# LUEN WONG GROUP HOLDINGS LIMITED
# 聯旺集團控股有限公司

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

**(Stock code: 8217)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

This announcement, for which the directors (the "Directors") of Luen Wong Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

## FINANCIAL HIGHLIGHTS

For the year ended 31 March 2016, the operating results of the Group were as follows:

- Revenue amounted to approximately HK$315,004,000 (2015: approximately HK$271,949,000), representing an increase of approximately HK$43,055,000 or 15.8% from last year;

- Net profit for the year ended 31 March 2016 amounted to approximately HK$8,391,000 (2015: HK$18,079,000), representing a decrease of approximately HK$9,688,000 or 53.6% from last year. The decrease in net profit was mainly due to the non-recurring Listing expenses of approximately HK$10,286,000 incurred during the year ended 31 March 2016. Excluding the aforementioned non-recurring expenses, the Group's net profit would have been approximately HK$18,677,000, representing an increase of approximately HK$598,000 or 3.3% compared to the year ended 31 March 2015; and

- The Directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: HK$Nil).

## ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board of Directors (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016 together with the comparative audited figures for the previous year as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 MARCH 2016*

| | *Note* | **2016** *HK$'000* | 2015 *HK$'000* |
|---|---|---|---|
| **Revenue** | 4 | **315,004** | 271,949 |
| Cost of sales | | **(289,268)** | (246,349) |
| **Gross profit** | | **25,736** | 25,600 |
| Other income | 5 | **2,366** | 346 |
| Administrative and other operating expenses | | **(15,474)** | (3,772) |
| **Profit from operations** | | **12,628** | 22,174 |
| Finance costs | | **(567)** | (471) |
| **Profit before income tax** | 6 | **12,061** | 21,703 |
| Income tax expense | 7 | **(3,670)** | (3,624) |
| **Profit and total comprehensive income for the year attributable to equity holders of the Company** | | **8,391** | 18,079 |
| | | ***HK cents*** | *HK cents* |
| **Earnings per share attributable to equity holders of the Company** | | | |
| Basic and diluted | 9 | **0.81** | 1.74 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 31 MARCH 2016*

| | Note | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Investment property | | **–** | 11,140 |
| Property, plant and equipment | | **13,700** | 11,833 |
| | | **13,700** | 22,973 |
| **Current assets** | | | |
| Amount due from a director | | **–** | 523 |
| Amounts due from customers for contract work | 10 | **20,200** | 9,474 |
| Trade and other receivables | 11 | **63,638** | 54,215 |
| Cash and bank balances | | **13,826** | 5,900 |
| | | **97,664** | 70,112 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **46,988** | 19,717 |
| Amounts due to customers for contract work | 10 | **19,747** | 39,980 |
| Amounts due to directors | | **76** | 2,689 |
| Obligations under finance leases | | **1,614** | 1,199 |
| Bank loans and overdraft | | **9,615** | 18,940 |
| Tax payable | | **2,577** | – |
| | | **80,617** | 82,525 |
| **Net current assets/(liabilities)** | | **17,047** | (12,413) |
| **Total assets less current liabilities** | | **30,747** | 10,560 |
| **Non-current liabilities** | | | |
| Obligations under finance leases | | **2,215** | 1,912 |
| Deferred tax liabilities | | **1,437** | 344 |
| | | **3,652** | 2,256 |
| **Net assets** | | **27,095** | 8,304 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 13 | **–** | – |
| Reserves | | **27,095** | 8,304 |
| **Total equity attributable to equity holders of the Company** | | **27,095** | 8,304 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 MARCH 2016*

| | (Capital deficiency)/Total equity attributable to equity holders of the Company | | | | |
|---|---|---|---|---|---|
| | **Share capital** *HK$'000* *(note 13)* | **Other reserve** *HK$'000* *(note 14)* | **Capital reserve** *HK$'000* *(note 14)* | **(Accumulated losses)/ Retained earnings** *HK$'000* | **(Capital deficiency)/ Total equity** *HK$'000* |
| **Balance as at 1 April 2014** | – | – | 3,820 | (13,595) | (9,775) |
| Profit and total comprehensive income for the year | – | – | – | 18,079 | 18,079 |
| **Balance as at 31 March 2015 and 1 April 2015** | – | – | 3,820 | 4,484 | 8,304 |
| Profit and total comprehensive income for the year | – | – | – | 8,391 | 8,391 |
| Issuance of share capital upon incorporation | – | – | – | – | – |
| Increase in issuance of ordinary shares | – | – | – | – | – |
| Loan capitalisation | – | 10,400 | – | – | 10,400 |
| **Balance as at 31 March 2016** | **–** | **10,400** | **3,820** | **12,875** | **27,095** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 MARCH 2016*

## 1. GENERAL INFORMATION

Luen Wong Group Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015. The address of the Company's registered office and principal place of business are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit 1505, 15/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong respectively.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of civil engineering works and investment holding.

The Company's immediate and ultimate holding company is Blooming Union Investments Limited ("Blooming Union"), a company incorporated and domiciled in the British Virgin Islands. As at 31 March 2016, the directors consider the ultimate controlling shareholders of the Company to be Mr. Wong Che Kwo and Mr. Wong Wing Wah (collectively referred to as the "Controlling Shareholders").

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 April 2016.

The consolidated financial statements for the year ended 31 March 2016 were approved for issue by the board of directors on 27 June 2016.

## 2. BASIS OF PRESENTATION

Prior to the incorporation of the Company and completion of a group reorganisation (the "Reorganisation") of the Company in connection with the listing of its shares on the Stock Exchange on 22 February 2016, the Group's business was carried out by Luen Hing Construction & Eng. Limited ("Luen Hing") and Hop Fung Construction & Engineering Company Limited ("Hop Fung") which were under the common control of the Controlling Shareholders.

Pursuant to the Reorganisation, which was completed by interspersing the Company and Super Pioneer Trading Limited ("Super Pioneer") between Luen Hing and Hop Fung and the Controlling Shareholders, the Company became the holding company of the companies now comprising the Company and its subsidiaries on 22 February 2016.

Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History and Development" in the Company's prospectus dated 31 March 2016. The Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 March 2016 and 2015 which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the years ended 31 March 2016 and 2015, or since their respective dates of incorporation/establishment, where it is a shorter period.

The consolidated statement of financial position as at 31 March 2015 has been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at that date.

## 3. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amended HKFRSs that are effective for annual periods beginning on 1 April 2015

In the current year, the Group has applied the following amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are relevant to and effective for these consolidated financial statements for the annual period beginning on 1 April 2015:

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2010-2012 Cycle |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2011-2013 Cycle |

The adoption of these amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the following new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the financial year beginning on 1 April 2015, and have not been early adopted by the Group:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 16 | Leases[3] |
| Amendments to HKAS 1 | Disclosure Initiative[1] |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2012-2014 Cycle[1] |

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

## 4. REVENUE

Revenue represents the consideration received and receivable from the provision of civil engineering works.

## 5. OTHER INCOME

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gain on disposal of property, plant and equipment | **191** | – |
| Gain on disposal of investment property | **1,792** | – |
| Rental income | **105** | 298 |
| Sundry income | **278** | 48 |
| | **2,366** | 346 |

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditors' remuneration | **561** | 24 |
| Depreciation: | | |
| – own assets | **1,549** | 1,628 |
| – leased assets | **1,318** | 1,079 |
| Depreciation of investment property | **232** | 557 |
| (Gain)/Loss on disposal of property, plant and equipment, net | **(191)** | 306 |
| Gain on disposal of investment property | **(1,792)** | – |
| Site equipment rental costs (included in cost of sales) | **39,301** | 33,811 |
| Operating lease charges in respect of premises and office equipment | **252** | 227 |
| Subcontracting charges (included in cost of sales) | **71,908** | 59,971 |
| Rental income less direct outgoings | **(78)** | (248) |

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax** | | |
| – Hong Kong profits tax | **2,577** | – |
| – Deferred tax | **1,093** | 3,624 |
| Income tax expense | **3,670** | 3,624 |

Reconciliation between income tax expense and accounting profit at applicable tax rate:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before income tax | **12,061** | 21,703 |
| Tax on profit before income tax at 16.5% (2015: 16.5%) | **1,990** | 3,580 |
| Tax effects on: | | |
| Non-deductible expenses | **1,827** | 76 |
| Non-taxable income | **(132)** | – |
| Utilisation of previously unrecognised tax losses | **(15)** | (32) |
| Income tax expense | **3,670** | 3,624 |

## 8. DIVIDENDS

No dividend was declared or paid by the Group during the year to its equity holders (2015: Nil).

## 9. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to equity holders of the Company and 1,040,000,000 ordinary shares for the years ended 31 March 2016 and 2015, which have been adjusted retrospectively on the assumption that the Reorganisation and the Capitalisation Issue (note 13(iv)) had been effective on 1 April 2014.

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share | **8,391** | 18,079 |

There were no dilutive potential ordinary shares during both years and therefore, diluted earnings per share equals to basic earnings per share.

## 10. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contract costs incurred plus recognised profits less recognised losses | **562,807** | 822,298 |
| Less: progress billings | **(562,354)** | (852,804) |
| | **453** | (30,506) |
| Recognised and included in the consolidated statement of financial position as: | | |
| – Amounts due from customers for contract work | **20,200** | 9,474 |
| – Amounts due to customers for contract work | **(19,747)** | (39,980) |
| | **453** | (30,506) |

All amounts due from/to customers for contract work are expected to be recovered/settled within one year.

## 11. TRADE AND OTHER RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **35,861** | 33,832 |
| Retention monies receivables | **26,523** | 19,217 |
| Other receivables, deposits and prepayments | **1,254** | 1,166 |
| | **63,638** | 54,215 |

The ageing analysis of trade receivables based on invoice date is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **27,748** | 14,383 |
| 31 – 60 days | **6,689** | 19,449 |
| Over 90 days | **1,424** | – |
| | **35,861** | 33,832 |

The Group usually grants customers a credit period of 45 days (2015: 45 days).

At the end of the reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no impairment has been recognised during the year and as at 31 March 2016 (2015: Nil).

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

The ageing analysis of trade receivables that were past due but not impaired is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Neither past due nor impaired | **31,907** | 30,318 |
| Less than 30 days past due | **2,530** | 3,514 |
| 31 – 60 days past due | **745** | – |
| 61 – 90 days past due | **500** | – |
| Over 90 days past due | **179** | – |
| | **35,861** | 33,832 |

Trade receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Trade receivables which were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believe that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

As at 31 March 2016, the retentions held by customers for contract works included in retention monies receivables under current assets of the Group was HK$26,523,000 (2015: HK$19,217,000), of which HK$12,202,000 (2015: HK$11,757,000) are expected to be recovered after more than one year.

## 12. TRADE AND OTHER PAYABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **32,305** | 10,114 |
| Retention monies payables | **6,103** | 3,278 |
| Accruals and other payables | **8,580** | 6,325 |
| | **46,988** | 19,717 |

The ageing analysis of trade payables based on invoice date is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **19,597** | 6,894 |
| 31 – 60 days | **12,288** | 2,646 |
| 61 – 90 days | **420** | 69 |
| Over 90 days | **–** | 505 |
| | **32,305** | 10,114 |

The Group is granted by its suppliers a credit period ranging from 0 to 30 days (2015: 0 to 30 days).

As at 31 March 2016, the retentions held by the Group for contract works included in retention monies payables under current liabilities of the Group was HK$6,103,000 (2015: HK$3,278,000), of which HK$2,384,000 (2015: HK$1,719,000) are expected to be payable after more than one year.

## 13. SHARE CAPITAL

| | **Number of shares** | ***HK$'000*** |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares of HK$0.01 each upon incorporation *(note i)* | 38,000,000 | 380 |
| Increase in authorised share capital *(note ii)* | 1,962,000,000 | 19,620 |
| **As at 31 March 2016** | **2,000,000,000** | **20,000** |
| **Issued and fully paid:** | | |
| Ordinary share of HK$0.01 upon incorporation *(note i)* | 1 | – |
| Issuance of ordinary shares *(note i)* | 9,999 | – |
| **As at 31 March 2016** | **10,000** | **–** |

*Note:*

(i) The Company was incorporated on 16 October 2015 with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and has not carried on any business since the date of incorporation except for the Reorganisation. On the date of incorporation, one nil-paid share was allotted and issued. On 22 February 2016, 9,999 shares were allotted and issued at par.

(ii) Pursuant to the written resolution of the shareholder passed on 24 March 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by creation of an additional of 1,962,000,000 shares of HK$0.01 each, each ranking pari passu with the shares then in issue in all respects.

(iii) There was no authorised and issued capital as at 31 March 2015 since the Company has not yet been incorporated.

(iv) On 11 April 2016, 208,000,000 shares of HK$0.01 each of the Company were allotted and issued at a price of HK$0.26 per share by way of placing (the "Placing").

The proceeds of HK$2,080,000 represents the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$52,000,000, before issuing expenses, were credited to the Company's share premium account. The shares allotted and issued rank pari passu with the then existing issued shares in all respects.

Pursuant to the written resolutions of the shareholder passed on 24 March 2016, subject to the share premium account of the Company being credited as a result of the Placing, the directors were authorised to allot and issue a total of 1,039,990,000 shares credited as fully paid at par to Blooming Union by way of capitalisation of the sum of HK$10,399,900 standing to the credit of the share premium account of the Company ("Capitalisation Issue"). The Capitalisation Issue was completed on 12 April 2016. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

## 14. RESERVES

The amounts of the Group's reserves and the movements during the year are presented in the consolidated statement of changes in equity of the consolidated financial statement.

### Other reserve

Other reserve represents the reserve arising from the loan capitalisation of Luen Hing and Hop Fung on 21 March 2016.

On 21 March 2016, by way of loan capitalisation, Luen Hing applied HK$5,480,000 due to the directors toward the satisfaction of the issue and allotment of 5,480,000 new shares of Luen Hing at a subscription price of HK$1 per share to Super Pioneer.

On 21 March 2016, by way of loan capitalisation, Hop Fung applied HK$4,920,000 due to a director toward the satisfaction of the issue and allotment of 4,920,000 new shares of Hop Fung at a subscription price of HK$1 per share to Super Pioneer.

### Capital reserve

Capital reserve of the Group as at 31 March 2015 represents the share capital of entities comprising the Group.

Capital reserve of the Group as at 31 March 2016 represents the difference between the nominal values of the share capital of subsidiaries acquired by the Group and the nominal value of the Company's shares issued for the acquisition under the Reorganisation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Our Group has over 16 years of experience in providing civil engineering works as a subcontractor in Hong Kong. The civil engineering works undertaken by our Group are mainly related to (i) roads and drainage works (including construction and improvement of local road, carriageway with junction improvement and the associated footpaths, planting areas, drains, sewers, water mains and utilities diversion); (ii) structural works (including construction of reinforced concrete structures for bridges and retaining walls); and (iii) site formation works (including excavation and/or filling works for forming a new site or achieving designed formation level for later development).

As at 31 March 2016, we had 16 contracts on hand with a total contract sum of approximately HK$1,354,483,000. During the year ended 31 March 2016 (the "Reporting Period"), we have completed 7 contracts with a total contract sum of approximately HK$233,597,000; whilst we have been awarded 8 new contracts with a total contract sum of approximately HK$945,998,000.

### OUTLOOK

In the 2016-17 Budget Speech, the Government reiterated its commitment to infrastructure and announced to spend an estimated HK$85.8 billion on public infrastructure. It is expected that the Government will continue their support on the construction industry by executing the infrastructure development plans, in particular the Ten Major Infrastructure Projects initiated by the Government in 2007. These infrastructure projects including the construction of a three-runway system for the Hong Kong International Airport, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge. These constructions, will as a result, continue to drive the growth of the construction market, and in particular the civil engineering construction market.

As to our Group, we are confident about the outlook and the prospects of the civil engineering construction market, and by investing heavily on site equipment and manpower in the coming years, we are hoping to be more competitive and able to compete for more sizeable and profitable civil engineering projects.

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, all of our Group's revenue was generated from provision of civil engineering works which amounted to approximately HK$315,004,000 (2015: approximately HK$271,949,000), representing an increase of approximately HK$43,055,000 or 15.8% from the previous year. Such increase was mainly attributable to the commencement of a major project with contract sum of approximately HK$455,319,000 which contributed approximately 35.7% towards the total revenue of our Group.

### Gross profit and gross profit margin

Our Group's gross profit slightly increased by approximately HK$136,000 or 0.5% from approximately HK$25,600,000 for the year ended 31 March 2015 to approximately HK$25,736,000 for the Reporting Period. Our Group's gross profit margin decreased from 9.4% for the year ended 31 March 2015 to 8.2% for the Reporting Period, representing a decrease of approximately 1.2 percentage points. Such decrease was mainly attributable to the significant revenue contribution of a major project with contract sum of HK$455,319,000 which has a lower gross profit margin compared to other projects.

Our gross profit margin varied substantially from project to project and is mainly attributable to our pricing, which is determined based on a cost-plus pricing model in general with mark-up determined on a project-by-project basis and such mark-up is determined based on the following factors:

*Contract value of the project*

We would normally set a tender price based on a relatively lower mark-up for projects with a larger contract value due to the larger absolute amounts of revenue and gross profit (being the contract sum less the expected costs of sales) expected to be derived from a project with a larger contract value.

*Nature and complexity of civil engineering works*

When preparing our tender price, we consider, among other factors, (i) the amount of project management; (ii) the level of difficulty; (iii) the amount of uncertainties; (iv) the types and amount of works to be performed using different techniques; (v) the types and amount of resources such as labour skills, construction materials and supplies and site equipment; and (vi) the quality, safety and environmental standards. We would also take into account the likelihood of any material deviation of actual costs from our estimated costs having regard to the estimated subcontracting charges, staff costs, construction materials and supplies costs, rental of site equipment costs and other costs of sales.

*Competition*

The level of competition for each construction project is subject to factors beyond our control, including, among others, the number of contractors invited to bid for the construction project, our competitors' capacity and the nature and complexity of the works involved. If the level of competition of a particular construction project is low or if our competitors' tender prices are relatively high, which is due to their own commercial decisions, we may be able awarded the construction project even if our tender price is not particularly competitive.

*Cost control*

While we may obtain preliminary quotations from our subcontractors when preparing our tender prices, the final agreed prices with our subcontractors are subject to further negotiations after we are successfully awarded with a tender and after we obtain more specific information regarding the works and the site conditions. Such further negotiations with our subcontractors may result in higher or lower gross profit margins.

We enter into contra charge arrangements with some of our customers for, among others, the purchase of construction materials and supplies and site equipment rental and hence any increase in these costs are borne by our customers. The prices of construction materials and supplies and site equipment rental and other costs of sales that are not covered by contra charge arrangements are determined by reference to quotations of suppliers as agreed by us and our suppliers on an order-by-order basis. While we price in the estimated future price trend of these costs of sales when preparing our tender proposals, material deviation of the actual costs from our estimated costs may arise, which would result in higher or lower gross profit margins.

Due to, among others, the factors stated above, our gross profit margin varied substantially from project to project.

**Other income**

Other income of our Group increased by approximately HK$2,020,000 from approximately HK$346,000 for the year ended 31 March 2015 to approximately HK$2,366,000 for the Reporting Period. The increase mainly arose from the gain on disposal of investment property of approximately HK$1,792,000 during the Reporting Period.

**Administrative expenses**

Administrative expenses of our Group increased by approximately HK$11,702,000 from approximately HK$3,772,000 for the year ended 31 March 2015 to approximately HK$15,474,000 for the Reporting Period. Administrative expenses consist primarily of staff costs and Directors' remuneration, depreciation, rental expenses, Listing expenses and other administrative expenses. The increase was attributable to the non-recurring Listing expenses of approximately HK$10,286,000 and increase in staff costs due to the addition of administrative staff.

### Finance costs

Finance costs for our Group increased by approximately HK$96,000 or 20.4% from approximately HK$471,000 for the year ended 31 March 2015 to approximately HK$567,000 for the Reporting Period. The increase was mainly attributable to a drawdown of a bank loan in the principal amount of HK$4,000,000 in March 2015 and an addition of three hire purchase and lease agreements were entered into during the Reporting Period.

### Income tax expense

Income tax expense for our Group had slightly increased by approximately HK$46,000 or 1.3% from approximately HK$3,624,000 for the year ended 31 March 2015 to approximately HK$3,670,000 for the Reporting Period. The increase was mainly due to slightly increase in profit before income tax when excluding the effect of Listing expenses of approximately HK$10,286,000 during the Reporting Period, which is a non-deductible expenses.

### Profit and total comprehensive income for the year attributable to equity holders of the Company

Profit and total comprehensive income for the year attributable to equity holders of the Company decreased by approximately HK$9,688,000 or 53.6% from approximately HK$18,079,000 for the year ended 31 March 2015 to approximately HK$8,391,000 for the Reporting Period.

Such decrease was primarily attributable to the Listing expenses incurred by our Group for its listing exercise during the Reporting Period. Excluding the non-recurring Listing expenses of our Group of approximately HK$10,286,000, profit and total comprehensive income for the Reporting Period would reach approximately HK$18,677,000, representing an increase of approximately HK$598,000 or 3.3% compared to the year ended 31 March 2015.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and bank balances are denominated in Hong Kong dollar. The current ratio of our Group as at 31 March 2016 was 1.2 times as compared to that of 0.8 times as at 31 March 2015. The increase was mainly due to the repayment of bank loans and finance lease liabilities with the cash generated from operations.

The total interest bearing debts of our Group, including bank borrowings, bank overdraft and finance lease liabilities, decreased from approximately HK$22,051,000 as at 31 March 2015 to approximately HK$13,444,000 as at 31 March 2016. All borrowings were denominated in Hong Kong dollar and were repayable within 5 years. Our Group did not carry out any hedging for its floating borrowings.

As at 31 March 2016, our Group had general banking facilities amounted to HK$13,000,000 (2015: HK$13,000,000) comprising term loan facilities of HK$7,000,000 and a bank overdraft facility of HK$6,000,000. As at 31 March 2016, our Group had bank term loans with outstanding balance of approximately HK$5,069,000 (2015: approximately HK$6,404,000) and utilised a bank overdraft of approximately HK$4,546,000 (2015: HK$5,482,000). As at 31 March 2016, the general banking facilities were secured by a pledge of the land and building of our Group, a property owned by two of the Controlling Shareholders (as defined below) and their unlimited personal guarantees. The said property owned by the two Controlling Shareholders and the unlimited personal guarantees given by the two Controlling Shareholders were released and replaced by corporate guarantee given by the Company upon Listing. As at 31 March 2015, our Group also had a mortgage loan with an outstanding balance of HK$7,054,000 which had been fully repaid during the Reporting Period.

As at 31 March 2016, the finance lease liabilities amounted to approximately HK$3,829,000 (2015: approximately HK$3,111,000), were secured by the personal guarantees given by one of the Controlling Shareholders, and such guarantees have released upon Listing.

The gearing ratio, calculated based on all interest-bearing borrowings and obligations under finance leases divided by total equity at the end of the year and multiplied by 100%, stood at approximately 49.6% as at 31 March 2016 (2015: approximately 265.5%). With available bank balances and cash and bank credit facilities, our Group has sufficient liquidity to satisfy its funding requirements.

For the purpose of this announcement, Controlling Shareholder has the meaning ascribed to it under the GEM Listing Rules and is referring to Blooming Union Investments Limited ("Blooming Union"), Mr. Wong Che Kwo and Mr. Wong Wing Wah.

## CAPITAL STRUCTURE

As at 31 March 2016, the share capital and total equity attributable to equity holders of the Company amounted to approximately HK$100 and HK$27,095,000 respectively. As the Company was incorporated on 16 October 2015, there was no share capital and total equity attributable to equity holders of the Company was approximately HK$8,304,000 as at 31 March 2015.

## COMMITMENTS

As at 31 March 2016, there was no capital commitment for our Group (2015: HK$Nil).

## CONTINGENT LIABILITIES

As at 31 March 2016, our Group did not have any material contingent liabilities (2015: HK$Nil).

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Apart from the reorganisation in relation to the Listing, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group during the Reporting Period. Saved as disclosed in the prospectus of the Company dated 31 March 2016 (the "Prospectus"), our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries and affiliated companies as at 31 March 2016.

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

Our Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of our Group were denominated in Hong Kong dollar. As no monetary assets were denominated in foreign currencies, our Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the Reporting Period.

## CHARGE OVER OUR GROUP'S ASSETS

The total interest bearing debts of our Group, including bank borrowings, bank overdraft and finance lease liabilities amounted to approximately HK$13,444,000 as at 31 March 2016.

As at 31 March 2016, our Group had general banking facilities amounted to HK$13,000,000 (2015: HK$13,000,000), comprising term loan facilities of HK$7,000,000 and a bank overdraft facility of HK$6,000,000. As at 31 March 2016, our Group had bank terms loan with outstanding balance of approximately HK$5,069,000 (2015: approximately HK$6,404,000) and utilised a bank overdraft of approximately HK$4,546,000 (2015: approximately HK$5,482,000). As at 31 March 2016, the general banking facilities were secured by a pledge of the land and building of our Group, a property owned by two of the Controlling Shareholders and their unlimited personal guarantees. The said property owned by the two Controlling Shareholders and the unlimited personal guarantees given by the two Controlling Shareholders were released and replaced by corporate guarantee given by the Company upon Listing.

As at 31 March 2016, the finance lease liabilities amounted to approximately HK$3,829,000 (2015: approximately HK$3,111,000), were secured by the personal guarantees given by one of the Controlling Shareholders, and such guarantees have released upon Listing.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, our Group had approximately 230 employees (2015: 176 employees). The total staff costs incurred, including Directors' emoluments, of our Group were approximately HK$67,942,000 for the Reporting Period (2015: approximately HK$58,048,000). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses were offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve our Group. Furthermore, we offer other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

## FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Reporting Period (2015: HK$Nil).

## EVENTS AFTER THE REPORTING PERIOD

On 12 April 2016, the shares of the Company (the "Shares") were successfully listed on the GEM of the Stock Exchange with stock code 8217. Save as disclosed, there is no significant event after the reporting period of our Group.

## COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The period from 21 March 2016, being the latest practicable date as defined in the Prospectus (the "LPD") to 31 March 2016 (the "Relevant Period") was relatively short and no proceeds was available during the Relevant Period because the Company was not listed until 12 April 2016 ("the Listing Date"). During the Relevant Period, our Group was in its preliminary stage of implementing its business objectives and strategies. An analysis comparing the business objectives set out in the Prospectus with our Group's actual business progress for the period from the LPD to the date of this announcement is set out below:

| **Business objectives up to 30 September 2016** | **Actual Business Progress up to the date of this announcement** |
|---|---|
| Acquisition of additional site equipment | |
| – Purchase three hydraulic truck cranes, three motor vehicles and three generators for use in our projects | Our Group has used approximately HK$17,222,000 for purchasing four hydraulic truck cranes, three motor vehicles and two generators for use in our projects. |
| – Evaluate the effectiveness and efficiency of site equipment and obtain quotation for new site equipment | Our Group is in the process of looking for the best quote for the remaining site equipment to be purchased and will continue monitoring the effectiveness and efficiency of the site equipment on hand. |

| Business objectives up to 30 September 2016 | Actual Business Progress up to the date of this announcement |
|---|---|
| Further strengthening our manpower | |
| – Recruit three crane operators, two engineers and one project manager, one foreman and one administrative staff | Our Group recruited three crane operators, one engineer, one project manager, one foreman and one administrative staff to cope with the business development with staff costs of approximately HK$385,000. Our Group is in the process of recruiting more experienced and high caliber staff to fill the remaining roles. |
| – Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses | Our Group sponsored our existing and newly recruited staff to attend various training courses organised by third parties. |

## USE OF PROCEEDS OBTAINED FROM THE LISTING AND CHANGE IN USE OF PROCEEDS

Our Group intends to apply the net proceeds to (i) acquire additional site equipment; (ii) further strengthening our manpower; (iii) early repayment of bank loans and finance lease; and (iv) our Group's general working capital. As the Company was not yet listed during the Reporting Period, no proceeds were received and used. As at the date of announcement, approximately HK$17,222,000 had been used to acquire additional site equipment, approximately HK$385,000 had been used to strengthen our manpower; approximately HK$2,516,000 had been used to early repay of bank loans and finance lease and approximately HK$3,318,000 of our Group's general working capital had been used.

We refer to the announcement of the Company dated 21 June 2016 regarding a change in use of proceeds. The Board resolved to change the use of net proceeds from the Placing by acquiring four (one large and three small) hydraulic truck cranes instead of three (large) hydraulic truck cranes. The Board noted from the 2016-17 Budget released by the Government on 1 April 2016 that most of the projects of the Highways Department that are in the planning stage or under investigation and preliminary design stage are expected to be carried out in urban areas. Large hydraulic truck cranes are not as suitable for use in smaller construction sites with limited space, such as in urban areas, while smaller hydraulic truck crane are suitable for use in most construction sites and hence, provides greater flexibility. Having considered the above reason, the Board considers that acquiring the proposed composition of one large and three small hydraulic truck cranes would be more suitable as most of the upcoming projects of the Highways Department are expected to be carried out in urban areas.

The Board considers that the change in the use of net proceeds would meet the needs of our Group more efficiently and enhance the flexibility of our Group and is in the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Company was listed on 12 April 2016, the Company was not required to comply with the requirements set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 of the GEM Listing Rules during the Reporting Period. Having said that, save as disclosed below, the Directors consider that since the Listing Date and up to the date of this announcement, the Company has complied with all the applicable code provisions set out in the CG Code.

Under code provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Since the Company was not listed during the Reporting Period, the Company did not maintain a directors and officers liability insurance during the Reporting Period. Upon Listing, the Company sought to buy directors and officers liability insurance for the Directors. However, as the process of negotiation took some time, the said insurance was not bought until 25 April 2016. As such, the Company had not maintained directors and officers liability insurance for the Directors from the Listing Date to 24 April 2016. However, starting from 25 April 2016, the Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Shares were listed on the GEM of the Stock Exchange on 12 April 2016. As the Shares had not yet been listed on the GEM of the Stock Exchange as at 31 March 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to the date of this announcement.

## COMPETING INTERESTS

The Directors confirm that none of the Controlling Shareholders or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the Reporting Period and up to the date of this announcement.

## DEED OF NON-COMPETITION

The deed of non-competition dated 24 March 2016 has been entered into by the Controlling Shareholders in favour of the Company. Pursuant to which the Controlling Shareholders have undertaken, jointly and severally, to the Company that they would not, and that their close associates and/or companies controlled by the Controlling Shareholders would not, directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with the existing core business of our Group. Details of the non-competition deed are set out in the paragraph headed "Non-Competition Undertakings" in the section headed "Relationship with our Controlling Shareholders" of the Prospectus.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the "Code of Conduct'). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct from the Listing Date up to the date of this announcement.

## SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") has been adopted by way of shareholder's written resolution passed on 24 March 2016 for the purpose of attracting and retaining the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the businesses of our Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules and are summarised below:

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial Shareholders or independent non-executive Directors or any of their respective associates (including a discretionary trust whose discretionary objects include substantial Shareholders, independent non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 24 March 2016) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

There is no option outstanding, granted, exercised, cancelled and lapsed from the date of adoption of the Share Option Scheme to 31 March 2016.

## INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Group has appointed TC Capital International Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Except for the compliance adviser agreement entered into between the Company and our compliance adviser dated on 31 March 2016, neither our compliance advisor nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to our Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the company complies with the minimum of public float of 25% as required under the GEM Listing Rules as at the date of this announcement.

## AUDIT COMMITTEE

An audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The audit committee consists of three members, namely Mr. Liu Yan Chee James, Mr. Wong Chi Kan and Mr. Tai Hin Henry, all being independent non-executive Directors. Mr. Liu Yan Chee James currently serves as the chairman of the audit committee.

The committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group, and as to the adequacy of the external and internal audits.

The audit committee has reviewed this announcement and the audited consolidated financial statements of the Group for the Reporting Period.

## PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.luenwong.hk). The annual report for the Reporting Period containing all the information required by the GEM Listing Rules will be published on the website of the Company and the Stock Exchange and despatched to the Company's shareholders in due course.

## ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on Friday, 5 August 2016 at Suite 3003, Courtyard by Marriott, 1 On Ping Street, Shatin, New Territories, Hong Kong. For the purpose of determining entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Wednesday, 3 August 2016 to Friday, 5 August 2016, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Tuesday, 2 August 2016.

By order of the Board
**Luen Wong Group Holdings Limited**
**Wong Che Kwo**
*Chairman and Executive Director*

Hong Kong, 27 June 2016

*As at the date of this announcement, the executive Directors are Mr. Wong Che Kwo (Chairman), Mr. Wong Wing Wah, Mr. Wong Tak Ming and Mr. Chiu Chi Wang and the independent non-executive Directors are Mr. Wong Chi Kan, Mr. Liu Yan Chee James and Mr. Tai Hin Henry.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this announcement misleading.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its posting and on the website of the Company at www.luenwong.hk.*