
31 to 60 days	5,450	4,072
61 to 90 days	4,916	774
91 to 180 days	8,748	11,925
181 days to 1 year	6,010	3,453
Over 1 year	2,133	835
	41,802	26,432

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed periodically.

In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.

At 31 March 2018, the carrying amount of trade receivables is HK\$41,802,000 (2017: HK\$26,432,000) with no impairment loss on trade receivables being recognised for the years ended 31 March 2018 and 2017.

Included in the Group's trade receivables balance are debtors with aggregate carrying amounts of approximately HK\$24,391,000 (2017: HK\$17,060,000) which are past due at the end of the reporting period for which the Group has not recognised an allowance for trade receivables because there has not been a significant change in credit history and the amounts are still considered recoverable. Trade receivables that are neither past due nor impaired relate to a wide range of customers for whom there were subsequent settlements or no history of default. The Group does not hold any collateral over these balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. TRADE AND OTHER RECEIVABLES (Continued)

Aging of trade receivables which are past due but not impaired

	2018 HK\$'000	2017 HK\$'000
0 to 30 days	8,415	1,984
31 to 60 days	4,084	6,774
61 to 90 days	1,874	3,101
91 to 180 days	5,949	3,105
181 days to 1 year	2,630	1,335
Over 1 year	1,439	761
	<b>24,391</b>	17,060

An allowance was provided on doubtful debts due from trade receivables and the movement is as follows:

	2018 HK\$'000	2017 HK\$'000
Balance at the beginning of the year	–	–
Allowance for doubtful debts	1,179	–
Amounts written off as uncollectible	(1,179)	–
Closing at the end of the year	–	–

## 18. BANK BALANCES AND CASH

The Group's bank balances and cash that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	2018 HK\$'000	2017 HK\$'000
Denominated in United States dollars ("US\$")	875	3,056
Denominated in Euro	176	83

Bank balances carry interests at prevailing market rates ranging from 0% to 0.33% (2017: 0% to 0.35%) per annum.

## 19. TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables	8,092	969
Accrued expenses	7,451	3,978
Accrued housing provident fund	1,127	1,017
Receipt in advance	2,713	–
Other payables	128	120
Total trade and other payables	<b>19,511</b>	6,084

The average credit period of trade payables granted by suppliers is from 30 to 60 days upon the issue of invoices.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. TRADE AND OTHER PAYABLES (Continued)

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

	2018 HK\$'000	2017 HK\$'000
0 to 30 days	4,543	512
31 to 60 days	1,322	37
61 to 90 days	2,227	–
91 to 180 days	–	420
	<b>8,092</b>	969

## 20. BANK BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Bank loans, unsecured and guaranteed	1,697	12,454
Trust receipt loans, secured and guaranteed	–	6,092
Trust receipt loans, unsecured and guaranteed	–	1,330
	<b>1,697</b>	19,876
Carrying amounts repayable*:		
Within one year	1,697	18,179
In the second year	–	1,697
	<b>1,697</b>	19,876
Less: Amount included under current liabilities (including bank loans with a repayable on demand clause)	<b>(1,697)</b>	(19,876)
Amount included under non-current liabilities	–	–

\* The amounts due are based on scheduled repayment dates set out in loan agreements.

The bank borrowings as at 31 March 2018 carry interest at prime rate in Hong Kong (2017: prime rate in Hong Kong, prime rate minus certain basis points or Hong Kong's Interbank Offered Rate plus certain basis points).

As at 31 March 2018, bank borrowings amounting to HK\$1,697,000 (2017: HK\$19,876,000) are guaranteed by the Company. As at 31 March 2018, deposits placed at an insurance company amounting to HK\$4,426,000 (2017: HK\$4,340,000) held by Top Mark are pledged to secure general banking facilities granted to the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. DEFERRED TAX LIABILITIES (ASSETS)

The following are the deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	<b>Accelerated tax depreciation</b> HK\$'000
At 1 April 2016	172
Credit to profit or loss	(209)
At 31 March 2017	(37)
Charge to profit or loss	105
At 31 March 2018	68

No deferred tax asset has been recognised in respect of the unutilised tax losses of HK\$808,000 (2017: HK\$451,000) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC companies from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of deductible temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately HK\$6,402,000 (2017: HK\$5,645,000) as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 22. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital</b> HK\$
Ordinary shares of HK\$0.1 each		
<b>Authorised:</b>		
At 1 April 2016	3,800,000	380,000
Increase during the year (note 1)	496,200,000	49,620,000
At 31 March 2017 and 31 March 2018	500,000,000	50,000,000
<b>Issued and fully paid:</b>		
At 1 April 2016	10	1
Issue under reorganisation (note 1)	299,999,990	29,999,999
Issue of new shares upon listing (note 2)	80,000,000	8,000,000
At 31 March 2017 and 31 March 2018	380,000,000	38,000,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22. SHARE CAPITAL (Continued)

Note 1: On 30 May 2016, the Company has increased its authorised share capital to HK\$50,000,000 divided into 500,000,000 ordinary shares with a par value of HK\$0.1 each and 299,999,990 ordinary shares of HK\$0.1 each were allotted and issued to Hang Yip in consideration of the controlling shareholders, Mr. Chan Leung Choi and Mr. Chan Kin Choi, transferring their entire shareholdings in Hang Wing Holdings Limited ("**Hang Wing**") to the Company.

Note 2: On 11 January 2017, upon listing on the Stock Exchange, the Company issued 80,000,000 shares with par value HK\$0.1 each at HK\$1.15 each with gross proceeds of approximately HK\$92,000,000.

All issued shares rank pari passu in all respects with the existing issued shares.

## 23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK\$'000	2017 HK\$'000
Non-current asset		
Investment in a subsidiary	79,611	79,611
Current assets		
Other receivables	252	211
Amounts due from subsidiaries	231	1,474
Bank balances and cash	54,821	58,228
	55,304	59,913
Current liabilities		
Other payables	5,551	2,505
Amount due to a subsidiary	1,621	1,085
	7,172	3,590
Net current assets	48,132	56,323
	127,743	135,934
Capital and reserves		
Share capital	38,000	38,000
Reserves	89,743	97,934
	127,743	135,934

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

### Reserves of the Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 April 2016	–	(1,013)	(1,013)
Loss and total comprehensive expenses for the year	–	(2,486)	(2,486)
Issue of shares	84,000	–	84,000
Cost of issue of shares	(9,058)	–	(9,058)
Dividend paid (Note 12)	–	(23,120)	(23,120)
Deemed contribution (note)	49,611	–	49,611
As at 31 March 2017	124,553	(26,619)	97,934
Loss and total comprehensive expenses for the year	–	(8,191)	(8,191)
As at 31 March 2018	124,553	(34,810)	89,743

Note: Amount represents difference between the nominal value of the share capital issued by the Company for the acquisition of the entire equity interests and the amount of net asset value in Hang Wing.

## 24. OPERATING LEASES

### The Group as lessee

The Group made minimum lease payments in respect of its factory premises and staff quarters amounting to approximately HK\$3,532,000 during the year ended 31 March 2018 (2017: HK\$3,851,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	3,012	3,206
In the second to fifth years inclusive	10,202	8,793
Over fifth years	12,757	13,910
	<b>25,971</b>	25,909

Operating lease payments represent rentals payable by the Group for factory premises and staff quarters. These leases are negotiated for terms ranging from one to twelve years. None of the leases include any contingent rentals.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24. OPERATING LEASES (Continued)

### The Group as lessee (Continued)

Included above are the commitments for future minimum lease payments to Top Champion, of which Mr. Chan Leung Choi, one of the controlling shareholders has control. The commitments for future minimum lease payments to Top Champion are as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	263	175
In the second to fifth years inclusive	175	–
	<b>438</b>	175

## 25. PARTICULARS OF NON WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY

The table below shows details of non wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests as at 31 March		Profits allocated to non-controlling interests for the year ended 31 March		Accumulated non-controlling interests as at 31 March	
		2018	2017	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Norry Tech Engineering Equipment Limited ("Norry Tech")	The PRC	49%	49%	295	84	15,351	13,564
Tristate International Industrial Limited ("Tristate International")	Hong Kong	49%	49%	2,520	4,978	11,526	9,006
				<b>2,815</b>	5,062	<b>26,877</b>	22,570

Summarised financial information in respect of the above two companies that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. PARTICULARS OF NON WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY *(Continued)* Norry Tech

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Current assets	<b>29,217</b>	28,253
Non-current assets	<b>9,964</b>	10,274
Current liabilities	<b>7,851</b>	10,846
Equity attributable to owners of Norry Tech	<b>31,330</b>	27,681
	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Revenue	<b>40,674</b>	46,613
Expenses	<b>40,072</b>	46,416
Profit for the year attributable to owners of Norry Tech	<b>602</b>	197
Other comprehensive income (expense) for the year attributable to owners of Norry Tech	<b>3,045</b>	(1,828)
Total comprehensive income (expense) for the year attributable to owners of Norry Tech	<b>3,647</b>	(1,631)
Net cash inflow from operating activities	<b>1,461</b>	4,316
Net cash outflow from investing activities	<b>(1,133)</b>	(1,990)
Net cash outflow from financing activities	<b>–</b>	(1,373)
Net cash inflow	<b>328</b>	953

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. PARTICULARS OF NON WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY *(Continued)* Tristate International

	2018 HK\$'000	2017 HK\$'000
Current assets	24,836	18,470
Current liabilities	1,313	91
Equity attributable to owners of Tristate International	23,523	18,379
Revenue	48,676	60,989
Expenses	43,533	50,862
Profit and total comprehensive income for the year attributable to owners of Tristate International	5,143	10,127
Dividends paid to non-controlling interests of Tristate International	–	5,880
Net cash (outflow) inflow from operating activities	(1,683)	17,342
Net cash outflow from investing activities	–	(975)
Net cash outflow from financing activities	–	(17,071)
Net cash outflow	(1,683)	(704)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. PARTICULARS OF NON WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY *(Continued)*

### Change on ownership in subsidiaries

During the year ended 31 March 2017, Tristate (HK) Holding Company Limited (“**Tristate Hong Kong**”) acquired an additional 1% equity interest in Norry Tech from the non-controlling shareholder, Mr. Chan Lap Wai Gary, at a cash consideration of RMB239,237 (equivalent to approximately HK\$285,000). An amount of HK\$298,000 (being the proportionate share of the carrying amount of net assets of Norry Tech) has been transferred from non-controlling interests. The difference of HK\$13,000 between the decrease in the non-controlling interests and the consideration paid has been credited to exchange reserve of HK\$20,000 and debited to other reserve of HK\$7,000.

During the year ended 31 March 2017, Hang Wing acquired an additional 1% equity interest in Tristate International from the non-controlling shareholder, Ms. Vane Siu Ling Linda (the spouse of Mr. Chan Lap Wai Gary) at a cash consideration of HK\$192,000. An amount of HK\$218,000 (being the proportionate share of the carrying amount of net assets of Tristate International) has been transferred from non-controlling interests. The difference of HK\$26,000 between the decrease in the non-controlling interests and the consideration paid has been credited to other reserve.

## 26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged for both years.

The capital structure of the Group consists of debt, which include bank borrowings disclosed in note 20 and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

## 27. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	118,894	131,697
<b>Financial liabilities</b>		
Amortised cost	9,917	20,965

### Financial risk management objectives and policies

The Group’s major financial instruments include trade and other receivables, bank balances and cash, deposits placed at an insurance company, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Market risks

##### Currency risk

The Group's exposure to currency risk mainly arises from the fluctuation of US\$, Euro and Renminbi ("RMB") against the functional currencies of the relevant group entities. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities other than the functional currencies of the group entities are as follows. The management closely monitors foreign exchange exposure to mitigate the foreign currency risk.

	Liabilities		Assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
US\$	(1,834)	–	6,731	7,883
RMB	–	(420)	4,674	52
Euro	–	–	176	–

##### Sensitivity analysis

Since HK\$ is pegged to US\$ under the Linked Exchange Rate System, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK\$ and US\$. The Group mainly exposes to foreign currency risks other than US\$.

The following table details the Group's sensitivity to a 5% increase in the functional currencies against the relevant foreign currency of the relevant group entities. 5% is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in the Group's profit after tax for the year ended 31 March 2018 where the functional currency of the relevant group entities strengthens against the relevant foreign currencies. For a 5% weakening of the functional currency of the relevant group entities, there would be an equal and opposite impact on the Group's profit after tax for the year ended 31 March 2018.

	2018 HK\$'000	2017 HK\$'000
<b>Foreign currency</b>		
RMB	(195)	15
Euro	(7)	–

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk as the year end exposure does not reflect the exposure during the year.

##### Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances and bank borrowings as disclosed in notes 18 and 20 due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

#### Market risks *(Continued)*

##### *Sensitivity analysis*

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liability outstanding at each reporting period end was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after tax for the year ended 31 March 2018 would decrease/increase by and HK\$14,000 (2017: HK\$166,000).

Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

#### Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to deposits placed at an insurance company, trade and other receivables and bank balances and cash.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on deposits placed at an insurance company is limited because the Group placed the deposits with an insurance company of high credit ratings.

The credit risk on liquid funds is limited because the Group's bank balances are deposited with banks of high credit ratings.

The Group has concentration of credit risk as 15% of the total gross trade receivables was due from the Group's largest customer as at 31 March 2018 (2017: 15%) and 57% of the total gross trade receivables was due from the five largest customers as at 31 March 2018 (2017: 51%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are contracted floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

#### Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<b>At 31 March 2018</b>				
Trade and other payables	–	8,220	8,220	8,220
Bank borrowings	5.0	1,697	1,697	1,697
		<b>9,917</b>	<b>9,917</b>	<b>9,917</b>
	Weighted average interest rate %	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<b>At 31 March 2017</b>				
Trade and other payables	–	1,089	1,089	1,089
Bank borrowings	4.5	19,876	19,876	19,876
		<b>20,965</b>	<b>20,965</b>	<b>20,965</b>

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 March 2018, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$1,697,000 (2017: HK\$12,454,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$1,712,000 as at 31 March 2018 (2017: HK\$12,805,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

	Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments					Carrying amount HK\$'000
	0-3	4-6	7-12	1-2	Total	
	months	months	months	years	undiscounted cash flows	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2018	1,712	-	-	-	1,712	1,697
31 March 2017	2,986	2,986	5,122	1,711	12,805	12,454

#### Fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

## 28. RELATED PARTY DISCLOSURES

### (i) Related party transactions

In addition to the transactions, balances and commitments disclosed elsewhere in the consolidated financial statements, the Group had entered into the following significant transactions during the years ended 31 March 2018 and 2017:

Name of related company	Relationship	Nature of transaction	2018 HK\$'000	2017 HK\$'000
Top Champion	Entity over which Mr. Chan Leung Choi has control	Rental expense of rented premises	263	336

### (ii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2018 HK\$'000	2017 HK\$'000
Fees	300	66
Salaries and allowances	5,987	5,437
Performance related incentive payments	1,630	1,186
Contributions to retirement benefit schemes	149	137
	8,066	6,826

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29. RETIREMENT BENEFIT PLAN

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the “**MPF Scheme**”) established under the Mandatory Provident Fund Schemes Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. For members of the MPF Scheme, the Group contributes at the lower of HK\$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, in which the contribution is matched by the employee.

The employees of the Group’s subsidiary in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expenses recognised in profit or loss of HK\$1,384,000, for the year ended 31 March 2018 (2017: HK\$1,509,000) represent contributions paid and payable to these plans by the Group at rates specified in the rules of the plans.

## 30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The total below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

	<b>At 1 April 2017</b>	<b>Financing cash flow</b>	<b>Interest expense</b>	<b>At 31 March 2018</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings (Note 20)	19,876	(18,179)	–	1,697
Interest payable	–	(473)	473	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31. PARTICULARS OF SUBSIDIARIES

Details of the Group's subsidiaries at the end of each reporting period are set out below.

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group		Principal activities
				2018 %	2017 %	
<b>Directly held</b>						
Hang Wing	British Virgin Islands	Hong Kong	Ordinary shares HK\$1	100	100	Investment holding
<b>Indirectly held</b>						
Top Mark	Hong Kong	Hong Kong	Ordinary shares HK\$1,000,000	100	100	Trading of rockdrilling equipment and machineries
Maxa RockDrills Limited	Hong Kong	Hong Kong	Ordinary shares HK\$100	100	100	Trading of rockdrilling equipment
Norry Tech	The PRC	The PRC	Registered capital HK\$23,000,000	51	51	Manufacturing of rockdrilling equipment
Tristate International	Hong Kong	Hong Kong	Ordinary shares HK\$10,000	51	51	Trading of rockdrilling and piling and drilling equipment and machineries
Top Glory Construction Equipment Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,000	100	100	Trading of rockdrilling and piling and drilling equipment and machineries
Tristate Hong Kong	Hong Kong	Hong Kong	Ordinary shares HK\$1	100	100	Investment holding

Norry Tech is a wholly foreign owned enterprise.

None of the subsidiaries had issued any debt securities at the end of the year and during the year.

# FINANCIAL SUMMARY

	For the year 31 March				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	150,571	126,620	141,744	126,675	99,703
Profit before tax	29,864	31,691	42,906	7,897	2,922
Income tax expense	(4,759)	(5,316)	(7,654)	(5,146)	(2,431)
Profit for the year	25,105	26,375	35,252	2,751	491
Total comprehensive income for the year	25,374	26,521	33,694	1,101	3,756
Total comprehensive income (expense) attributable to:					
Owners of the Company	19,027	21,210	26,158	(3,083)	(551)
Non-controlling interests	6,347	5,311	7,536	4,184	4,307
Earnings (loss) per share, basic (HK cents)	9.23	7.17	8.99	(0.73)	(0.61)

	As at 31 March				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Total non-current assets	13,477	15,489	13,363	15,665	15,331
Total current assets	104,345	98,274	115,798	165,359	162,114
<b>TOTAL ASSETS</b>	<b>117,822</b>	<b>113,763</b>	<b>129,161</b>	<b>181,024</b>	<b>177,445</b>
Total current liabilities	53,986	43,221	32,913	30,382	22,979
Total non-current liabilities	133	308	172	–	68
<b>TOTAL LIABILITIES</b>	<b>54,119</b>	<b>43,529</b>	<b>33,085</b>	<b>30,382</b>	<b>23,047</b>
<b>NET ASSETS</b>	<b>63,703</b>	<b>70,234</b>	<b>96,076</b>	<b>150,642</b>	<b>154,398</b>
Equity					
Equity attributable to the owners of the Company	47,768	52,988	71,294	128,072	127,521
Non-controlling interests	15,935	17,246	24,782	22,570	26,877
<b>TOTAL EQUITY</b>	<b>63,703</b>	<b>70,234</b>	<b>96,076</b>	<b>150,642</b>	<b>154,398</b>

## DEFINITIONS

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“Articles” or “Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Colour Shine”	Colour Shine Investments Limited 彩輝投資有限公司, a company incorporated in the BVI with limited liabilities, which is wholly-owned by the Executive Director, Mr. He Xiaoming, and became the Controlling Shareholders on 5 February 2018
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company”, “we” or “us”	Yuk Wing Group Holdings Limited 煜榮集團控股有限公司, a company incorporated in the Cayman Islands with limited liability on 17 March 2016
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, means each of Mr. Chan Leung Choi, Mr. Chan Kin Choi and Hang Yip up to 5 February 2018, and from 5 February 2018, Mr. He Xiaoming and Colour Shine
“Director(s)”	the director(s) of the Company
“Executive Director(s)”	the executive Director(s)
“Euro”	the lawful currency of the European Union
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hang Wing”	Hang Wing Holdings Limited 鐸榮控股有限公司, a BVI business company incorporated in the BVI with limited liability on 16 March 2016 and a wholly-owned subsidiary of the Company

## DEFINITIONS

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“Hang Yip”	Hang Yip Company Limited 鏗業有限公司, a BVI business company incorporated in the BVI with limited liability on 16 March 2016, owned as to 80% by Mr. Chan Leung Choi and 20% by Mr. Chan Kin Choi and was one of the Controlling Shareholders up to 5 February 2018
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Non-executive Director(s)”	the independent non-executive Director(s)
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/ which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
“Listing”	listing of the shares on the Stock Exchange
“Listing Date”	the date, being, 11 January 2017, on which the shares of the Company are listed on the Stock Exchange and from which dealings in the shares are permitted to commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“MPF”	mandatory provident fund
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Maxa RockDrills”	MAXA RockDrills Limited, a company incorporated in Hong Kong with limited liability on 15 September 2000 and is an indirect wholly-owned subsidiary of our Company
“Norry Tech”	佛山市順德區萊利達工程設備有限公司 (Norry Tech Engineering Equipment Limited), a company established in the PRC with limited liability on 16 October 2007, owned as to 51% by Tristate Hong Kong and 49% by Mr. Chan Lap Wai Gary, an independent third party (other than being a shareholder of Norry Tech and Tristate International), and is an indirect non wholly-owned subsidiary of our Company
“Legislative Council”	the Legislative Council of Hong Kong



## DEFINITIONS

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“PRC”	the People’s Republic of China, excluding for the purpose of this annual report only, Hong Kong, Macau and Taiwan region
“Prospectus”	the prospectus of the Company dated 30 December 2016 in relation to the initial public offering and the listing of our Shares on the Stock Exchange
“Reporting Period”	2017/2018 (from 1 April 2017 to 31 March 2018)
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the Companies Ordinance
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Top Glory”	Top Glory Construction Equipment Limited 震東建築設備有限公司, formerly known as Top Mark Construction Equipment Limited 震東建築設備有限公司, a company incorporated in Hong Kong with limited liability on 20 March 2015 and an indirect wholly-owned subsidiary of the Company
“Top Mark”	Top Mark Mechanical Equipment Limited 震東機械設備有限公司, a company incorporated in Hong Kong with limited liability on 28 July 1997 and an indirect wholly-owned subsidiary of the Company
“Tristate Hong Kong”	Tristate (HK) Holding Company Limited, a company incorporated in Hong Kong with limited liability on 13 April 2016, and an indirect wholly-owned subsidiary of our Company
“Tristate International”	Tristate International Industrial Limited 聯亞國際實業有限公司, a company incorporated in Hong Kong with limited liability on 28 July 2008, and held as to 51% by Hang Wing and 49% by Dawn Success Ltd, a company wholly-owned by Ms. Vane Siu Ling Linda, wife of Mr. Chan Lap Wai Gary, and an indirect non-wholly owned subsidiary of our Company
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“Year”	Year ended 31 March 2018
“%”	per cent