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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF 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 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.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019 (the "Reporting Period") together with the comparative audited figures for the year ended 31 March 2018. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*4*	**432,842**	708,595
Cost of sales		**(431,697)**	(690,815)
Gross profit		**1,145**	17,780
Other income		**11,774**	273
Administrative and other operating expenses		**(19,469)**	(20,483)
Loss from operations		**(6,550)**	(2,430)
Finance costs	*6(a)*	**(18)**	(243)
Loss before taxation	*6*	**(6,568)**	(2,673)
Income tax – credit/(expense)	*7*	**520**	(219)
Loss for the year		**(6,048)**	(2,892)
Other comprehensive loss			
Item that will be reclassified subsequently to the profit or loss:			
Change in fair value of available-for-sale financial asset		**–**	9
Total comprehensive loss for the year attributable to equity holders of the Company		**(6,048)**	(2,883)
		HK cents	*HK cents*
Loss per share attributable to equity holders of the Company			
Basic and diluted	*9*	**(0.48)**	(0.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**33,760**	37,941
Other financial assets		**3,201**	3,129
		36,961	41,070
Current assets			
Amount due from customers for contract work		**–**	35,874
Contract assets		**54,073**	–
Trade and other receivables	*10*	**127,248**	127,175
Amount due from a director		**–**	462
Financial assets at fair value through profit or loss		**23,391**	39,816
Tax recoverable		**30**	4,722
Cash and cash equivalents		**21,278**	99,196
		226,020	307,245
Current liabilities			
Trade and other payables	*11*	**42,760**	85,151
Amount due to customers for contract work		**–**	22,224
Contract liabilities		**71**	–
Amount due to a shareholder		**132,888**	132,888
Obligations under finance leases		**235**	138
		175,954	240,401
Net current assets		**50,066**	66,844
Total assets less current liabilities		**87,027**	107,914
Non-current liabilities			
Obligations under finance leases		**656**	–
Deferred tax liabilities		**3,912**	4,436
		4,568	4,436
Net assets		**82,459**	103,478
CAPITAL AND RESERVES			
Share capital	*12*	**12,480**	12,480
Reserves		**69,979**	90,998
Total equity attributable to equity holders of the Company		**82,459**	103,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2019

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 addresses 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 703A, 7/F, Gee Tuck Building, 16-20 Bonham Strand, Sheung Wan, Hong Kong respectively.

The Company is an investment holding company, and its subsidiaries are principally engaged in the provision of civil engineering works and investment holding.

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2019 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except investments in debt and equity securities are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Details of the changes in accounting policies are discussed in note 3(i) for HKFRS 9 and note 3(ii) for HKFRS 15.

(i) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves at 1 April 2018.

	HK$'000
Retained earnings	
Transferred from revaluation reserve relating to financial assets now measured at FVPL	(426)
Recognition of additional expected credit loss on	
– trade receivables	(316)
– contract assets	(211)
Net decrease in retained earnings at 1 April 2018	(953)
Revaluation reserve	
Transferred to retained earnings relating to financial assets now measured at FVPL	426

Note:

No current/deferred taxation has been recognised on the effect of additional expected credit loss as the Group sustained tax losses and the realisation of the related tax loss through future taxable profits is not probable.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets carried at amortised cost				
Trade and other receivables *(note (i))*	127,715	(42,096)	(316)	85,303
Financial assets carried at FVPL				
Life insurance policy *(note (ii))*	–	3,129	–	3,129
Trading securities *(note (iii))*	39,816	–	–	39,816
Financial assets classified as available-for-sale under HKAS 39 ***(notes (ii),(iii))***	3,129	(3,129)	–	–

Notes:

(i) Trade and other receivables of HK$42,096,000 were reclassified to contract assets at 1 April 2018 as a result of the initial application of HKFRS 15.

(ii) Under HKAS 39, life insurance policy was classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

(iii) Trading securities were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

– contract assets as defined in HKFRS 15;

For further details on the Group's accounting policy for accounting for credit losses.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 March 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 April 2018.

	HK$'000
Loss allowance at 31 March 2018 under HKAS 39	–
Additional credit loss recognised at 1 April 2018 on:	
– Trade receivables	316
– Contract assets recognised on adoption of HKFRS 15	211
Loss allowance at 1 April 2018 under HKFRS 9	527

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group); and

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed as at 1 April 2018.

The following table summarises the impact of transition to HKFRS 15 on retained earnings at 1 April 2018:

	HK$'000
Retained earnings	
Change in timing of contract costs recognition for construction contracts	(14,444)
Net decrease in retained earnings at 1 April 2018	(14,444)

Note:

No current/deferred taxation has been recognised on the effect of change in timing of contract costs recognition for construction contracts as the Group sustained tax losses and the realisation of the related tax loss through future taxable profits is not probable.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from construction contracts was recognised over time.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Under HKFRS 15, contract revenue recognised over time continues to be applied based on the progress certificates issued by the customers. This core principle is same as the method in measuring the stage of completion under HKAS 11. As a result, there is no change in the method in measuring the stage of completion under HKAS 11 as compared with output method under HKFRS 15.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from construction contracts.

b. Timing of recognition of contract costs

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Previously, contract costs of the Group are recognised by reference to the stage of completion of the contract, which was measured by reference to the percentage of the estimated total revenue for the contracts entered into by the Group that have been performed to date. Under HKFRS 15, contract costs that related to satisfy performance obligations are expensed as incurred.

c. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "Amount due from customers for contract work" or "Amount due to customers for contract work" respectively.

Receivables for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion for retention period were presented in the statement of financial position as "Retentions monies receivable" under "Trade and other receivables".

To reflect these changes in presentation, the Group has made the following adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

(i) "Amount due from customers for contract work" and "Retention monies receivable" amounting to HK$35,874,000 and HK$42,096,000 respectively, which were previously included in amount due from customers for contract work and trade and other receivables are now included under contract assets); and

(ii) "Amount due to customers for contract work", amounting to HK$22,224,000, which were previously included in amount due to customers for contract work is now included under contract liabilities).

(iii) As explained above, adjustments to opening balances have been made to decrease contract assets by HK$34,454,000 and decrease contract liabilities by HK$20,010,000.

d. *Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018*

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2019 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A)	**Hypothetical amounts under HKASs 18 and 11 (B)**	**Difference: Estimated impact of adoption of HKFRS 15 on 2019 (A)-(B)**
	HK$'000	***HK$'000***	***HK$'000***
Line items in the consolidated statement of profit or loss for year ended 31 March 2019 impacted by the adoption of HKFRS 15:			
Cost of sales	**(431,697)**	**(428,563)**	**(3,134)**
Gross profit	**1,145**	**4,279**	**(3,134)**
Loss from operations	**(6,550)**	**(3,416)**	**(3,134)**
Loss before taxation	**(6,568)**	**(3,434)**	**(3,134)**
Loss for the year	**(6,048)**	**(2,914)**	**(3,134)**
Loss attributable to equity holders of the Company	**(6,048)**	**(2,914)**	**(3,134)**
Loss per share *(HK cents)*			
Basic and diluted	**(0.48)**	**(0.23)**	**(0.25)**

	Amounts reported in accordance with HKFRS 15 (A) *HK$'000*	Hypothetical amounts under HKASs 18 and 11 (B) *HK$'000*	Difference: Estimated impact of adoption of HKFRS 15 on 2019 (A)-(B) *HK$'000*
Line items in the consolidated statement of financial position as at 31 March 2019 impacted by the adoption of HKFRS 15:			
Amount due from customers for contract works	–	43,619	(43,619)
Contract assets	54,073	–	54,073
Trade and other receivables	127,248	179,460	(52,212)
Total current assets	**226,020**	**267,778**	**(41,758)**
Contract liabilities	(71)	–	(71)
Amount due to customers for contract works	–	(24,251)	24,251
Total current liabilities	**(175,954)**	**(200,134)**	**24,180**
Net current assets	50,066	67,644	(17,578)
Total assets less current liabilities	87,027	104,605	(17,578)
Net assets	**82,459**	**100,037**	**(17,578)**
Reserves	(69,979)	(87,557)	17,578
Total equity attributable to equity holders of the Company	**(82,459)**	**(100,037)**	**17,578**
Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 March 2019 impacted by the adoption of HKFRS 15:			
Loss before taxation	(6,568)	(3,434)	(3,134)
Increase in amount due from customers for contract work	–	(7,745)	7,745
Increase in trade and other receivables	(42,284)	(52,599)	10,315
Increase in contract assets	(10,756)	–	(10,756)
Increase in amount due to customers for contract work	–	2,027	(2,027)
Decrease in contract liabilities	(2,143)	–	(2,143)

The significant differences arise as a result of the changes in accounting policies described above.

4. REVENUE

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

The Group's businesses 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 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$305,559,000. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 36 months. The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group.

5. SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the provision of civil engineering works. This operating segment has been identified on the basis of internal management reports reviewed by the CODM, being the executive directors of the Company. The CODM mainly reviews revenue derived from the provision of civil engineering works. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, other than the entity-wide disclosure, no segment analysis is presented.

(a) Geographical information

The Group's operations are located in Hong Kong and all the revenue of the Group were derived from Hong Kong customers. The Group's non-current assets are located in Hong Kong.

(b) Major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer 1	**263,612**	592,236
Customer 2	**84,467**	89,822

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2019	2018
	HK$'000	*HK$'000*
Finance charges on obligations under finance leases	**18**	47
Interests on bank loans and overdraft	**–**	196
	18	243

(b) Staff costs

	2019	2018
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**85,194**	84,451
Contributions to defined contribution retirement plan	**2,955**	2,886
	88,149	87,337

(c) Other items

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration		
– audit services	**400**	625
– non-audit services	**–**	150
Depreciation		
– own assets	**6,046**	6,140
– leased assets	**115**	209
Exchange difference, net	**–**	(30)
Fair value change on financial assets at fair value through profit or loss	**10,127**	966
Gain on disposal of property, plant and equipment	**(13)**	(252)
Gain on disposal of financial assets at fair value through profit or loss	**(19,185)**	(428)
Impairment losses on trade receivables and contract assets, net	**1,803**	–
Operating lease charges in respect of premises and office equipment	**748**	638
Site equipment rental costs (included in cost of sales)	**38,039**	48,296

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax		
– Current year	**–**	–
– Under/(Over)-provision in respect of prior year	**4**	(36)
Deferred tax	**4**	(36)
– Current year	**(524)**	255
Income tax – (credit)/expense	**(520)**	219

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rate regime, the first HK$2 million of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

For the year ended 31 March 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the year ended 31 March 2018, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

The directors of the Company are in the view that the impact of the two-tiered profits tax rates regime on the Group's current and deferred tax position is not material.

(b) Reconciliation between income tax expense and accounting loss at applicable tax rate:

	2019	2018
	HK$'000	*HK$'000*
Loss before taxation	**(6,568)**	(2,673)
National tax on loss before taxation calculated at the tax rates applicable to the loss in jurisdictions concerned	**(1,084)**	(441)
Tax effects on:		
– Non-taxable income	**(3,209)**	(10)
– Non-deductible expenses	**1,647**	10
– Tax losses not recognised	**2,122**	696
– Under/(Over)-provision in respect of prior year	**4**	(36)
Income tax – (credit)/expense	**(520)**	219

8. DIVIDENDS

No dividend was declared or paid by the Company to its equity holders during the year (2018: HK$Nil).

9. LOSS PER SHARE

The calculation of basic loss per share attributable to equity holders of the Company is based on the following:

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to equity holders of the Company	**(6,048)**	(2,892)
Number of shares		
Weighted average number of ordinary shares (in thousands)	**1,248,000**	1,248,000

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 March 2019 represents 1,248,000,000 (2018: 1,248,000,000 shares) ordinary shares in issue throughout the year.

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

10. TRADE AND OTHER RECEIVABLES

	31 March 2019	1 April 2018	31 March 2018
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	**33,180**	61,873	62,189
Retention monies receivables	**–**	–	42,096
Receivables from a securities broker	**13,971**	19,524	19,524
Other receivables, deposits and prepayments	**80,097**	3,366	3,366
	127,248	84,763	127,175

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

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**20,028**	26,633
31 – 60 days	**10,779**	30,167
61 – 90 days	**899**	3,852
Over 90 days	**1,474**	1,537
	33,180	62,189

The Group usually grants customers a credit period of 45 days (2018: 45 days). The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

11. TRADE AND OTHER PAYABLES

	31 March 2019	31 March 2018
	HK$'000	*HK$'000*
Trade payables	**17,103**	48,695
Retention monies payables	**11,008**	27,705
Accruals and other payables	**14,649**	8,751
	42,760	85,151

Note: Except for the amount of HK$4,287,000 (2018: HK$13,817,000), which was expected to be settled after one year, all of the remaining balances were expected to be settled within one year.

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

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**13,627**	36,191
31 – 60 days	**2,147**	12,501
61 – 90 days	**195**	–
Over 90 days	**1,134**	3
	17,103	48,695

The Group is granted by its suppliers a credit period ranging from 0 to 30 days (2018: 0 to 30 days).

12. SHARE CAPITAL

	2019		2018	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each				
As at 1 April and 31 March	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
As at 1 April and 31 March	**1,248,000,000**	**12,480**	1,248,000,000	12,480

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has over 19 years of experience in providing civil engineering works as a subcontractor in Hong Kong. The civil engineering works undertaken by the 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 2019, we had 33 contracts on hand with a total contract sum of approximately HK$1,933,359,000. During the year, we have been awarded 2 new contracts with a total contract sum of approximately HK$119,403,000.

OUTLOOK

2020 is expected to be full of opportunities and challenges. The planned commitment in the Government's public expenditure on infrastructure will result in more business opportunities being presented to the market. Whilst factors including but not limited to difficult geological conditions, adverse weather conditions, variations to the construction plans instructed by customers and other unforeseen problems or circumstances that occur during project implementation continue being threats that likely affect the Group's profit as a subcontractor.

Looking forward, the Group will continue to strengthen the competitive edge of the Group over the competitors in the civil engineering industry and at the same time carefully evaluate each projects and control the Group's overall costs to a reasonable level; which in turn increase shareholders' return.

SIGNIFICANT INVESTMENT

Financial asset at FVTPL Significant Investments	**For the year ended 31 March 2019 Fair value loss** *HK$'000*	**As at 31 March 2019 Number of shares held** *'000*	**As at 31 March 2019 Fair value** *HK$'000*	**As at 31 March 2019 Approximately percentage to the total asset**	**As at 1 April 2018 Fair value** *HK$'000*
WLS Holdings Limited ("WLS")	**1,009**	**168,210**	**7,065**	**2.7%**	**8,074**
Other listed equity securities *(note 1)*			**16,326**	**6.2%**	**31,742**
Total			**23,391**	**8.9%**	**39,816**

Note:

1. As at 31 March 2019, other listed equity securities comprised 6 listed equity securities in Hong Kong. None of the other listed equity securities was more than 5% of the total assets of the Group as at 31 March 2019.

WLS is principally engaged in provision of scaffolding and fitting out services and other services for construction and buildings work, provision of gondolas, parapet railings and access equipment installation and maintenance services, money lending business, securities brokerage and margin financing, securities investment business, and assets management business. Based on WLS's third quarterly report for the nine months ended 31 January 2019, revenue and loss after income tax of WLS was approximately HK$137.9 million and HK$22.3 million respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

FINANCIAL REVIEW

Revenue

All of the Group's revenue was generated from the provision of civil engineering works and provision of decoration and renovation works. The total revenue of the Group decreased by approximately HK$275,753,000 from approximately HK$708,595,000 for the year ended 31 March 2018 to approximately HK$432,842,000 for the Reporting Period. Such decrease was mainly due to few large construction projects reaching completion stage. As at 31 March 2018, we had 32 contracts on hand with a total contract sum of approximately HK$2,003,974,000 whilst as at 31 March 2019, we had 33 contracts on hand with a total contract sum of approximately HK$1,933,359,000.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased significantly by approximately HK$16,635,000 from approximately HK$17,780,000 for the year ended 31 March 2018 to approximately HK$1,145,000 for the Reporting Period. The Group's gross profit margin decreased from approximately 2.5% for the year ended 31 March 2018 to approximately 0.3% for the Reporting Period, representing a decrease of approximately 2.2 percentage points.

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 the Group increased by approximately HK$11,501,000 from approximately HK$273,000 for the year ended 31 March 2018 to approximately HK$11,774,000 for the Reporting Period. The increase was mainly arose from the disposal of listed securities as announced on 29 May 2018 and also the reimbursement of insurance claim.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group remained stable which slightly decreased by approximately HK$1,014,000 or 5.0% from approximately HK$20,483,000 for the year ended 31 March 2018 to approximately HK$19,469,000 for the Reporting Period. Administrative and other operating expenses consists primarily of staff costs, depreciation, rental expenses and other administrative expenses.

Finance Costs

Finance costs for the Group decreased by approximately HK$225,000 or 92.6% from approximately HK$243,000 for the year ended 31 March 2018 to approximately HK$18,000 for the Reporting Period. The decrease was mainly attributable to completion of repayment of certain finance lease liabilities during the year.

Income Tax Credit/Expense

Income tax for the Group had changed from income tax expense of approximately HK$219,000 for the year ended 31 March 2018 to income tax credit of approximately HK$520,000 for the Reporting Period. Such change was mainly due to the decrease in recognition of deferred tax liabilities arising from excess of net book values of property, plant and equipment over tax values.

Loss for the year

Loss for the year increased by approximately HK$3,156,000 from loss of approximately HK$2,892,000 for the year ended 31 March 2018 to loss of approximately HK$6,048,000 for the Reporting Period. Such decrease was primarily attributable to the net effect of the decrease in revenue, gross profit, administrative and other operating expenses and income tax expense for the Reporting Period as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash and bank balances are denominated in Hong Kong dollar. The current ratio of the Group as at 31 March 2019 remained stable at approximately 1.3 times as compared to that of approximately 1.3 times as at 31 March 2018.

The total interest bearing debts of the Group, including finance lease liabilities, increased from approximately HK$138,000 as at 31 March 2018 to approximately HK$891,000 as at 31 March 2019. All borrowings are denominated in Hong Kong dollar and are repayable within 5 years. The Group did not carry out any hedging for its floating borrowings.

As at 31 March 2019 and 2018, the Group had no general banking facilities. As at 31 March 2019, the finance lease liabilities amounted to approximately HK$891,000 (31 March 2018: approximately HK$138,000).

The gearing ratio, calculated based on obligations under finance leases divided by total equity at the end of the period and multiplied by 100%, stood at approximately 1.1% as at 31 March 2019 (31 March 2018: approximately 0.1%). With available bank balances and cash, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The Shares were successfully listed on GEM of the Stock Exchange on 12 April 2016. There has been no change in the capital structure of the Group since then. As at 31 March 2019, the Company's issued and fully paid capital and total equity attributable to equity holders of the Company amounted to approximately HK$12,480,000 and HK$82,459,000 respectively.

COMMITMENTS

As at 31 March 2019, there was no capital commitment for the Group (31 March 2018: HK$Nil).

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material contingent liabilities (31 March 2018: HK$Nil).

ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not carry out any material acquisitions nor disposals of subsidiaries and affiliated companies for the Reporting Period.

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as at 31 March 2019.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's business operations were conducted in Hong Kong and the transactions, monetary assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars. Since United States dollars is linked to Hong Kong dollars at the rate of United States dollars 1 to Hong Kong dollars 7.80, the Directors therefore consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE OVER GROUP'S ASSETS

The total interest bearing debts of the Group, including finance lease liabilities amounted to approximately HK$891,000 as at 31 March 2019 (2018: HK$138,000).

As at 31 March 2019 and 2018, the Group had no general banking facilities. As at 31 March 2019, the finance lease liabilities amounted to approximately HK$891,000 (31 March 2018: approximately HK$138,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had approximately 192 employees (31 March 2018: 205 employees). The total staff costs incurred, including Directors' emoluments, of the Group were approximately HK$88,149,000 for the Reporting Period (31 March 2018: approximately HK$87,337,000). 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 the Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the 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 a final dividend for the Reporting Period (2018: HK$Nil).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 March 2019 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 15 of the GEM Listing Rules. During the period from the Listing Date to the Reporting Period, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code except the following deviations:

Code provision A.6.7 of the Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Directors, Mr. Tai Hin Henry and Mr. Liao Honghao, was unable to attend the annual general meeting of the Company held on 3 August 2018. For deviations from code provision A.6.7 and E.1.2 of the Code, the Company Secretary had reminded the chairman and the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future.

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

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 then 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 the Group which competes or is likely to compete, directly or indirectly, with the 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 then Controlling Shareholders in favour of the Company. Pursuant to which the then 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 then 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 the 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.

The Company has received an annual declaration from each of the then Controlling Shareholders confirming that he/she/it has complied with the non-competition undertakings provided to the Company under the said deed of non-competition during the Reporting Period. The INEDs have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied for the Reporting Period.

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 (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 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 the Group and to promote the success of the businesses of the 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 INEDs or any of their respective associates (including a discretionary trust whose discretionary objects include substantial Shareholders, INEDs, 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 2019.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed TC Capital International Limited as our compliance adviser, which will provide advice and guidance to the Group in respect of compliance with the applicable laws and the GEM Listing Rules. 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 the 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. Wong Chi Kan, Mr. Tai Hin Henry and Mr. Liao HongHao, all being INEDs. Mr. Wong Chi Kan 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 the Group, and as to the adequacy of the external and internal audits.

The audit committee had also reviewed audited annual results in respect of the year ended 31 March 2019, and confirmed that this announcement complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made.

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.

By order of the Board
Luen Wong Group Holdings Limited
So Kwok Hung
Chairman and Executive Director

Hong Kong, 21 June 2019

As at the date of this announcement, the executive Directors are Mr. So Kwok Hung and Ms. Yu Xiao and the independent non-executive Directors are Mr. Wong Chi Kan, Mr. Tai Hin Henry and Mr. Liao HongHao.

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 GEM 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.