

**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

**2021**

THIRD  
QUARTERLY  
REPORT



## 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, 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 (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 December 2021 together with the unaudited comparative figures for the corresponding periods of 2020.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 31 December 2021

	Note	Three months ended 31 December		Nine months ended 31 December	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>27,827</b>	46,534	<b>77,230</b>	148,453
Cost of sales		<b>(28,555)</b>	(45,493)	<b>(76,348)</b>	(148,238)
<b>Gross profit/(loss)</b>		<b>(728)</b>	1,041	<b>882</b>	215
Other gain		<b>4,246</b>	2,214	<b>10,619</b>	7,090
Administrative and other operating expenses		<b>(3,380)</b>	(3,760)	<b>(15,857)</b>	(21,615)
<b>Profit/(loss) from operations</b>		<b>138</b>	(505)	<b>(4,356)</b>	(14,310)
Finance costs		<b>(362)</b>	(6)	<b>(1,090)</b>	(19)
<b>Loss before income tax</b>		<b>(224)</b>	(511)	<b>(5,446)</b>	(14,329)
Income tax credit/(expense)	4	<b>–</b>	–	<b>–</b>	–
<b>Loss for the period</b>		<b>(224)</b>	(511)	<b>(5,446)</b>	(14,329)
<b>Total comprehensive expense for the period attributable to equity holders of the Company</b>		<b>(224)</b>	(511)	<b>(5,446)</b>	(14,329)
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
<b>Loss per share attributable to equity holders of the Company</b>					
Basic and diluted	6	<b>(0.17)</b>	(0.55) (restated)	<b>(4.97)</b>	(16.95) (restated)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2021

	Total equity attributable to equity holders of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share-based payments HK\$'000	Other reserve HK\$'000	Capital reserve HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	
Balance as at 1 April 2020 (audited)	12,480	36,672	4,329	10,400	3,820	(36,480)	31,221
Placing of shares	2,496	2,675	-	-	-	-	5,171
Share options issued during the period	-	-	1,603	-	-	-	1,603
Lapse of share options	-	-	(593)	-	-	593	-
Loss and total comprehensive loss for the period	-	-	-	-	-	(14,329)	(14,329)
<b>Balance as at 31 December 2020 (unaudited)</b>	<b>14,976</b>	<b>39,347</b>	<b>5,339</b>	<b>10,400</b>	<b>3,820</b>	<b>(50,216)</b>	<b>23,666</b>
Balance as at 1 April 2021 (audited)	14,976	39,242	5,338	10,400	3,820	(49,016)	24,760
Issue of shares upon exercise of share options during the period	1,123	2,847	(1,443)	-	-	-	2,527
Share options issued during the period	-	-	1,782	-	-	-	1,782
Rights issue	32,193	20,128	-	-	-	-	52,321
Loss and total comprehensive loss for the period	-	-	-	-	-	(5,446)	(5,446)
<b>Balance as at 31 December 2021 (unaudited)</b>	<b>48,292</b>	<b>62,217</b>	<b>5,677</b>	<b>10,400</b>	<b>3,820</b>	<b>(54,462)</b>	<b>75,944</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 October 2015. The address of the Company's registered office and principal place of business are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit 2202, 22/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong respectively.

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

The Company's shares are listed on the GEM of the Stock Exchange on 12 April 2016.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 31 December 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2021. The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 March 2021.

As at the date of authorisation of these unaudited condensed consolidated financial statements, HKICPA has issued a number of new and amended HKFRSs. For those which are effective for accounting period beginning on 1 April 2021, the adoption of these new and amended HKFRSs had no material impact on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. The Group has not early adopted any new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the current accounting period.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investments in debts and equity securities are stated at fair value.

The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("HK\$'000"), except when otherwise indicated.

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

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

### 3. REVENUE

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

#### 4. INCOME TAX (CREDIT)/EXPENSE

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 three months and nine months ended 31 December 2021 and 2020, 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%.

	Three months ended 31 December		Nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Current tax</b>				
– Hong Kong profits tax	–	–	–	–
– Deferred tax	–	–	–	–
Income tax (credit)/expense	–	–	–	–

#### 5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2021 and 2020.

#### 6. LOSS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Loss</b>				
Loss for the period attributable to equity holders of the Company	(224)	(511)	(5,446)	(14,329)
<b>Number of shares</b>				
Weighted average number of ordinary shares (in thousands)	135,450	93,600 (restated)	109,497	84,548 (restated)

There were no dilutive potential ordinary shares during the periods ended 31 December 2021 and 2020 and therefore, diluted loss per share equals to the basic loss per share.

During the period, the Company implemented the share consolidation of every four shares into one consolidated share (the "Share Consolidation").

The Share Consolidation were completed on 13 September 2021. Accordingly, the weighted average number of shares for the purposes of basic and diluted loss per share has been adjusted for both periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group has over 21 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).

The Group experienced a decrease in revenue for the nine months ended 31 December 2021 compared with the corresponding period in 2020. Such decrease was mainly due to some large constructions projects reaching completion stage and the outbreak of COVID-19 affected the progress of the projects.

In the 2021-22 Budget Speech, the Government reiterated its commitment to infrastructure and announced the annual capital works expenditure will exceed HK\$100 billion in coming years and the annual total construction output will increase to around HK\$300 billion. It is expected construction projects is about to remain at a stable level in the next few years. However, challenges like delaying in budget approval due to filibustering, delaying in progress due to social demonstration and shortage of manpower will continue to strike the civil engineering industry.

As to the Group, we are confident with the prospects of the Group for the next few years as we have recently secured few projects. These projects could ensure sustainability of the Group and increase employees' loyalty towards the Group.

2022 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 is expected to increase shareholders' return. Besides, in order to increase shareholders' return, the Group will put efforts to evaluate the feasibility of obtaining necessary licenses to carry out civil engineering works and related operations in other countries, such as Japan and Thailand.

## FINANCIAL REVIEW

### Revenue

All of the Group's revenue was generated from the provision of civil engineering works. The total revenue of the Group decreased by approximately HK\$71,223,000 from approximately HK\$148,453,000 for the nine months ended 31 December 2020 to approximately HK\$77,230,000 for the nine months ended 31 December 2021. Such decrease was mainly due to some large construction projects reaching completion stage and the outbreak of COVID-19 affected the progress of the projects.

### Gross Profit and Gross Profit Margin

The Group's gross profit increased from approximately HK\$215,000 for the nine months ended 31 December 2020 to approximately HK\$882,000 for the nine months ended 31 December 2021 as the Group has commenced a new project during the period.

The gross profit margin varied substantially from project to project and is mainly attributable to the phrases of project and our pricing, which is determined based on a cost-plus pricing model in general with mark-up determined on a project-by-project basis, further details are set out in the paragraph headed "Gross Profit and Gross Profit Margin" in the section headed "Management Discussion and Analysis" in the Company's 2021 annual report dated 25 June 2021.

### Other Gain

Other gain of the Group increased from approximately HK\$7,090,000 for the nine months ended 31 December 2020 to approximately HK\$10,619,000 for the nine months ended 31 December 2021. The increase was mainly due to the net effect of (1) the increase in the fair value gain on investments in listed securities for the nine months ended 31 December 2021; and (2) the subsidies received from Employment Support Scheme launched by HKSAR Government during the nine months ended 31 December 2020.

### Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group decreased by approximately HK\$5,758,000 from approximately HK\$21,615,000 for the nine months ended 31 December 2020 to approximately HK\$15,857,000 for the nine months ended 31 December 2021. Administrative and other operating expenses consist primarily of staff costs, depreciation, rental expenses and other administrative expenses.



## Finance Costs

Finance costs for the Group increased by approximately HK\$1,071,000 from approximately HK\$19,000 for the nine months ended 31 December 2020 to approximately HK\$1,090,000 for the nine months ended 31 December 2021. The increase was mainly due to the interest incurred from the bond payables.

## Income Tax Expense

There was no income tax expense for the Group for the nine months ended 31 December 2020 and 2021.

## Loss and Total Comprehensive Expense for the Period Attributable to Equity Holders of the Company

Loss for the period attributable to equity holders of the Company decreased from approximately HK\$14,329,000 for the nine months ended 31 December 2020 to approximately HK\$5,446,000 for the nine months ended 31 December 2021. Such decrease was primarily attributable to the net effect of the decrease in revenue, increase in gross profit, increase in other gain and decrease in administrative expenses for the nine months ended 31 December 2021 as discussed above.

## DISCLOSURE OF INTERESTS

### A. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

## Long position in the shares and underlying shares of the Company

Name of Director	Number of issued ordinary shares/ underlying shares of the Company		Percentage of the issued shares capital of the Company
	Personal interests	Total	
So Kwok Hung			
– Shares	780,000		
– Unlisted share options	891,540	1,671,540	0.55%
Yu Xiao			
– Shares	780,000		
– Unlisted share options	891,540	1,671,540	0.55%
Liao Honghao			
– Shares	780,000	780,000	0.26%
Lao In lam			
– Shares	780,000	780,000	0.26%

Save as disclosed above, none of the Directors nor chief executive of the Company has registered an interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## B. SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person (other than the Directors and chief executive of the Company disclosed above) had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

## USE OF PROCEEDS OBTAINED FROM THE PLACING

On 28 October 2021, the Group has completed the rights issue of shares. The net proceeds from the rights issue (including the placing), after deducting related expenses were approximately HK\$49.9 million. The Company intends to utilise approximately HK\$39.9 million (or approximately 79.96% of the total net proceeds) for the repayment of an amount due to the former shareholder and approximately HK\$10.0 million (or approximately 20.04% of the total net proceeds) for acquiring surety bond for the new projects of the Group. For details, please refer to the Company's announcement dated 28 October 2021.

Up to 31 December 2021, approximately HK\$39.9 million has been utilized as repayment of an amount due to the former shareholder. The unutilised net proceeds of approximately HK\$10 million are placed in the bank accounts of the Group.

## 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 nine months ended 31 December 2021 and up to the date of this report.

## EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2021 and up to the date of this quarterly report.

## 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 during the nine months ended 31 December 2021.

## 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") contained in Appendix 15 of the GEM Listing Rules. The Directors consider that during the nine months ended 31 December 2021 and up to the date of this report, the Company has complied with all the applicable code provisions.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the “Code of Conduct”). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the nine months ended 31 December 2021 and up to the date of this report.

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2021.

## SHARE OPTION SCHEME

The share option scheme of the Company (the “Share Option Scheme”) has been adopted by way of shareholder’s written resolution passed on 24 March 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Details of the options outstanding for the nine months ended 31 December 2021 are as follows:

	Date of grant	Exercise price per option	Exercise period	Vesting period	Balance as at 1 April 2021	Granted during the period	Exercised during the period	Share option adjustment	Balance as at 31 December 2021
<b>Directors</b>									
So Kwok Hung	11 July 2019	HK\$1.414*	5 years from the date of grant	No	780,000	-	-	111,540	891,540
	18 August 2020	HK\$0.090	5 years from the date of grant	No	780,000	-	(780,000)	-	-
Yu Xiao	11 July 2019	HK\$1.414*	5 years from the date of grant	No	780,000	-	-	111,540	891,540
	18 August 2020	HK\$0.090	5 years from the date of grant	No	780,000	-	(780,000)	-	-
Wong Chi Kan	18 August 2020	HK\$0.090	5 years from the date of grant	No	780,000	-	(780,000)	-	-
Liao Honghao	18 August 2020	HK\$0.090	5 years from the date of grant	No	780,000	-	(780,000)	-	-
Lao In lam	18 August 2020	HK\$0.090	5 years from the date of grant	No	780,000	-	(780,000)	-	-
<b>Other employees</b>									
	11 July 2019	HK\$1.414*	5 years from the date of grant	No	3,120,000	-	-	446,160	3,566,160
	18 August 2020	HK\$0.090	5 years from the date of grant	No	3,120,000	-	(3,120,000)	-	-
	12 July 2021	HK\$0.315*	5 years from the date of grant	No	-	9,360,000	-	1,338,480	10,698,480
									<i>(note (ii))</i>
									<i>(note (iii))</i>
<b>Consultants</b>									
	11 July 2019	HK\$1.414*	5 years from the date of grant	No	2,340,000	-	-	334,620	2,674,620
									<i>(note (ii))</i>
Total					14,040,000	9,360,000	(7,020,000)	2,342,340	18,722,340

\* Exercise price have been adjusted due to the rights issue completed in October 2021.

Notes:

- (i) The share options have been granted to 4 employees and each of them hold 891,540 share options.
- (ii) The share options have been granted to 3 consultants and each of them hold 891,540 share options.

Each consultant provides consultancy services and business development support to the Group, including but not limited to provision of consultancy services in relation to the construction projects, sourcing potential construction projects and business development opportunity to the Group.

The management consider that in view of the limited resources of the Group and to maintain a long-term growth, the options granted to the consultants can help to retain and motivates these non-employees to generate growth in company value. The options were granted as in incentive for these consultants to provide ongoing service to the Group and to maintain a long-term relationship with them so that the Group can maintain a streamline operation with stability. Apart from the options granted, the Company has not provided any other remuneration to these consultants for their services provided.

- (iii) The share options have been granted to 10 employees and each of them hold 1,069,848 share options. The closing price of the Company's shares immediately before the date of grant of share options on 12 July 2021 was HK\$0.09.

## 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. Liao Honghao and Ms. Lao In lam, all being independent non-executive Directors. 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 our Group, and as to the adequacy of the external and internal audits.

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the nine months ended 31 December 2021 and is of the view that such results complied with the applicable accounting standards, principles and policies, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board  
**So Kwok Hung**  
*Chairman and Executive Director*

Hong Kong, 11 February 2022

*As at the date of this report, the executive Directors are Mr. So Kwok Hung and Ms. Yu Xiao and the independent non-executive Directors are Mr. Wong Chi Kan, Ms. Lao In lam and Mr. Liao Honghao.*