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 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 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 of Hong Kong Limited (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 2019, the revenue of the Group increased to approximately HK$117.9 million, or 53.0%, from approximately HK$77.1 million for the year ended 31 March 2018.

- The Group's gross profit increased by approximately HK$6.4 million, or 24.2%, from approximately HK$26.4 million for the year ended 31 March 2018 to approximately HK$32.7 million for the year ended 31 March 2019. The gross profit margin of the Group decreased from 34.2% for the year ended 31 March 2018 to 27.8% for year ended 31 March 2019.

- The net profit of the Group increased by approximately 49.7% from approximately HK$6.6 million for the year ended 31 March 2018 to approximately HK$9.9 million for the year ended 31 March 2019.

- The Board has proposed the payment of a final dividend of HK0.7 cents per share for the year ended 31 March 2019 (2018: HK 1.4 cents per share).

ANNUAL RESULTS

The board of directors (the "**Board**") of the Company is pleased to announce the consolidated financial results of the Group for the year ended 31 March 2019, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

		Year ended 31 March	
	Note	**2019**	2018
		HK$	*HK$*
Revenue	3	**117,922,836**	77,094,366
Cost of sales	4	**(85,195,317)**	(50,740,322)
Gross profit		**32,727,519**	26,354,044
Other income and gain		**69,018**	99,404
Impairment loss on trade receivables	8	**(242,240)**	–
General and administrative expenses	4	**(20,750,594)**	(18,558,225)
Operating profit		**11,803,703**	7,895,223
Finance costs, net	5	**(303,561)**	(233,848)
Profit before income tax		**11,500,142**	7,661,375
Income tax expense	6	**(1,550,729)**	(1,014,722)
Profit and total comprehensive income for the year		**9,949,413**	6,646,653
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**9,979,511**	6,646,653
– Non-controlling interests		**(30,098)**	–
		9,949,413	6,646,653
Earnings per share attributable to owners of the Company			
– Basic and diluted (HK cents per share)	7	**1.66**	1.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

		As at 31 March	
		2019	2018
	Note	***HK$***	*HK$*
ASSETS			
Non-current assets			
Property, plant and equipment		**40,845,046**	40,927,306
Prepayments for non-current assets		**–**	215,923
		40,845,046	41,143,229
Current assets			
Inventories		**11,862,372**	13,843,132
Trade and retention receivables	8	**34,817,020**	41,015,023
Prepayments and other receivables		**1,271,401**	1,143,630
Contract assets	9	**5,394,559**	–
Amounts due from customers for contract work	9	**–**	5,350,241
Current income tax recoverable		**–**	1,801,082
Cash and cash equivalents		**23,627,331**	17,977,073
		76,972,683	81,130,181
Total assets		**117,817,729**	122,273,410
EQUITY			
Share capital		**6,000,000**	6,000,000
Reserves		**61,283,063**	61,283,063
Retained earnings		**15,793,515**	15,466,937
		83,076,578	82,750,000
Non-controlling interests		**(15,098)**	–
Total equity		**83,061,480**	82,750,000

		As at 31 March	
		2019	2018
	Note	***HK$***	*HK$*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**49,400**	205,840
Finance lease payables	10	**414,976**	–
		464,376	205,840
Current liabilities			
Trade payables	11	**16,724,380**	16,424,747
Accruals and other payables		**2,009,452**	2,282,074
Contract liabilities	9	**3,702,276**	–
Amounts due to customers for contract work	9	**–**	8,984,647
Bank borrowings	12	**10,748,991**	11,431,894
Finance lease payables	10	**393,411**	–
Current income tax liabilities		**713,363**	194,208
		34,291,873	39,317,570
Total liabilities		**34,756,249**	39,523,410
Total equity and liabilities		**117,817,729**	122,273,410

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is 21/F, 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, specialised texture painting and waterproofing works. 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 ("Sage City").

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 2018.

HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 2 (Amendment)	Classification and Measurement of Share-Based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements Project (Amendment)	Annual Improvements 2014 – 2016 Cycle

Except as discussed below for the adoption of HKFRS 9 and HKFRS 15, the adoption of other new and amended standards did not have any material impact on the current period or any prior period.

(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 2019 or later periods and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 April 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 April 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 April 2019
HKFRS 16	Leases	1 April 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 April 2019
Annual Improvements Project (Amendment)	Annual Improvements 2015 – 2017 Cycle	1 April 2019
HKFRS 3 (Revised)	Definition of a Business	1 April 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 April 2020
HKFRS 17	Insurance Contracts	1 April 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the new and revised standards when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new and amended standards and new interpretations, none of which is expected to have a significant effect on the consolidated financial statements of the Group, except HKFRS 16, "Leases" set out below:

HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The Group expects to adopt the standard using the simplified transition approach where the cumulative effects of initially applying HKFRS 16 is recognised as an adjustment to the opening balance of retained earnings and comparative figures are not restated.

The Group will recognise a right-of-use ("ROU") asset and a financial liability on the consolidated statement of financial position. The asset will be depreciated over the terms of the leases, and the financial liability will be measured at amortised cost.

Lease expenses in the consolidated statement of comprehensive income are replaced by depreciation and interest expenses. Adoption of the new standard will have effects to the financial performance of the Group by increasing EBITDA and EBIT, while, when comparing to the HKAS 17, higher expenses will be incurred in the early years of lease terms, diminishing over the lease terms and will result lower expenses in the later part of the lease terms.

As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$531,000. No cancellable and short-term lease commitment is noted.

For the above lease commitments, the Group expects to recognise a right-of-use asset of approximately HK$517,000 on 1 April 2019 and corresponding lease liabilities of approximately HK$520,000. The overall net assets will be approximately HK$3,000 lower, and net current assets will be approximately HK$381,000 lower due to the presentation of a portion of the liability as a current liability. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(c) Changes in accounting policies and disclosures

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial information.

(I) Impact on financial information

HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new standards are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the opening of the consolidated statement of financial position on 1 April 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 March 2018 As originally presented	**HKFRS 9**	**HKFRS 15**	**1 April 2018 Restated**
Consolidated statement of financial position (extract)	*HK$*	*HK$*	*HK$*	*HK$*
Current assets				
Trade and retention receivables	41,015,023	(1,252,933)	–	39,762,090
Contract assets	–	–	5,350,241	5,350,241
Amounts due from customers for contract work	5,350,241	–	(5,350,241)	–
Current liabilities				
Contract liabilities	–	–	9,763,464	9,763,464
Amounts due to customers for contract work	8,984,647	–	(8,984,647)	–
Accruals and other payables	2,282,074		(778,817)	1,503,257
Equity				
Retained earnings	15,466,937	(1,252,933)	–	14,214,004

(II) HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies.

The total impact on the Group's retained earnings as at 1 April 2018 is as follows:

	Note	*HK$*
Closing retained earnings as at 31 March 2018		
– HKAS 39		15,466,937
Increase in impairment on trade and retention receivables	(ii)	(1,252,933)
Opening retained earnings as at 1 April 2018		
– HKFRS 9		14,214,004

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. There is no significant changes in the classification and measurement resulting from the adoption of new accounting standard.

	Measurement category under HKAS 39	**Measurement category under HKFRS 9**
Financial assets		
Trade and retention receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial liabilities		
Trade payables	Amortised cost	Amortised cost
Accruals and other payables	Amortised cost	Amortised cost
Bank borrowings	Amortised cost	Amortised cost

(ii) Impairment of financial assets

The Group has four types of assets subject to HKFRS 9's new expected credit loss model:

- trade and retention receivables;
- contract assets;
- other receivables; and
- cash and cash equivalents.

While cash and cash equivalents and other receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For trade and retention receivables and contract assets without financing components, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit losses for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on settlement profiles of customers, shared credit risk characteristics and the days past due.

The contract assets relate to unbilled work in progress which are still in progress and the payment is not due, the expected credit loss rate of contract assets is assessed to be minimal.

The loss allowances for trade receivables as at 31 March 2018 reconcile to the opening loss allowances on 1 April 2018 as follows:

	Provision for impairment on trade receivables
	HK$
At 31 March 2018 – calculated under HKAS 39	2,227,168
Amount restated through opening retained earnings	1,252,933
Opening loss allowance as at 1 April 2018 – calculated under HKFRS 9	3,480,101

(III) HKFRS 15 "Revenue from Contracts with Customer"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As such, comparatives for the 2018 financial year would not be restated but contracts which have remaining obligations as of the effective date will enter an adjustment to the opening balance of the retained earnings as at 31 March 2018. Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15.

In summary, starting from 1 April 2018, the Group has reclassified amounts due from customers for contract works of HK$5,350,241 to contract assets; and reclassified amounts due to customers for contract works of HK$8,984,647 and accruals and other payables of HK$778,817 to contract liabilities in the consolidated statement of financial position.

3 REVENUE AND SEGMENT INFORMATION

	Year ended 31 March	
	2019	2018
	HK$	*HK$*
Flooring	**114,500,267**	75,584,164
Ancillary services	**3,422,569**	1,510,202
	117,922,836	77,094,366

The Executive Directors have been identified as the chief operating decision-maker 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 information accordingly.

The Group operates primarily in Hong Kong with substantially all its non-current assets located and capital expenditure incurred in Hong Kong.

The Group started its business in Macau in August 2017. During the year ended 31 March 2019, revenue was earned from customers located in Hong Kong and Macau of HK$100,739,615 (2018: HK$69,201,145) and HK$17,183,221 (2018: HK$7,893,221), respectively.

The Group's revenue is recognised over time for the years ended 31 March 2019 and 2018.

4 EXPENSES BY NATURE

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

	Year ended 31 March	
	2019	2018
	HK$	*HK$*
Cost of materials used	**48,100,496**	27,708,993
Subcontractor cost	**33,025,969**	20,094,297
Employee benefit expenses		
– direct labour	**3,056,147**	2,359,706
– administrative staff	**10,451,020**	8,766,352
Depreciation of property, plant and equipment	**2,986,903**	1,428,417
Operating lease rentals in respect of rented premises	**373,145**	329,526
Repair and maintenance expenses	**38,249**	46,488
Motor vehicle expenses	**983,622**	464,456
Auditor's remuneration		
– audit services	**900,000**	800,000
– non-audit services	**30,000**	262,200
Provision for inventory obsolescence	**307,281**	151,985
Provision for impairment of trade receivables	**–**	1,525,056
Other expenses	**5,693,079**	5,361,071
	105,945,911	69,298,547

5 FINANCE COSTS, NET

	Year ended 31 March	
	2019	2018
	HK$	*HK$*
Finance income		
– Bank interest income	**19,624**	28
Finance costs		
– Interest on bank borrowings	**(273,722)**	(233,876)
– Finance charges on finance leases	**(49,463)**	–
	(323,185)	(233,876)
Finance costs, net	**(303,561)**	(233,848)

6 INCOME TAX EXPENSE

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

	Year ended 31 March	
	2019	2018
	HK$	*HK$*
Current income tax:		
– Hong Kong profits tax	**1,170,199**	718,853
– Macau corporate income tax	**392,019**	194,208
– Under/(over) provision in prior years	**144,951**	(74,676)
	1,707,169	838,385
Deferred income tax	**(156,440)**	176,337
Income tax expense	**1,550,729**	1,014,722

(i) Hong Kong profits tax
In accordance with the two-tiered profits tax regime effective from 1 April 2018, Hong Kong profits tax was calculated at 8.25% on the first HK$2 million and 16.5% on the remaining balance of the estimated assessable profits for the year ended 31 March 2019 (2018: Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits).

(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 MOP600,000 (approximately HK$583,000) of the Group's operations in Macau.

7 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2019	2018
	HK$	*HK$*
Profit attributable to owners of the Company	**9,979,511**	6,646,653
Weighted average number of ordinary shares in issue	**600,000,000**	600,000,000
Basic earnings per share (HK cents)	**1.66**	1.11

Diluted earnings 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. As at 31 March 2019 and 2018, diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares.

8 TRADE AND RETENTION RECEIVABLES

	As at 31 March	
	2019	2018
	HK$	*HK$*
Trade receivables	**26,799,660**	37,146,668
Less: provision for impairment	**(1,495,173)**	(2,227,168)
Trade receivables, net	**25,304,487**	34,919,500
Retention receivables	**9,512,533**	6,095,523
	34,817,020	41,015,023

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	
	2019	2018
	HK$	*HK$*
1 - 30 days	**3,872,957**	19,470,200
31 - 60 days	**5,508,859**	2,575,784
61 - 90 days	**4,130,078**	3,428,050
Over 90 days	**13,287,766**	11,672,634
	26,799,660	37,146,668

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

	As at 31 March	
	2019	2018
	HK$	*HK$*
Within 1 year	**4,800,945**	3,130,550
Between 1 to 5 years	**4,711,588**	2,964,973
	9,512,533	6,095,523

As at 31 March 2018, accounts receivables of HK$2,227,168 were impaired. Management has assessed the credit quality of customers on a case-by-case basis taking into account the historical record, amounts and timing of expected receipts and other factors. All the impaired trade receivables are aged over 1 year.

As at 31 March 2019, the Group followed the guidance of HKFRS 9 and applied the simplified approach to measuring expected credit losses of trade receivables which uses a lifetime expected credit loss allowance for all amounts without financing components. To measure the expected credit losses, trade receivables have been grouped based on the settlement profiles of customers, shared credit risk characteristics and the days past due. Based on the results, trade receivables of HK$1,495,173 were impaired.

During the year ended 31 March 2019, trade receivables of HK$2,227,168 (2018: HK$832,954) were written off as uncollectible. Movements on the provision for impairment of trade receivables are as follows:

	2019	2018
	HK$	*HK$*
As at 1 April	**2,227,168**	1,535,066
Opening loss allowance as at 1 April 2018		
– calculated under HKFRS 9	**1,252,933**	–
Provision for impairment	**–**	1,800,000
Impairment loss on trade receivables	**242,240**	–
Reversal of provision for impairment	**–**	(274,944)
Write-off of previous provision for impairment	**(2,227,168)**	(832,954)
As at 31 March	**1,495,173**	2,227,168

9 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK AND CONTRACT ASSETS/(LIABILITIES)

	As at 31 March	
	2019	2018
	HK$	*HK$*
Contract assets	**5,394,559**	–
Amounts due from customers for contract work	**–**	5,350,241
	5,394,559	5,350,241

	As at 31 March	
	2019	2018
	HK$	*HK$*
Contract liabilities	**(3,702,276)**	–
Amounts due to customers for contract work	**–**	(8,984,647)
	(3,702,276)	(8,984,647)

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 April 2018. Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15.

The contract assets are primarily related to the Group's rights to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of acceptance reports issued by the customers and invoices issued to them when such right of collection becomes unconditional other than the passage of time.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and retention receivables. Since the contract assets are related to contracts which are still in progress and the payment is not due, the expected loss rate of contract assets is assessed to be minimal.

10 FINANCE LEASE PAYABLES

	Minimum lease payments As at 31 March		**Present value of minimum lease payments As at 31 March**	
	2019	2018	**2019**	2018
	HK$	HK$	***HK$***	HK$
Within one year	**421,289**	–	**393,411**	–
More than one year but not exceeding two years	**356,009**	–	**345,405**	–
More than two years but not exceeding five years	**74,522**	–	**69,571**	–
	851,820	–	**808,387**	–
Less: Future finance charges	**(43,433)**	–	**–**	–
Present value of lease obligations	**808,387**	–	**808,387**	–
Less: Amount due for settlement within one year			**(393,411)**	–
Amount due under non-current liabilities			**414,976**	–

The Group leased certain motor vehicles and photocopiers under finance leases. The original lease terms entered into by the Group for the leases outstanding as at 31 March 2019 are all ranged from 3 to 5 years. The finance lease payables are denominated in HK$. Interest rates underlying all obligations under finance leases as at 31 March 2019 are fixed at respective contract dates from 4.3% to 5.4% per annum (2018: nil). All leases were on a fixed repayment basis and no arrangement was entered into for contingent rental payments. The finance lease payables were secured by the lease assets with carrying amount of HK$872,700.

11 TRADE PAYABLES

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

	As at 31 March	
	2019	2018
	HK$	*HK$*
1 – 30 days	**6,048,613**	4,999,918
31 – 60 days	**3,197,187**	10,516,740
61 – 90 days	**6,349,861**	599,536
Over 90 days	**1,128,719**	308,553
	16,724,380	16,424,747

12 BANK BORROWINGS

	As at 31 March	
	2019	2018
	HK$	*HK$*
Secured		
– Bank borrowings which contain a repayable on demand clause	**10,748,991**	11,431,894

The fair values of bank borrowings approximate their carrying amounts as the impact of discounting is not significant. As at 31 March 2019, the Group's effective interest rate for bank borrowings was 2.5% per annum (2018: 2.4% per annum).

The bank borrowings due for repayment, based on the scheduled repayment dates set out in the loan agreements, are as follows:

	As at 31 March	
	2019	2018
	HK$	*HK$*
Within 1 year	**696,357**	685,895
Between 1 to 2 years	**714,850**	701,869
Between 2 to 5 years	**2,255,490**	2,211,518
Over 5 years	**7,082,294**	7,832,612
	10,748,991	11,431,894

As at 31 March 2019, total term and revolving banking facilities of HK$16,748,991 (2018: HK$11,431,894) over which approximately HK$6,000,000 were unutilised (2018: nil). These facilities were secured by:

(i) certain land and buildings with carrying amounts of HK$35,417,218 (2018: HK$29,376,750); and

(ii) corporate guarantee provided by the Company.

As at 31 March 2019, the Group has not breached any of the covenants of the banking facilities. The bank borrowings are denominated in HK$.

13 DIVIDENDS

	2019	2018
	HK$	*HK$*
Proposed final dividend – HK0.7 cents (2018: HK1.4 cents) per share	**4,200,000**	8,400,000

Dividend paid during the year ended 31 March 2019 were HK$8,400,000 (HK1.4 cents per share).

A dividend in respect of the financial year ended 31 March 2019 of HK0.7 cents per share, totaling HK$4,200,000, is to be proposed at the annual general meeting. These consolidated financial information do not reflect this dividend payable.

14 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 March	
	2019	2018
	HK$	*HK$*
Property, plant and equipment	**–**	618,047

(b) Operating lease commitments – Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 March	
	2019	2018
	HK$	*HK$*
Within 1 year	**348,016**	63,000
Later than 1 year and no later than 5 years	**183,304**	–
	531,320	63,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in 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 specialised texture painting and waterproofing works. Our target segment range from mid to high end projects in the car park flooring market. At present, approximately 97.1% of the Group revenue is derived from the flooring services.

Since August 2017, we have started to expand our business operations into Macau. In order to increase the local market share, the Group has adopted the lower pricing strategy for Macau projects during the year under review. The revenue from Macau market increased sharply by approximately Macau Pataca ("**MOP**") 9.6 million (equivalent to approximately HK$9.3 million), or 118%, from approximately MOP8.1 million (equivalent to approximately HK$7.9 million) for the year ended 31 March 2018 to approximately MOP17.7 million (equivalent to approximately HK$17.2 million) for the year ended 31 March 2019.

For the year ended 31 March 2019, the Group recorded total revenue of approximately HK$117.9 million, or the increase approximately 53.0% as compared with approximately HK$77.1 million for the year ended 31 March 2018, which increased the Group's net profit of about 49.7% from approximately HK$6.6 million for the year ended 31 March 2018 to approximately HK$9.9 million for the year ended 31 March 2019.

Revenue

The revenue, which is principally generated from the provision of car park flooring services for construction projects, increased to approximately HK$117.9 million or 53.0%, for year ended 31 March 2019 from approximately HK$77.1 million for year ended 31 March 2018. The increase of revenue was mainly due to (i) the significant numbers of contracts under progress carried from the year ended 31 March 2018; and (ii) the increase in total numbers of projects and certain projects with larger contract sums undertaken by the Group during the year ended 31 March 2019.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK$6.4 million, or 24.2%, from approximately HK$26.4 million for the year ended 31 March 2018 to approximately HK$32.7 million for the year ended 31 March 2019.

The gross profit margin of the Group decreased from 34.2% for the year ended 31 March 2018 to 27.8% for the year ended 31 March 2019. Such decline was primarily caused by (i) intensified competition in the car park flooring industry and the competitive labour market, which resulted in decrease of the contract sum and increase in subcontractor cost respectively; (ii) increased usage of materials and subcontractor cost to meet the variation orders in certain projects; and (iii) lower pricing strategy for Macau projects in order to expand the local market share.

General and administrative expenses

General and administrative expenses of the Group increased by approximately HK$2.2 million from approximately HK$18.6 million for the year ended 31 March 2018 to approximately HK$20.8 million for the year ended 31 March 2019. The increase was mainly attributable to the increase in staff cost and the depreciation which partly offset by the decrease of provision for impairment of trade receivables during the year ended 31 March 2019. General and administrative expenses consist primarily of staff cost, depreciation, professional fee, rental expenses and other general administrative expenses.

Income tax expense

Income tax expense for the Group was approximately HK$1.6 million for the year ended 31 March 2019 (2018: approximately HK$1.0 million). Hong Kong profits tax was calculated at a rate of 8.25% on the first HK$2 million and 16.5% of the remaining balance of the estimated assessable profits for the year ended 31 March 2019. Macau corporate income tax was provided at the applicable rate of 12% on the estimated assessable profit in excess of MOP600,000 (approximately HK$583,000) of the Group's operation in Macau.

Profit of the Group

The net profit of the Group increased by approximately 49.7% from approximately HK$6.6 million for the year ended 31 March 2018 to approximately HK$9.9 million for the year ended 31 March 2019. The increase in profit was mainly due to the increase in revenue.

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 who are mainly property developers; and (iii) the factors affecting the labour and material costs as well as our contract price.

With the good reputation and our extensive experience in the market, the Group is ideally positioned to complete against its competitors under future challenges that are commonly faced by all competitors. For further strengthen our position in the current market and income stream, the Group will continue to focus on the following business strategies: (i) explore new business opportunities through the existing network, industry exhibitions and advertisements in industry magazines; (ii) keep track of any new construction and renovation projects and explore any business opportunities in car park flooring markets outside Hong Kong, especially in Macau and China; and (iii) expand the business in our ancillary services, i.e. specialised texture painting and waterproofing works.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's current ratio was approximately 2.24 times as at 31 March 2019 compared to approximately 2.06 times as at 31 March 2018. As at 31 March 2019, the Group had cash and cash equivalents of approximately HK$23.6 million (2018: approximately HK$18.0 million).

The total interest-bearing borrowings (include bank borrowings and finance leases) of the Group as at 31 March 2019 were approximately HK$11.6 million (2018: approximately HK$11.4 million). The borrowings were secured by the Group's certain assets with carrying amount of approximately HK$29.2 million as at 31 March 2019 (2018: approximately HK$29.4 million).

As at 31 March 2019, the Group had total assets of approximately HK$117.8 million (2018: approximately HK$122.3 million) which is financed by total liabilities and total equity of approximately HK$34.8 million (2018: approximately HK$39.5 million) and approximately HK$83.1 million (2018: approximately HK$82.8 million), respectively.

The Group's borrowings, cash and cash equivalents are denominated in Hong Kong dollars and Macau Pataca, and there were no significant exposure exchange rate fluctuations during the years ended 31 March 2019 and 2018.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2019 was approximately 12.2% (2018: approximately 12.1%).

The gearing ratio is calculated based on the total interest-bearing borrowings divided by the total capital of approximately HK$94.6 million as at 31 March 2019 (2018: approximately HK$94.2 million). The total capital of the Group is calculated as total equity plus total borrowings.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since its shares listed on GEM on 13 October 2016. The share capital of the Company only comprises of ordinary shares.

As at 31 March 2019, the Company's issued share capital was HK$6,000,000 and the number of its issued ordinary shares was 600,000,000 of HK$0.01 each.

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 2019.

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 transactions are denominated in Hong Kong dollars and Macau Pataca. For the year ended 31 March 2019, the Group mainly uses Hong Kong dollars and Macau Pataca to carry out its business transactions. 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 reporting period. 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 2019, the Group had 32 employees in total (2018: 29 employees). The staff costs of the Group (including directors' emoluments and management, administrative and operational staff costs) for the year ended 31 March 2019 were approximately HK$13.5 million (2018: approximately HK$11.1 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 2019 and 2018, the Group did not have any significant contingent liabilities. For details regarding the capital and operating lease commitments, please refer to Note 14 to the consolidated financial information.

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 2019, 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 (the "**Prospectus**") 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 2019 is set out below:

Business objectives	Implementation plans	Actual business progress for the year ended 31 March 2019
To expand our presence in the refurbishment market and purchase of an office	To purchase of an office	In May 2017, the Group had purchased a workshop and office in the consideration of approximately HK$30.0 million, in which approximately HK$12.0 million was financed by the bank borrowing.
	To recruit sales and marketing manager	The Group has recruit one sales and marketing manager to expand the business in the refurbishment market.
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	The Group has used approximately HK$6.8 million for recruiting additional staff, with relevant experiences to cope with its business development. The Group has sponsored its staff to attend the occupational health and safety courses organised by third parties.
	To enhance the operation and capacity	The Group has used approximately HK$4.5 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 2019 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 2019** *(HK$ million)*	**Actual use of the net proceeds up to 31 March 2019** *(HK$ million)*
Expanding our presence in the refurbishment market and purchase of an office	17.2	17.2	17.2
Strengthening the Group's leading position in the new construction market by improving the overall capacity and project management efficiency	13.0	13.0	11.4
Repaying bank loan	10.0	10.0	10.0
General working capital and other general corporate uses	2.1	2.1	2.1
Total	**42.3**	**42.3**	**40.7**

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.

Having considered (i) the existing project requirements and working capacity of our car park flooring business; and (ii) the condition of existing machineries and vehicles that no immediate replacement is required, the Directors are of the view that it was not necessary to apply the total planned amount of proceeds for acquisition of machineries and passenger vehicles as stated in the Prospectus (i.e. approximately HK$6.0 million). As at 31 March 2019, the unused net proceeds from the Listing was approximately HK$1.6 million, which has been placed in interest-bearing savings account in bank in Hong Kong. The Group intends to apply the unutilised portion of proceeds for the general working capital of the Group in the forthcoming year.

DIVIDENDS

The Board recommends the payment of a final dividend of HK0.7 cents per share for the year ended 31 March 2019 to the Shareholders whose names appear on the register of members of the Company on Monday, 9 September 2019. Subject to the approval of the Shareholders at the forthcoming annual general meeting scheduled on Friday, 30 August 2019, the final dividend will be posted on Monday, 23 September 2019 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 2019, 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 16 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 2019.

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 2019.

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 2019. The Audit Committee is of the opinion that the Group's consolidated financial statements for the year ended 31 March 2019 comply with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made with the assistant 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 2019 have been agreed by the Group's auditor, PricewaterhouseCooper ("**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 Standard 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, 21 June 2019

As at the date of this announcement, the executive Directors are Mr. Kwong Chi Man, Mr. Yip Kong Lok 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****.*