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Kwong Man Kee Group Limited

鄺文記集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8023)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 Kwong Man Kee Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules governing the Listing of Securities on 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.*

HIGHLIGHTS

- For the year ended 31 March 2018, the revenue of the Group increased to approximately HK\$77.1 million, or 6.5%, from approximately HK\$72.4 million for the year ended 31 March 2017, which was primarily contributed by the revenue generated from Macau market of approximately HK\$7.9 million since August 2017.
- The gross profit margin of the Group decreased from 40.5% for the year ended 31 March 2017 to 34.2% for year ended 31 March 2018. Such decline was primarily caused by the intensified competition in the car parking flooring industry and the competitive labour market, which resulted in decrease in contracts sum and increase in subcontractor cost respectively.
- The net profit attributable to owners of the Company was approximately HK\$6.6 million for the year ended 31 March 2018, as compared to loss of approximately HK\$2.8 million recorded for the year ended 31 March 2017.
- The Board has proposed the payment of a final dividend of HK1.4 cents per share for the year ended 31 March 2018 (2017: nil).

ANNUAL RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the audited consolidated financial results of the Group for the year ended 31 March 2018, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

		Year ended 31 March	
		2018	2017
	Note	HK\$	HK\$
Revenue	3	77,094,366	72,362,730
Cost of sales	4	<u>(50,740,322)</u>	<u>(43,020,269)</u>
Gross profit		26,354,044	29,342,461
Other income and gain		99,404	9,439
General and administrative expenses	4	<u>(18,558,225)</u>	<u>(29,922,135)</u>
Operating profit/(loss)		7,895,223	(570,235)
Finance (costs)/income, net		<u>(233,848)</u>	<u>9,176</u>
Profit/(loss) before income tax		7,661,375	(561,059)
Income tax expense	5	<u>(1,014,722)</u>	<u>(2,277,034)</u>
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company		<u>6,646,653</u>	<u>(2,838,093)</u>
Earnings/(loss) per share attributable to owners of the Company			
– Basic and diluted (HK cents per share)	6	<u>1.11</u>	<u>(0.55)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

		As at 31 March	
	<i>Note</i>	2018	2017
		HK\$	HK\$
ASSETS			
Non-current assets			
Property, plant and equipment		40,927,306	3,695,324
Prepayments for non-current assets		215,923	8,544,300
		<u>41,143,229</u>	<u>12,239,624</u>
Current assets			
Inventories		13,843,132	1,859,875
Trade and retention receivables	8	41,015,023	33,485,473
Prepayments and other receivables	9	1,143,630	975,507
Amounts due from customers for contract work	10	5,350,241	414,716
Current income tax recoverable		1,801,082	1,010,510
Cash and cash equivalents		17,977,073	35,085,289
		<u>81,130,181</u>	<u>72,831,370</u>
Total assets		<u>122,273,410</u>	<u>85,070,994</u>
EQUITY			
Share capital	11	6,000,000	6,000,000
Reserves		61,283,063	61,283,063
Retained earnings		15,466,937	8,820,284
Total equity		<u>82,750,000</u>	<u>76,103,347</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		205,840	29,503
Current liabilities			
Trade payables	12	16,424,747	7,818,371
Accruals and other payables		2,282,074	845,545
Amounts due to customers for contract work	10	8,984,647	274,228
Bank borrowings		11,431,894	–
Current income tax liabilities		194,208	–
		<u>39,317,570</u>	<u>8,938,144</u>
Total liabilities		<u>39,523,410</u>	<u>8,967,647</u>
Total equity and liabilities		<u>122,273,410</u>	<u>85,070,994</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital (Note 11) HK\$	Share Premium (Note 11) HK\$	Capital Reserve HK\$	Shareholder Contribution HK\$	Retained Earnings HK\$	Total HK\$
Balance at 1 April 2016	77,500	–	(77,392)	8,800,000	15,158,377	23,958,485
Loss and total comprehensive loss for the year	–	–	–	–	(2,838,093)	(2,838,093)
Transactions with owners in their capacity as owners:						
Capital reserve arising on business combination	(77,500)	–	77,500	–	–	–
Additional paid in capital	100	–	–	–	–	100
Issuance of shares pursuant to capitalisation	4,499,900	(4,499,900)	–	–	–	–
Share issued pursuant to Listing	1,500,000	63,000,000	–	–	–	64,500,000
Listing expenses charged to share premium	–	(6,017,145)	–	–	–	(6,017,145)
Dividend	–	–	–	–	(3,500,000)	(3,500,000)
Total transactions with owners, recognised directly in equity	5,922,500	52,482,955	77,500	–	(3,500,000)	54,982,955
Balance at 31 March 2017	6,000,000	52,482,955	108	8,800,000	8,820,284	76,103,347
Balance at 1 April 2017	6,000,000	52,482,955	108	8,800,000	8,820,284	76,103,347
Profit and total comprehensive income for the year	–	–	–	–	6,646,653	6,646,653
Balance at 31 March 2018	6,000,000	52,482,955	108	8,800,000	15,466,937	82,750,000

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Year ended 31 March	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Cash flows from operating activities		
Net cash generated from/(used in) operations	3,231,071	(17,164,285)
Hong Kong profits tax paid	(1,434,749)	(5,689,517)
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Net cash generated from/(used in) operating activities	1,796,322	(22,853,802)
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Cash flows from investing activities		
Purchase of property, plant and equipment	(29,977,500)	(3,725,706)
Prepayments for property, plant and equipment	(215,923)	(8,544,300)
Interest income received	28	16,781
Proceeds on disposal of property, plant and equipment	90,839	–
	<hr/>	<hr/>
Net cash used in investing activities	(30,102,556)	(12,253,225)
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Cash flows from financing activities		
Contribution from shareholders	–	100
Issuance of ordinary share capital	–	64,500,000
Dividends paid	–	(3,500,000)
Payment for listing expenses	–	(4,972,500)
Proceeds from bank borrowings	11,992,000	10,000,000
Repayment of bank borrowings	(560,106)	(10,000,000)
Interest paid	(233,876)	(7,605)
	<hr/>	<hr/>
Net cash generated from financing activities	11,198,018	56,019,995
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Net (decrease)/increase in cash and cash equivalents	(17,108,216)	20,912,968
Cash and cash equivalents at beginning of the year	35,085,289	14,172,321
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Cash and cash equivalents at end of the year	17,977,073	35,085,289
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NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Kwong Man Kee Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 30 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is 21st Floor, The Bedford, 91-93 Bedford Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of engineering services in flooring, screeding, anti-skid surfacing and concrete repairing. The controlling shareholder of the Company is Mr. Kwong Chi Man (“**Mr. Kwong**”) and the parent company of the Company is Sage City Investments Limited.

The consolidated financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

The Company listed its shares on GEM of The Stock Exchange of Hong Kong Limited on 13 October 2016 (the “**Listing**”).

2 BASIS OF PREPARATION

The consolidated financial information of the Company has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial information has been prepared under the historical cost convention.

The preparation of consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New standards and amendments to standards adopted by the Group

The following new and amendments to standards are mandatory for the financial year beginning 1 April 2017.

HKAS 7 (Amendments)	Statement of Cash Flows
HKAS 12 (Amendments)	Income Taxes
HKFRS 12 (Amendments)	Disclosures of Interest in Other Entities

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group’s results and financial position.

There are no other new standards and amendments to standards that are effective for the first time for the financial year beginning on or after 1 April 2017 that are expected to have a material impact on the Group.

(b) **New standards and amendments to standards that are not yet effective and have not been early adopted by the Group**

The following new standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after 1 April 2018 or later periods and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 Cycle	1 April 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 April 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 April 2018
HKFRS 9	Financial Instruments	1 April 2018
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 April 2019
HKFRS 10 (Amendments) and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 April 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 April 2018
HKFRS 16	Leases	1 April 2019
HK(IFRIC) Int 22	Foreign Currency Transactions and Advance Consideration	1 April 2018
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatments	1 April 2019
HKFRS 17	Insurance Contracts	1 April 2021
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures	1 April 2019
HKAS 40 (Amendments)	Transfers of Investment Property	1 April 2018
HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 (Amendments)	Annual Improvements 2015-2017 Cycle	1 April 2019

3 REVENUE AND SEGMENT INFORMATION

	Year ended 31 March	
	2018	2017
	HK\$	HK\$
Flooring	75,584,164	70,052,894
Ancillary services	1,510,202	2,309,836
	<u>77,094,366</u>	<u>72,362,730</u>

The Executive Directors have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The directors regard the Group's business as a single operating segment and review consolidated financial statements accordingly.

The Group is principally engaged in the provision of engineering services in flooring, screeding, anti-skid surfacing and concrete repairing.

The Group primarily operates in Hong Kong with all its non-current assets located in and capital expenditure incurred in Hong Kong. The Group started its business in Macau in August 2017. Revenue was earned from customers located in both Hong Kong and Macau of HK\$69,201,145 and HK\$7,893,221, respectively.

4 EXPENSES BY NATURE

Expenses included in cost of sales and general and administrative expenses are analysed as follows:

	Year ended 31 March	
	2018	2017
	HK\$	HK\$
Cost of flooring materials used	27,708,993	27,524,223
Subcontractor cost	20,094,297	13,206,316
Employee benefit expenses		
– direct labour	2,359,706	1,771,900
– administrative staff	8,766,352	8,260,649
Depreciation of property, plant and equipment	1,428,417	502,904
Operating lease rentals in respect of rented premises	329,526	354,526
Repair and maintenance expenses	46,488	34,661
Motor vehicle expenses	464,456	578,987
Auditor's remuneration		
– audit services	800,000	700,000
– non-audit services	262,200	20,000
Provision for inventory obsolescence	151,985	83,379
Provision for impairment of trade receivables	1,525,056	1,740,946
Listing expenses	–	14,162,032
Other expenses	5,361,071	4,001,881
	69,298,547	72,942,404
	69,298,547	72,942,404
Representing:		
Cost of sales	50,740,322	43,020,269
General and administrative expenses	18,558,225	29,922,135
	69,298,547	72,942,404
	69,298,547	72,942,404

5 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2018	2017
	HK\$	HK\$
Current income tax:		
– Hong Kong profits tax	718,853	2,203,488
– Macau corporate income tax	194,208	–
– (Over)/under provision in prior year	(74,676)	34,587
	<u>838,385</u>	<u>2,238,075</u>
Deferred income tax	176,337	38,959
Income tax expense	<u>1,014,722</u>	<u>2,277,034</u>

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2017: 16.5%) during the year.

(ii) Macau corporate income tax

Macau corporate income tax has been provided at the applicable rate of 12% on the estimated assessable profit in excess of HK\$582,524 (approximately MOP600,000) of the Group's operation in Macau.

6 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years.

	Year ended 31 March	
	2018	2017
	HK\$	HK\$
Profit/(loss) attributable to owners of the Company	<u>6,646,653</u>	<u>(2,838,093)</u>
Weighted average number of ordinary shares in issue	<u>600,000,000</u>	<u>519,863,014</u>
Basic earnings/(loss) per share (<i>HK cents</i>)	<u>1.11</u>	<u>(0.55)</u>

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share/increase loss per share. As at 31 March 2018 and 2017, diluted earnings/(loss) per share is equal to basic earnings/(loss) per share as there were no dilutive potential shares.

7 DIVIDEND

	Year ended 31 March	
	2018	2017
	HK\$	HK\$
Proposed final dividend – HK1.4 cents per share	<u>8,400,000</u>	<u>–</u>
	<u>8,400,000</u>	<u>–</u>

A final dividend in respect of the financial year ended 31 March 2018 of HK1.4 cents per share (2017: nil), amounting to a total dividend of HK\$8,400,000 (2017: nil), is to be proposed at the forthcoming annual general meeting. The amount of 2018 proposed final dividend is based on 600,000,000 shares in issue as at 31 March 2018. These consolidated financial information do not reflect this dividend payable.

8 TRADE AND RETENTION RECEIVABLES

	Year ended 31 March	
	2018	2017
	HK\$	HK\$
Trade receivables	37,146,668	29,357,481
Less: provision for impairment	<u>(2,227,168)</u>	<u>(1,535,066)</u>
Trade receivables, net	34,919,500	27,822,415
Retention receivables	<u>6,095,523</u>	<u>5,663,058</u>
	<u>41,015,023</u>	<u>33,485,473</u>

The credit period granted to trade customers other than for retention receivables is within 30 days. The terms and conditions in relation to the release of retentions varies from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

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

	As at 31 March	
	2018	2017
	HK\$	HK\$
1 – 30 days	19,470,200	11,821,755
31 – 60 days	2,575,784	2,393,028
61 – 90 days	3,428,050	933,090
Over 90 days	<u>11,672,634</u>	<u>14,209,608</u>
	<u>37,146,668</u>	<u>29,357,481</u>

In the consolidated statement of financial position, retention receivables were classified as current assets based on operating cycle. The ageing of the retention receivables based on invoice date is as follows:

	As at 31 March	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Within 1 year	3,130,550	2,650,640
Between 1 to 5 years	2,964,973	3,012,418
	<u>6,095,523</u>	<u>5,663,058</u>

The carrying amounts of trade and retention receivables approximate their fair values due to their short maturities.

Trade and retention receivables are denominated in the following currencies:

	As at 31 March	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
HK\$	42,725,668	35,020,539
Macau Pataca (“MOP”)	516,523	–
	<u>43,242,191</u>	<u>35,020,539</u>

9 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Prepayments	1,261,145	9,270,910
Other receivables	98,408	248,897
	<u>1,359,553</u>	<u>9,519,807</u>
Less: Non-current – prepayments for non-current assets	<u>(215,923)</u>	<u>(8,544,300)</u>
	<u>1,143,630</u>	<u>975,507</u>

The carrying amounts of the Group’s other receivables are denominated in HK\$.

As at 31 March 2018, the carrying amounts of other receivables approximate their fair values.

10 CONTRACTING WORK IN PROGRESS

	As at 31 March	
	2018	2017
	HK\$	HK\$
Contract costs incurred plus attributable profits less foreseeable losses to date	34,265,810	5,886,529
Progress billings to date	<u>(37,900,216)</u>	<u>(5,746,041)</u>
	<u>(3,634,406)</u>	<u>140,488</u>

Included in current assets/(liabilities) as follows:

	As at 31 March	
	2018	2017
	HK\$	HK\$
Due from customers for contract work	5,350,241	414,716
Due to customers for contract work	<u>(8,984,647)</u>	<u>(274,228)</u>
	<u>(3,634,406)</u>	<u>140,488</u>

11 SHARE CAPITAL AND PREMIUM

	Number of ordinary share	Nominal value
		of ordinary share HK\$
Authorised:		
Ordinary shares at HK\$0.01 each as at 30 May 2016 (date of incorporation)	500,000,000	5,000,000
Increase in the authorised share capital on 13 June 2016	<u>1,500,000,000</u>	<u>15,000,000</u>
At 31 March 2017 and 1 April 2017 and 31 March 2018	<u>2,000,000,000</u>	<u>20,000,000</u>

	Number of ordinary share	Nominal value of ordinary share <i>HK\$</i>	Share premium <i>HK\$</i>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each as at 30 May 2016 (date of incorporation)	1	–	–
Issue of ordinary shares of HK\$0.01 each on 16 June 2016	9,999	100	–
Issuance of shares pursuant to capitalisation	449,990,000	4,499,900	(4,499,900)
Issuance of ordinary shares HK\$0.43 each on 13 October 2016	150,000,000	1,500,000	63,000,000
Listing expenses charged to share premium	–	–	(6,017,145)
At 31 March 2017, 1 April 2017 and 31 March 2018	600,000,000	6,000,000	52,482,955

12 TRADE PAYABLES

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

	As at 31 March	
	2018 <i>HK\$</i>	2017 <i>HK\$</i>
1 – 30 days	4,999,918	5,431,684
31 – 60 days	10,516,740	301,550
61 – 90 days	599,536	1,850,973
Over 90 days	308,553	234,164
	16,424,747	7,818,371

Trade payables are denominated in HK\$.

The carrying amounts of trade payables approximate their fair values due to their short maturities.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the Hong Kong car park flooring industry. We provide (i) flooring services, which involve the application of proprietary floor coating products for the purpose of providing a colorful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and (ii) ancillary services, which include concrete repairing and wall painting work in Hong Kong. Our target segment range from mid to high end projects in the car park flooring market. At present, approximately 98% of the Group revenue is derived from the flooring services.

For the year ended 31 March 2018, the revenue of the Group increased to approximately HK\$77.1 million, or 6.5%, from approximately HK\$72.4 million for the year ended 31 March 2017, primarily due to the success of implementing our initial expansion plan in Macau market during the same period.

To facilitate and support our business development and operation, the Group entered and/or completed the following acquisitions during the year ended 31 March 2018:

- (i) purchase of our new headquarters in Hong Kong and two car park places, which was completed in May 2017 in consideration of approximately HK\$30.0 million;
- (ii) purchase of a car park place in consideration of approximately HK\$2.0 million which was entered into in August 2017 and completed in October 2017; and
- (iii) purchase of a warehouse from one of the executive Directors in consideration of approximately HK\$4.2 million, and such connected transaction was entered into and completed in February 2018 after arm's length negotiations and in the ordinary and usual course of business of the Group.

Since August 2017, we have also enhanced our market diversification by expansion of our business operations into Macau so as to broaden our customer base and source of revenue. We have recorded sales of approximately Macau Pataca (MOP)8.1 million (equivalent to approximately HK\$7.9 million) in Macau market during the year ended 31 March 2018. We will continue to keep track of any new construction projects and explore any business opportunity in other markets outside Hong Kong.

Outlook

Looking forward, the Directors still consider that the future opportunities and challenges facing the Group will continue to be affected by (i) the development of the property market, (ii) the construction schedule of our main contractors which are property developers, and (iii) the labour and material costs as well as our contract price.

In view of the development plans of Hong Kong Government and the property developers, the medium and long term outlook of the construction industry as well as the car park flooring industry in Hong Kong looks promising. Furthermore, in light of the future development plans and construction schedules in Macau, the Group is confident in the potential of growth of Macau car park flooring industry. Leveraging on our extensive experience and reputation in the car park flooring industry, we believe that we will achieve continuous growth for the Group and create reasonable return for our Shareholders.

Financial Review

Revenue and Gross Profit

Our revenue, which is principally generated from the provision of car park flooring services for construction projects, increased to approximately HK\$77.1 million, or 6.5%, for the year ended 31 March 2018 from approximately HK\$72.4 million for the year ended 31 March 2017, which was primarily contributed by the revenue generated from Macau market of approximately HK\$7.9 million since August 2017.

The gross profit margin of the Group decreased from 40.5% for the year ended 31 March 2017 to 34.2% for year ended 31 March 2018. Such decline was primarily caused by the intensified competition in the car parking flooring industry and the competitive labour market, which resulted in decrease of our contracts sum and increase in subcontractor cost respectively.

General and administrative expenses

General and administrative expenses of the Group decreased by approximately HK\$11.3 million, or 37.8%, from approximately HK\$29.9 million for the year ended 31 March 2017 to approximately HK\$18.6 million for the year ended 31 March 2018. The decrease was mainly due to the non-recurring listing expenses of approximately HK\$14.2 million incurred for the year ended 31 March 2017. However, during the year ended 31 March 2018, the Group also experienced (i) increase in staff cost for hiring additional staff with relevant experiences, (ii) increase in professional fees such as legal consultation fees, advisory fees and listing maintenance fee; and (iii) increase in depreciation of property, plant and equipment acquired for the year ended 31 March 2018, which partly offset the factor of the non-recurring listing expenses during the year ended 31 March 2017.

Profit/(loss) attributable to owners of the Company

The net profit attributable to owners of the Company was approximately HK\$6.6 million for the year ended 31 March 2018, as compared to loss of approximately HK\$2.8 million recorded for the year ended 31 March 2017. The turnaround from loss to profit was primarily attributable to the effect of the non-recurring listing expenses recognised for the year ended 31 March 2017, which was nonetheless partly offset by the decrease of gross profit margin and the increase of certain general and administrative expenses for the year ended 31 March 2018.

Liquidity, financial resources and capital structure

As at 31 March 2018, the Group's current ratio was approximately 2.06 compared to approximately 8.15 at 31 March 2017. The decrease was due to the bank borrowings granted by a bank during the year ended 31 March 2018. The Group had total assets of approximately HK\$122.3 million as at 31 March 2018, compared to HK\$85.1 million as at 31 March 2017. As at 31 March 2018, the Group had cash and cash equivalents of approximately HK\$18.0 million (2017: HK\$35.1 million). The management is of the view that the Group has adequate capital for future growth and business operations.

Bank borrowings

Bank borrowings of our Group as at 31 March 2018 were approximately HK\$11.4 million (2017: nil). The borrowings were secured by our property acquired in May 2017 with carrying amount of approximately HK\$29.4 million as at 31 March 2018 (2017: nil).

Gearing ratio

The gearing ratio of the Group as at 31 March 2018 was approximately 12.1% (2017: nil).

The gearing ratio is calculated based on the bank borrowings divided by the total capital of approximately HK\$94.2 million as at 31 March 2018 (2017: HK\$76.1 million).

Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures

There was no significant investment held by the Group nor any material acquisition or disposal of subsidiary, associate and joint venture for the year ended 31 March 2018.

Future plans for material investments or capital assets

As at the date of this report, the Board does not have any plan for material investments or additions of capital assets.

Risk of foreign exchange fluctuations

The Group operates in Hong Kong and Macau and majority of its transactions are denominated in Hong Kong dollars and Macau Pataca. The Board considers that the risk of foreign exchange fluctuations to the Group is insignificant.

Treasury policy

The Group adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the year. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

Employees and remuneration policies

As at 31 March 2018, the Group had 29 employees in total (2017: 26 employees). The staff costs of the Group (including directors' emoluments and management, administrative and operational staff costs) for the year ended 31 March 2018 were approximately HK\$11.1 million (2017: HK\$10.0 million).

The Group remunerates its employees based on their performance, working experience and with reference to the prevailing market conditions. On top of basic remuneration, discretionary bonus may be granted to senior management and staff members by reference to the Group's performance as well as individual's performance. Other staff benefits include medical benefits, mandatory provident fund and sponsorship of training courses.

Commitments and Contingent Liability

As at 31 March 2018, the Group had capital commitments of approximately HK\$0.6 million (2017: HK\$24.0 million).

As at 31 March 2018 and 2017, the Group did not have significant contingent liabilities.

Events after the date of consolidated statement of financial position

The Board is not aware of any events after the date of consolidated statement of financial position that requires disclosure.

Off Balance Sheet transactions

As at 31 March 2018, the Group had not entered into any off balance sheet transactions.

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the achievement business objectives as set out in the prospectus of the Company dated 30 September 2016 with the Group's actual business progress for the period from the date of its listing (the "**Listing**") on GEM (i.e. 13 October 2016, the "**Listing Date**") to 31 March 2018 is set out below:

Business objectives	Implementation plans	Actual business progress for the year ended 31 March 2018
To expand our presence in the refurbishment market and purchase of an office	To purchase of an office	During the year ended 31 March 2018, the Group purchased a workshop and office located at the 21st Floor and Car Park Nos. P5 and P6 on the 1st Floor of The Bedford, 91-93 Bedford Road, Tai Kok Tsui, Kowloon, Hong Kong in the consideration of approximately HK\$30.0 million, in which approximately HK\$12.0 million was financed by the bank borrowing. The workshop has been used as the Group's headquarters and principal place of business in Hong Kong.

Business objectives	Implementation plans	Actual business progress for the year ended 31 March 2018
To strengthen the Group's leading position in the new construction market	To strengthen the sales and marketing efforts and brand awareness in the industry	The Group has conducted luncheon with property developers, cross-over exhibition with the suppliers, and posted advertisement in magazines to promote awareness and gather market intelligence to create higher company profile.
	To strengthen the manpower and capacity	<p>The Group has used approximately HK\$4.3 million for recruiting additional staff, with relevant experiences to cope with its business development.</p> <p>The Group has sponsored its staff to attend the occupational health and safety courses organised by third parties.</p>
	To enhance the operation and capacity	The Group has used approximately HK\$2.0 million for purchase of additional machineries, vehicles and computers to facilitate the operation of the Group.

USE OF PROCEEDS

An analysis of the utilisation of the net proceeds from the Listing Date up to 31 March 2018 is set out below:

	Adjusted use of the net proceeds in the same manner as stated in prospectus (HK\$ million)	Planned use of the net proceeds as stated in the Prospectus up to 31 March 2018 (HK\$ million)	Actual use of the net proceeds up to 31 March 2018 (HK\$ million)
expanding our presence in the refurbishment market and purchase of an office	17.2	16.0	15.2
strengthening the Group's leading position in the new construction market by improving the overall capacity and project management efficiency	13.0	9.5	6.8
repaying bank loan	10.0	10.0	10.0
general working capital and other general corporate uses	2.1	1.3	1.3
Total	42.3	36.8	33.3

The business objectives, implementation plans and planned use of proceeds were based on the estimation and assumption of future market conditions made by the Group for the purpose of Listing. The actual use of proceeds was based on the Group's business operations and development.

DIVIDENDS

The Board recommends the payment of a final dividend of HK1.4 cents per share for the year ended 31 March 2018 to the Shareholders whose names appear on the register of members of the Company on Monday, 13 August 2018. Subject to the approval of the Shareholders at the forthcoming annual general meeting scheduled on Friday, 3 August 2018, the final dividend will be posted on Monday, 27 August 2018 by ordinary mail to the Shareholders.

CORPORATE GOVERNANCE PRACTICE AND COMPLIANCE

The Company has complied with the principles and applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2018, except the deviation from CG Code provision A.2.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Kwong Chi Man is the chairman and the chief executive officer of the Company. Mr. Kwong has been the key leadership figure of the Group for over 15 years and is well recognised in the car park flooring industry in Hong Kong. Mr. Kwong has been primarily involved in the overall business development, technical operations and strategic planning of the Group. The Directors are of the view that it would be in the Group’s best interest for Mr. Kwong to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the “**Code of Conduct**”). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 March 2018.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2018.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 24 September 2016 with its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the Group’s audited consolidated financial statements for the year ended 31 March 2018 with the auditors. The Audit Committee is of the opinion that the Group’s consolidated financial statements for the year ended 31 March 2018 comply with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made with the assistance of the auditors.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's consolidated financial results for the year ended 31 March 2018 have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the preliminary announcement.

By order of the Board
Kwong Man Kee Group Limited
Mr. Kwong Chi Man
Chairman and Executive Director

Hong Kong, 22 June 2018

As at the date of this announcement, the executive Directors are Mr. Kwong Chi Man and Mr. Yip Wai Man and the independent non-executive Directors are Ms. Yu Wan Wah Amparo, Mr. Law Pui Cheung and Mr. Wat Danny Hiu Yan.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the Company's website at www.kmk.com.hk.