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Kwong Man Kee Group Limited

鄺文記集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8023)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTH ENDED 30 SEPTEMBER 2016

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange.

Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Kwong Man Kee Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market 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 enquires, 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

- The Group recorded revenue of approximately HK\$37.6 million for the six months ended 30 September 2016 (six months ended 30 September 2015: approximately HK\$28.2 million).
- Profit attributable to equity holders of the Company for the six months ended 30 September 2016 amounted to approximately HK\$1.2 million (six months ended 30 September 2015: approximately HK\$7.2 million).
- The Board does not declare an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$6.5 million) Final dividend for the year ended 31 March 2016 of HK\$3.5 million was declared on 20 May 2016.

FINANCIAL RESULTS

The board of directors (the “Board”) of Kwong Man Kee Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2016, together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	Three months ended 30 September		Six months ended 30 September	
		2016 HK\$ (Unaudited)	2015 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2015 HK\$ (Unaudited)
Revenue	6	24,041,619	18,451,351	37,608,366	28,176,819
Cost of sales	18	(14,700,173)	(10,689,435)	(20,588,580)	(16,711,814)
Gross profit		9,341,446	7,761,916	17,019,786	11,465,005
Other income		–	–	–	10,000
General and administrative expenses	18	(5,764,270)	(1,686,474)	(15,378,450)	(2,931,401)
Operating Profit		3,577,176	6,075,442	1,641,336	8,543,604
Finance cost, net		(1,334)	–	(1,334)	–
Profit before income tax		3,575,842	6,075,442	1,640,002	8,543,604
Income tax expense	7	(990,626)	(925,290)	(455,974)	(1,301,191)
Profit and total comprehensive income for the year attributable to owner of the Company		<u>2,585,216</u>	<u>5,150,152</u>	<u>1,184,028</u>	<u>7,242,413</u>
Dividend		<u>–</u>	<u>–</u>	<u>3,500,000</u>	<u>6,500,000</u>
Earnings per share, basic and diluted, attributable to equity holders of the Company (HK Cents per share)	9	<u>0.43</u>	<u>0.85</u>	<u>0.19</u>	<u>1.20</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	<i>Notes</i>	30 September 2016 HK\$ (Unaudited)	31 March 2016 HK\$ (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	724,766	472,522
Deferred income tax assets		–	9,456
		<u>724,766</u>	<u>481,978</u>
Current assets			
Inventories		5,711,782	5,942,646
Trade and retention receivables	11	31,160,568	17,203,858
Prepayments and other receivables	12	3,067,299	2,135,026
Amount due from customers for contract work	13	685,511	1,200,660
Pledged deposit		10,000,000	–
Cash and cash equivalents	14	5,437,635	14,172,321
		<u>56,062,795</u>	<u>40,654,511</u>
Total assets		<u>56,787,561</u>	<u>41,136,489</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	100	77,500
Reserves		8,800,008	8,722,608
Retained earnings		12,842,405	15,158,377
Total equity		<u>21,642,513</u>	<u>23,958,485</u>

		30 September	31 March
		2016	2016
	<i>Notes</i>	HK\$	HK\$
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		45,987	–
Current liabilities			
Trade payables	16	9,513,076	9,527,025
Accruals and other payables	17	9,285,430	4,068,151
Amount due to customers for contract work	13	540,287	1,141,896
Dividend payable		3,500,000	–
Bank overdraft		9,959,084	–
Current income tax liabilities		2,301,184	2,440,932
		35,099,061	17,178,004
Total liabilities		35,145,048	17,178,004
Total equity and liabilities		56,787,561	41,136,489

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital HK\$	Capital reserves HK\$	Shareholders contribution HK\$	Retained earnings HK\$	Total equity HK\$
Balance at 1 April 2016	77,500	(77,392)	8,800,000	15,158,377	23,958,485
Profit and total comprehensive income for the period	-	-	-	1,184,028	1,184,028
Additional paid in Capital	100	-	-	-	100
Capital reserve arising on reorganisation	(77,500)	77,400	-	-	(100)
Dividend	-	-	-	(3,500,000)	(3,500,000)
Balance at 30 September 2016	100	8	8,800,000	12,842,405	21,642,513
Balance at 1 April 2015	100	-	8,800,000	4,861,559	13,661,659
Profit and total comprehensive income for the period	-	-	-	7,242,413	7,242,413
Additional paid in capital	77,500	-	-	-	77,500
Capital reserve arising on reorganisation	(100)	(77,392)	-	-	(77,492)
Dividend	-	-	-	(6,500,000)	(6,500,000)
Balance at 30 September 2015	77,500	(77,392)	8,800,000	5,603,972	14,404,080

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		Six months ended	
		30 September	
	<i>Notes</i>	2016	2015
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Net cash used in operating activities		<u>(6,936,026)</u>	<u>(6,364,712)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	10	<u>(406,744)</u>	<u>(316,601)</u>
Net cash used in investing activities		<u>(406,744)</u>	<u>(316,601)</u>
Cash flows from financing activities			
Dividends paid	8	–	(6,500,000)
Amount paid to the director		–	(2,423,598)
Issuance of ordinary share capital		–	8
Prepayment for listing expenses		(1,351,000)	–
Increase in pledged deposit		<u>(10,000,000)</u>	<u>–</u>
Net cash used in financing activities		<u>(11,351,000)</u>	<u>(8,923,590)</u>
Net decrease in cash and cash equivalents		<u>(18,693,770)</u>	<u>(15,604,903)</u>
Cash and cash equivalents at beginning of period		<u>14,172,321</u>	<u>16,917,081</u>
(Bank overdraft)/cash and cash equivalents at the end of period		<u><u>(4,521,449)</u></u>	<u><u>1,312,178</u></u>

Analysis of the balance of (bank overdraft)/cash and cash equivalents:

	At	At
	30 September	30 September
	2016	2015
	HK\$	HK\$
Cash and cash equivalents	<u>5,437,635</u>	1,312,178
Bank overdraft	<u>(9,959,084)</u>	<u>–</u>
	<u><u>(4,521,449)</u></u>	<u><u>1,312,178</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Kwong Man Kee Group Limited (the “Company”) was incorporated in the Cayman Islands on 30 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is Office J, 11th Floor, Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong.

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

The Company has its primary listing on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited on 13 October 2016.

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

The condensed consolidated interim financial information have been reviewed by the audit committee of the Company.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated interim financial information should be read in conjunction with the Company’s combined financial statements for the year ended 31 March 2016, which have been prepared in accordance with HKFRSs issued by the HKICPA, as set out in the prospectus of the Company date 30 September 2016.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s combined financial statements for the year ended 31 March 2016, except as described below.

The Group has adopted and applied, for the first time, the following new standards and amendments to standards that have been issued and effective for the accounting periods beginning on 1 April 2016. The adoption of these new Standards and amendments to standards has no material impact on the Group’s results and financial position.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle
HKFRS 14	Regulatory Deferral Accounts
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements

The following are new standards and amendments to standards that have been issued but not yet effective for the financial year beginning 1 April 2016 and have not been early adopted:

HKFRS 15	Revenue from Contracts with Customers
HKFRS 9	Financial Instruments
HKFRS 16	Leases
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group is in the process of assessing the impact of these new standards and amendments to standards on the Group's results and financial position.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The preparation of the condensed consolidated interim financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty as disclosed in note 4 of this announcement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for trade and retention receivables

Management determines the provision for impairment of trade and retention receivables based on the credit history of customers and the current market condition by business segment. Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

(b) Warranty provision

The Group offers up to ten year warranties for its engineering work performed. Under these warranties, the Group is obliged to provide maintenance service and rectify any defects at its own costs. Based on historical information, it is rare to incur future warranty claims after all work is completed. The Group is therefore of the opinion that no warranty provision is required. Should there be any changes to the actual claim pattern, an amount of provision may be necessary, which will impact the financial performance of the Group.

(c) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimates may have an impact on the profit recognised in each period.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange, price risk and interest rate risk, credit risk and liquidity risk.)

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's combined financial statements as included in the prospectus of the Company's listing (the "Prospectus"). There have been no changes in the risk management policies since the period end.

(b) *Credit risk*

Credit risk mainly arises from trade receivables, retention receivables, deposits, other receivables and cash and cash equivalents. The carrying amounts of these balances except cash on hand in the condensed consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

The majority of the Group's bank balances are placed in banks and financial institutions which are independently rated with high credit ratings. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. The Group's historical experience in collection of receivables falls within recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from external parties.

The Group's primary cash requirements have been for payments for trade payables, other creditors, accrued liabilities and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances to meet its liquidity requirements in the short and long-term.

As at 30 September 2016, all of the Group's financial liabilities, except bank borrowing and interest payables, were due within 12 months and equal their carrying amounts as the impact of discounting is not significant.

The table below analyses the Group's bank borrowings and interest payables into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand <i>HK\$</i> (Unaudited)
At 30 September 2016	
Bank borrowings and interest payables	<u>9,959,084</u>
At 31 March 2016	
Bank borrowings and interest payables	<u>–</u>

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital of the Group is calculated as total equity plus total borrowings, if any. The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated by net debt divided by total capital. The gearing ratio at 30 September 2016 and 31 March 2016 were as follows:

	At 30 September 2016 <i>HK\$</i> (Unaudited)	At 31 March 2016 <i>HK\$</i> (Audited)
Total borrowing	9,959,084	–
Less: Cash and cash equivalents	<u>(5,437,635)</u>	<u>(14,172,321)</u>
Total capital	4,521,449 31,601,597	(14,172,321) 23,958,485
Gearing ratio	14%	N/A

5.3 Fair value estimation

The carrying values of trade receivables, retention receivables, deposits, other receivables, amount due from/to the director, trade payables, and accruals and other payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

6 REVENUE AND SEGMENT INFORMATION

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
Flooring	23,433,188	18,436,351	36,910,245	27,769,322
Ancillary services	608,431	15,000	698,121	407,497
	<u>24,041,619</u>	<u>18,451,351</u>	<u>37,608,366</u>	<u>28,176,819</u>

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

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

The Group primarily operates in Hong Kong with all of its non-current assets located in and capital expenditure incurred in Hong Kong. Revenue was also earned from customers located in Hong Kong.

7 INCOME TAX EXPENSE

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is approximately 27.8% (2015: approximately 15.2%).

8 DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$6,500,000).

Final dividend for the year ended 31 March 2016 of HK\$3,500,000 was declared on 20 May 2016.

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the unaudited condensed consolidated earnings attributable to owners of the Company for the six months ended 30 September 2016 of approximately HK\$1,184,000 (six months ended 30 September 2015: approximately HK\$7,242,000), and on the assumption that 600,000,000 ordinary shares of the Company have been in issue throughout the periods, which being the total number of shares in issue of the Company immediately upon the Listing (as defined in the Prospectus).

No adjustment has been made to the basic earnings per share presented for the six months ended 30 September 2015 and 2016 as the Group had no potentially diluted ordinary shares in issue during those periods.

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired at cost, furniture and equipment of approximately HK\$78,582 (six months ended 30 September 2015: HK\$316,601); leasehold improvement of approximately HK\$103,480 (six months ended 30 September 2015: nil) and software of approximately HK\$224,682 (six months ended 30 September 2015: nil).

11 TRADE AND RETENTION RECEIVABLES

	30 September 2016 HK\$ (Unaudited)	31 March 2016 HK\$ (Audited)
Trade receivables	25,213,513	14,300,844
Retention receivables	5,947,055	2,903,014
	<u>31,160,568</u>	<u>17,203,858</u>

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

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

	30 September 2016 HK\$ (Unaudited)	31 March 2016 HK\$ (Audited)
0 – 30 days	5,749,006	4,146,818
31 – 60 days	6,546,483	2,583,717
61 – 90 days	1,977,466	4,494,165
91 – 180 days	10,940,558	3,076,144
	<u>25,213,513</u>	<u>14,300,844</u>

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

	30 September 2016 HK\$ (Unaudited)	31 March 2016 HK\$ (Audited)
Within 1 year	4,325,473	1,530,108
Between 1 to 5 years	1,621,582	1,372,906
	<u>5,947,055</u>	<u>2,903,014</u>

During the six months ended 30 September 2015 and 30 September 2016, no trade receivables were written off as uncollectible. As of 31 March 2016 and 30 September 2016, the remaining trade receivables were not impaired.

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

The carrying amounts of the Group's trade and retention receivables are denominated in HK\$.

12 PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2016 HK\$ (Unaudited)	31 March 2016 HK\$ (Audited)
Prepayments	77,993	110,548
Other receivables	2,613,299	12,900
Prepaid listing expense	376,007	2,011,578
	<u>3,067,299</u>	<u>2,135,026</u>

13 CONTRACTING WORK IN PROGRESS

	30 September 2016 HK\$ (Unaudited)	31 March 2016 HK\$ (Audited)
Contract costs incurred plus attributable profits		
less foreseeable losses to date	7,413,826	9,830,990
Progress billing to date	(7,268,602)	(9,772,226)
	<u>145,224</u>	<u>58,764</u>

14 CASH AND CASH EQUIVALENTS

	30 September 2016 HK\$ (Unaudited)	31 March 2016 HK\$ (Audited)
Cash at banks and on hand	<u>5,437,635</u>	<u>14,172,321</u>
Maximum exposure to credit risk	<u>5,432,635</u>	<u>14,169,321</u>

All of the Group's cash and cash equivalent are dominated in HK\$.

15 SHARE CAPITAL

	At 30 September 2016 HK\$ (Unaudited)	At 31 March 2016 HK\$ (Audited) (Note)
Authorised:		
2,000,000,000 shares at HK\$0.01 each	20,000,000	N/A
Issued and fully paid:		
10,000 Shares at HK\$0.01 each	100	N/A

Note: The Company was incorporated on 30 May 2016 and therefore no share capital information is available at 31 March 2016.

The share capital on the condensed consolidated statement of financial position represent the share capital of Victor Ease Limited, a fully held subsidiary of the Company and the then holding company of the Group.

16 TRADE PAYABLES

The ageing analysis of trade payable based on invoice dates is as follows:

	30 September 2016 HK\$ (Unaudited)	31 March 2016 HK\$ (Audited)
0 – 30 days	5,916,229	3,481,020
31 – 60 days	36,850	1,886,017
61 – 90 days	2,552,729	79,165
91 – 180 days	<u>1,007,268</u>	<u>4,080,823</u>
	<u>9,513,076</u>	<u>9,527,025</u>

Trade payables are denominated in HK\$.

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

17 ACCRUALS AND OTHER PAYABLES

	30 September	31 March
	2016	2016
	HK\$	HK\$
	(Unaudited)	(Audited)
Accrued expenses	1,148,134	875,092
Customer deposits	4,692,442	1,863,601
Other payables	255,389	376,348
Accrued listing expense	3,189,465	953,110
	9,285,430	4,068,151

Accruals and other payables are denominated in HK\$.

The carrying amounts of accruals and other payables, net of accrued salary, approximate their fair values.

18 EXPENSES BY NATURE

The Group's profit for the periods are stated after charging the following:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
Cost of flooring materials used	9,750,090	6,301,787	13,883,091	9,881,503
Subcontractor cost	4,604,057	3,845,539	5,860,146	5,604,182
Employee benefit expenses	2,356,897	1,374,268	4,417,280	2,567,117
Operating lease rentals in respect of rented premises	78,189	118,994	167,209	194,494
Repair and maintenance expenses	200,958	9,166	220,231	14,550
Motor vehicle expenses	82,055	117,917	183,445	216,304
Auditor's remuneration	175,000	75,000	350,000	150,000
Provision for inventory obsolescence	40,262	–	40,262	–
Listing expenses	1,518,624	–	9,251,046	–

19 RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that the following companies or individuals were related parties that had transactions or balances with the Group.

Related parties	Relationship with the Group
Mr. Kwong	Controlling shareholder and executive director of the Company
Ms. Li Chuen Chun (“Mrs. Kwong”)	Spouse of Mr. Kwong
Ms. Kwong Wing Yan (“Ms. Kwong”)	Daughter of Mr. Kwong
Ms. Li Mei Ying (“Ms. Li”)	Sister-in-law of Mr. Kwong

- (a) During the six months ended 30 September 2015 and 2016,, the Group had the following significant transactions with its related parties:

	30 September 2016 HK\$ (Unaudited)	30 September 2015 HK\$ (Unaudited)
Rental expenses paid in relation to rental contract entered into with:		
Mr. Kwong	40,000	120,000
Mrs. Kwong and Ms. Kwong	100,000	–
Ms. Li	6,200	12,400
	<u> </u>	<u> </u>

These transactions were entered into at terms agreed with the director or the related party in the ordinary course of the Group’s business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We commenced our business in the construction sector in 2003 and are established contractor in the Hong Kong car park flooring industry. We provide (i) flooring services, which involve the application of proprietary floor coating products for the purpose of providing a colourful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and (ii) ancillary services, which include concrete repairing and wall painting work in Hong Kong. Our target segment is from mid to high end customers in the car park flooring market.

The Company's shares were successfully listed on the GEM on 13 October 2016 by way of both placing and public offering. 60,000,000 public offer shares and 90,000,000 placing shares were issued at HK\$0.43 per share pursuant to the placing and public offer. The net proceeds raised mainly used in (i) expanding our presence in the refurbishment market and purchase of an office; (ii) strengthening our Group's leading position in the new construction market by improving our overall capacity and project management efficiency.

As at 30 September 2016, we had 32 contracts on hand with a total outstanding contract value of HK\$49,500,000. Four of them were sizable contracts with contracts sum of over HK\$5,000,000 each. Up to the date of this interim announcement, we have submitted tenders for contracts with total amount of approximately HK\$38,000,000. Projects awarded to us typically represent part of a new or refurbishment project.

Our Board and management are actively exploring new business opportunities by keeping track of any new construction projects in Hong Kong through existing network, solicit new business through sending our marketing material to architects who are responsible for determining products and services specifications of new construction projects. We believe our listing status would enhance our corporate profile and recognition which reinforce our brand awareness and image in both of our existing and potential customers.

Financial Review

Revenue and Gross Profit

Our revenue which is principally generated from the provision of car park flooring services for construction projects and ancillary services and was approximately HK\$37,600,000 for the six months ended 30 September 2016 and HK\$28,200,000 for the same period in 2015. The Company's gross profit margin increased from 41% to 45% for the six months ended 30 September 2015 compared to 30 September 2016. Our revenue increase was mainly due to more contracts secured before year ended 31 March 2016 for which works were completed during the reporting period.

Administrative expenses

Administrative expenses of the Company increased by approximately HK\$12,500,000 from approximately HK\$2,900,000 for the six months ended 30 September 2015 to approximately HK\$15,400,000 for the six months ended 30 September 2016. Administrative expenses consist primarily of staff cost, depreciation, rental expenses, listing expenses and other general administrative expenses. The increase was mainly due to non-recurring listing expenses which accounted for approximately HK\$9,300,000, increase in staff cost due to additional staff hired during the period, retirement of staff with long service payment paid and a general increase in professional fees such as legal consultation fees and advisory fees during the reporting period.

Profit attributable to owners of the Company

The profit attributable to owners of the Company was approximately HK\$1,200,000 for the reporting period, as compared to unaudited profit of approximately HK\$7,200,000 attributable to the owners of the Company for the period ended 30 September 2015. The decrease was mainly due to i) one-off listing expenses as mentioned above during the reporting period, ii) increase in staff cost for recruiting senior management staff and other supporting staff as well as long service payment to retired staff.

Bank overdraft facility

In preparation for the listing exercise, a commercial bank in Hong Kong granted us a three months overdraft facility of HK\$10,000,000. Such facility was drawn down in late September 2016 to repay the loan advanced by our controlling shareholders prior to the Listing. The above overdraft is expected to be repaid in November 2016.

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and had 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.

Commitments and Contingent Liability

The Company did not have material capital commitments, significant lease commitments and contingent liabilities as at 30 September 2016.

Events after the reporting period

The Board is not aware of any events after reporting period that have to be disclosed.

DISCLOSURE OF INTERESTS

A. Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the company

As at 30 September 2016, interests or short positions of the Directors, chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required (i) 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 they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Shares

Name of Director	Capacity/ Nature	Number of shares held/ interested in	Percentage of shareholding
Mr. Kwong Chi Man ("Mr. Kwong") (Note)	Interest in controlled corporation	375,750,000	62.63%

Note: Mr. Kwong beneficially owns 70% of the issued share capital of Sage City Investments Limited ("Sage City"), the beneficial owner holding 62.63% shareholding in our Company. Therefore, Mr. Kwong is deemed, or taken to be, interested in all our Shares which are beneficially owned by Sage City for the purpose of the SFO.

B. Substantial Shareholders' interest and short positions in shares and underlying shares

As at 30 September 2016, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), had interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Capacity/Nature	Number of shares held/ interested in	Percentage of shareholding
Ms. Li Chuen Chun	Interest of spouse (<i>Note</i>)	375,750,000	62.63%

Note: Ms. Li Chuen Chun (“Mrs. Kwong”) is the spouse of Mr. Kwong and is deemed, or taken to be, interested in all the Shares in which Mr. Kwong is interested for the purposes of the SFO.

COMPETING INTERESTS

The Directors confirm that none of the 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 our Group which competes or is likely to compete, directly or indirectly, with our Group’s business during the six months ended 30 September 2016.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Group has appointed Alliance Capital Partners Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors’ duties and internal controls. Except for the compliance adviser agreement entered into between the Company and our compliance adviser dated on 17 June 2016, neither our compliance advisor nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to our Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities after the Listing Date and up to the period ended 30 September 2016.

CORPORATE GOVERNANCE CODE

The Corporate Governance Code (“the Code”) in Appendix 15 to the GEM Listing Rules sets out the principles of good corporate governance, code provisions and recommended best practices. Issuers are expected to comply with the code provisions or devise their own code on corporate governance on the terms they consider appropriate provided that considered reasons are given. Throughout the Reporting Period, the Company had complied with the applicable code provisions of the Code with the exception of the deviation from code provision A.2.1 as explained below: Code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and not performed by the same individual. Mr. Kwong has been managing the Group’s business and is responsible for overall strategic planning since May 2003. The Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. Kwong is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as suggested by code provision A.2.1 of the Code. Except for the deviation from code provision A.2.1 of the Code, the Company’s corporate governance practices have complied with the Code as set out in Appendix 15 to the GEM Listing Rules during the reporting period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in 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 of the Company (the “Code of Conduct”). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the reporting period.

DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$6,500,000). Final dividend for the year ended 31 March 2016 of HK\$3,500,000 was declared on 20 May 2016.

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 September 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 September 2016.

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. Law Pui Cheung, Mr. Wat Danny Hiu Yan and Ms. Yu Wan Wah Amparo, all being independent non-executive Directors. Mr. Law Pui Cheung 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 six months ended 30 September 2016 and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
Kwong Man Kee Group Limited
Kwong Chi Man
Chairman and Executive director

Hong Kong, 11 November 2016

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”) 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 Stock Exchange’s website at www.hkexnews.hk and the GEM website at www.hkgem.com, in the case of this announcement, on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.kmk.com.hk.

In the event of any discrepancies between the English version and the Chinese version, the English version shall prevail.