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KNK Holdings Limited

中國卓銀國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8039)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

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

GEM has been positioned as a market designed to accommodate 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of KNK Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (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.

SUMMARY

- The revenue of the Company and its subsidiaries (collectively the “**Group**”) amounted to approximately HK\$40 million for the year ended 31 March 2018 (2017: approximately HK\$33.2 million), representing an increase of approximately 20.6% as compared to that of the same period in 2017.
- The net profit of the Group amounted to approximately HK\$8.0 million for the year ended 31 March 2018 (2017: approximately HK\$7.4 million) representing an increase of approximately 8.5% as compared to that of the same period in 2017.
- The Directors do not recommend any final dividend for the year ended 31 March 2018.

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company hereby announces the audited consolidated results of the Group for the financial year ended 31 March 2018 together with the comparative figures for the financial year ended 31 March 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	4	40,016	33,178
Cost of services rendered		<u>(22,523)</u>	<u>(12,524)</u>
Gross profit		17,493	20,654
Other income	5	341	–
General and administrative expenses		(7,590)	(5,295)
Listing expenses		<u>–</u>	<u>(5,226)</u>
Profit before taxation	6	10,244	10,133
Income tax	7	<u>(2,216)</u>	<u>(2,732)</u>
Profit for the year attributable to owners of the Company		8,028	7,401
Other comprehensive income for the year		<u>–</u>	<u>–</u>
Total comprehensive income for the year attributable to owners of the Company		<u>8,028</u>	<u>7,401</u>
Earnings per share	9		
Basic		<u>HK1.92 cents</u>	<u>HK2.30 cents</u>
Diluted		<u>HK1.92 cents</u>	<u>HK2.30 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment		<u>1,258</u>	<u>1,689</u>
Current assets			
Trade and other receivables	10	7,724	3,570
Amounts due from customers for contract work		997	1,232
Tax recoverable		–	77
Cash and cash equivalents		<u>44,831</u>	<u>51,286</u>
		<u>53,552</u>	<u>56,165</u>
Current liabilities			
Trade and other payables	11	3,501	2,161
Amounts due to customers for contract work		322	600
Current taxation		<u>461</u>	<u>–</u>
		<u>4,284</u>	<u>2,761</u>
Net current assets		<u>49,268</u>	<u>53,404</u>
Non-current liabilities			
Deferred tax liabilities		<u>59</u>	<u>114</u>
Net assets		<u>50,467</u>	<u>54,979</u>
Capital and reserves			
Share capital		4,180	4,180
Reserves		<u>46,287</u>	<u>50,799</u>
Total equity		<u>50,467</u>	<u>54,979</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Note	Attributable to owners of the Company				Total equity HK\$'000
		Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	
Balance at 1 April 2016		–	–	5,000	4,613	9,613
Profit and total comprehensive income for the year		–	–	–	7,401	7,401
Shares issued pursuant to capitalisation issue		2,800	(2,800)	–	–	–
Issue of shares by way of placing		1,380	39,882	–	–	41,262
Transaction costs attributable to issue of new shares		–	(3,297)	–	–	(3,297)
At 31 March 2017		<u>4,180</u>	<u>33,785</u>	<u>5,000</u>	<u>12,014</u>	<u>54,979</u>
Balance of 1 April 2017		4,180	33,785	5,000	12,014	54,979
Profit and total comprehensive income for the year		–	–	–	8,028	8,028
Dividends declared respect of the current year	8	–	–	–	(12,540)	(12,540)
At 31 March 2018		<u>4,180</u>	<u>33,785</u>	<u>5,000</u>	<u>7,502</u>	<u>50,467</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL INFORMATION

KNK Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability on 29 July 2015 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised of the Cayman Islands (the “Cayman Companies Law”) and acts as an investment holding company. The addresses of the registered office and principal place of business of the Company are Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit E, 33/F., Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong respectively.

On 12 December 2016, the shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited.

The principal activity of the Group is engaged in the provision of comprehensive architectural and structural engineering consultancy service.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the contract revenue from provision for comprehensive architectural and structural engineering consultancy service including licensing consultancy, alteration and addition works and minor works consultancy, inspection and certification and other architecture related consultancy.

The Group's operation is mainly derived from provision for comprehensive architectural and structural engineering consultancy service. For the purpose of resources allocation and performance assessment, the chief operating decision marker (that is, the directors of the Company) reviews the overall results and financial position of the Group as a whole prepared in accordance with accounting policies which conform to HKFRSs. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

All of the Group's external revenue during the year are derived from services rendered in Hong Kong, the place of domicile of the Group's operating entities. Since all of the non-current assets employed by the Group are located in Hong Kong, no geographical information is presented accordingly.

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A (<i>note (i)</i>)	16,652	400
Customer B (<i>note (i)</i>)	4,057	–
	<u>20,709</u>	<u>400</u>

Note:

- i) The corresponding revenue did not contribute 10% or more of the Group's total revenue during the year ended 31 March 2017.

5. OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest income on bank deposits	34	–
Total interest income on financial assets not at fair value through profit or loss	34	–
Rental income from operating leases, other than those relating to investment properties	307	–
	<u>341</u>	<u>–</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
a) Staff cost		
Salaries, wages and other benefits	12,038	10,072
Contributions to defined contribution retirement plan	272	244
	<hr/>	<hr/>
Total staff costs	12,310	10,316
Less: Amount included in cost of services rendered	(9,483)	(8,150)
	<hr/>	<hr/>
Total staff costs included in general and administrative expenses	<u>2,827</u>	<u>2,166</u>
b) Other items		
Auditor's remuneration	450	400
Depreciation of property, plant and equipment	431	13
Impairment losses on trade receivables	21	–
Operating lease charges for office premise	874	600
Loss on written off of property, plant and equipment	–	5
	<hr/>	<hr/>

7. INCOME TAX

Income tax recognised in profit or loss

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	2,271	2,509
Deferred taxation		
Origination and reversal of temporary differences	(55)	223
	<hr/>	<hr/>
Income tax expenses	<u>2,216</u>	<u>2,732</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017-2018 subject to a maximum reduction of HK\$30,000 (2017: HK\$20,000) for each business.

The Company and its subsidiaries which were incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their countries of incorporation.

8. DIVIDENDS

Dividends payable to owners of the Company attributable to the year:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interim dividend declared and paid of HK3 cents per ordinary share (2017: HK\$Nil per ordinary share)	<u>12,540</u>	<u>–</u>

The directors of the Company do not recommend the payment of a final dividend for both years ended 31 March 2017 and 2018.

9. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year ended 31 March 2018 of HK\$8,028,000 (2017: HK\$7,401,000) and the weighted average number of ordinary shares of the Company in issue during the year, calculated as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Weighted average number of ordinary shares	<u>418,000,000</u>	<u>321,589,041</u>

b) Diluted earnings per share

For both the years ended 31 March 2018 and 2017, diluted earnings per share equals to basic earnings per share as there was no potential dilutive ordinary shares in issue.

10. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	7,324	3,114
Less: Allowance for doubtful debts	<u>(21)</u>	<u>–</u>
Loans and receivables	7,303	3,114
Deposits and prepayments	<u>421</u>	<u>456</u>
	<u>7,724</u>	<u>3,570</u>

Deposits and prepayments expected to be recovered after more than one year is HK\$242,000 (2017: HK\$242,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables based on invoice date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	6,336	1,665
31 – 60 days	534	539
61 – 90 days	91	153
91 – 180 days	321	258
Over 180 days	21	499
	<u>7,303</u>	<u>3,114</u>

The Group does not allow any credit period to its customers.

11. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	2,103	63
Accrued expenses and other payables	1,398	2,098
	<u>3,501</u>	<u>2,161</u>

As of the end of the reporting period, the ageing analysis of trade payables based on invoice date were as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	2,103	–
31 – 60 days	–	–
61 – 90 days	–	–
91 – 180 days	–	–
Over 180 days	–	63
	<u>2,103</u>	<u>63</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of comprehensive architectural and structural engineering consultancy service in Hong Kong. During the financial year ended 31 March 2018, the Group has focused on developing business opportunities with existing customers as well as working on those referrals from them; at the same time, the Group plans to expand the types of architectural-related services.

The Company's shares were successfully listed on GEM on 12 December 2016 (the "**Listing**"). The proceed raised has strengthened the cash position of the Group and allowed the Group to expand from different aspects. After having evaluated the Group's business objectives as stated in the prospectus of the Company dated 30 November 2016 (the "**Prospectus**"), the Group and the Directors considered that no modification of the business objectives or the business plans as stated in the Prospectus was required.

Going forward, while actively exploring new businesses opportunities, as mentioned above, the Group also plans to extend its business reach and expand service coverage to lay a foundation for our long-term development. These strategic directions aim to capture new business opportunities in the market and contribute satisfactory long-term returns to our shareholders. And such achievements depend on whether we can attract competent professionals to join the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue is generated from the contract revenue from provision of comprehensive architectural and structural engineering consultancy service in Hong Kong, including licensing consultancy, alternation and addition works and minor works consultancy, inspection and certification and other architectural related consultancy.

The Group's total revenue for the financial year ended 31 March 2018 was approximately HK\$40.0 million (2017: approximately HK\$33.2 million), representing approximately HK\$6.8 million or 20.6% increase compared to the corresponding period in 2017. Such increase was mainly attributable to the Design and Build Project as announced in the announcement dated 18 July 2017.

The Group's gross profit margin was lowered from approximately 62.3% in the financial year ended 31 March 2017 to approximately 43.7% in the financial year ended 31 March 2018. Such drop was due to the Design and Build Project as it had a lower gross profit margin compared with other projects of the Group.

General and administrative expenses

The Group's total general and administrative expenses for the financial year ended 31 March 2018 was approximately HK\$7.6 million (2017: approximately HK\$5.3 million), representing an increase of approximately HK\$2.3 million or 43.3% when compared to the corresponding period in 2017. Such increase was mainly due to the increase in legal and professional expenses after Listing and increased payments of directors' salaries and fees since Listing.

Profit for the year

The Group recorded a net profit attributable to owners of the Company of approximately HK\$8.0 million for the financial year ended 31 March 2018 (2017: HK\$7.4 million). Such change was mainly due to the absence of listing expenses in the financial year ended 31 March 2018, which offset the increase in general and administrative expenses by HK\$2.3 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the financial year ended 31 March 2018, the Group financed its operations by cash flow from operating activities. As at 31 March 2018, the Group had net current assets of approximately HK\$49.2 million (2017: approximately HK\$53.4 million), including cash and cash equivalents of approximately HK\$44.8 million (2017: approximately HK\$51.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 12.5 times as at 31 March 2018 (2017: approximately 20.3 times). The decrease in the current ratio was mainly attributable to the increase in trade and other payable for the financial year ended 31 March 2018.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$50.5 million as at 31 March 2018 (2017: approximately HK\$55.0 million).

EMPLOYEE INFORMATION

Total staff and Directors' remuneration for the financial year ended 31 March 2018 was approximately HK\$12.3 million (2017: approximately HK\$10.3 million). Such increase was mainly due to the recruitment of new staff during the financial year, general increase in staff salaries and increase in directors' salaries and fees after Listing. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions. Our remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charge arranged with any financial institution in Hong Kong as at 31 March 2018 (2017: Nil).

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in Hong Kong dollars, and as such the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal. Hence, no financial instrument for hedging was employed.

PURCHASE, REDEMPTION OF LISTED SECURITIES

During the financial year ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in the financial year ended 31 March 2018 and up to the date of this announcement of annual results.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 March 2018.

USE OF PROCEEDS

Among the net proceeds of approximately HK\$25.1 million from the Placing, up to the latest practicable date for the purpose of this announcement, approximately HK\$2.5 million has been used as general working capital of the Group, comprising (i) approximately HK\$0.9 million as Directors' remuneration and staff salaries payment; and (ii) approximately HK\$1.6 million as compliance and professional fee and general expenses. Also approximately HK\$1.4 million was used as salaries to recruit additional staff since listing to support the expansion of business and approximately HK\$2.2 million was used to purchase new property, plant and equipment. The remaining balance of HK\$19.0 million was kept in the Company's bank account. The Directors do not intend to change the intended usage of the proceed as disclosed in the Prospectus.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

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 "CG Code and Report") in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 March 2018 and up to the date of this announcement, to the best knowledge of the Board, the Company has complied with all the code provisions set out in the CG Code and Report.

CHAIRMAN AND CHIEF EXECUTIVE

Pursuant to A.2.1 of the CG Code and Report, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Poon Kai Kit Joe is the Chairman of the Board and is responsible for formulation of corporate strategy, overseeing the management of the Group and business development. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to the Board's affairs and promoting a culture of openness and debate.

The Company has no such position as the chief executive and therefore the daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no chief executive, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group.

By order of the Board
KNK Holdings Limited
Poon Kai Kit Joe
Chairman

Hong Kong, 27 June 2018

As at the date of this announcement, the executive Directors are Mr. Poon Kai Kit Joe, Ms. Chan Ka Yee, Mr. Cheung Hoi Chung, Mr. Sun Xiao Li and Mr. Gu Jintai; and the independent non-executive Directors are Mr. Kong Kam Wang, Mr. Sung Hak Keung Andy and Mr. Wong Kai Tat.

This announcement, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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 publication and on the Company's website at www.knk.com.hk.