KNK Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8039)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

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 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$33.2 million for the year ended 31 March 2017 (2016: approximately HK$29.3 million), representing an increase of approximately 13.3% as compared to that of the same period in 2016.

- The net profit of the Group amounted to approximately HK$7.4 million for the year ended 31 March 2017 (2016: approximately HK$5.9 million) representing an increase of approximately 24.9% as compared to that of the same period in 2016.

- The Directors do not recommend any final dividend for the year ended 31 March 2017.

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 2017 together with the comparative figures for the financial year ended 31 March 2016.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	4	**33,178**	29,334
Cost of services rendered		**(12,524)**	(10,368)
Gross profit		**20,654**	18,966
Other income	5	**—**	86
General and administrative expenses		**(5,295)**	(2,808)
Listing expenses		**(5,226)**	(7,658)
Profit before taxation	6	**10,133**	8,586
Income tax	7	**(2,732)**	(2,662)
Profit for the year attributable to owners of the Company		**7,401**	5,924
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year attributable to owners of the Company		**7,401**	5,924
Earnings per share	9		
Basic		**HK2.30 cents**	HK2.12 cents
Diluted		**HK2.30 cents**	HK2.12 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Non-current assets			
Property, plant and equipment		**1,689**	24
Deferred tax asset		**—**	109
		1,689	133
Current assets			
Trade and other receivables	10	**3,570**	4,978
Amounts due from customers for contract work		**1,232**	1,101
Tax recoverable		**77**	—
Cash and cash equivalents		**51,286**	7,130
		56,165	13,209
Current liabilities			
Trade and other payables	11	**2,161**	1,417
Amounts due to customers for contract work		**600**	1,550
Current taxation		**—**	762
		2,761	3,729
Non current liabilities			
Deferred tax liabilities		**114**	—
Net assets		**54,979**	9,613
Capital and reserves			
Share capital		**4,180**	—
Reserves		**50,799**	9,613
Total equity		**54,979**	9,613

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Note	Attributable to owners of the Company				
		Share capital	**Share premium**	**Other reserve**	**Retained profits**	**Total equity**
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2015		—	—	—	13,839	13,839
Profit and total comprehensive income for the year		—	—	—	5,924	5,924
Issue of new ordinary shares		—	5,000	—	—	5,000
Effect of Reorganisation		—	(5,000)	5,000	—	—
Dividends in respect of the current year	8	—	—	—	(15,150)	(15,150)
Balance at 31 March 2016		—	—	5,000	4,613	9,613
Balance at 1 April 2016		—	—	5,000	4,613	9,613
Profit and total comprehensive income or the year		—	—	—	7,401	7,401
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)
Shares issued pursuant to capitalisation issue		2,800	(2,800)	—	—	—
Balance at 31 March 2017		4,180	33,785	5,000	12,014	54,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The principal activity of its principal subsidiary is engaged in the provision of architectural and structural engineering consultancy service under the business name of "K & K Chartered Architect & Associates".

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Reorganisation") which was completed on 21 September 2015, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 November 2016.

The Reorganisation have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") to present the results and cash flows of the companies comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout both years presented, or since the respective dates of incorporation, where it is a shorter period. The consolidated statement of financial position of the Group prior to completion of the Reorganisation have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at that date taking into account of their respective date of incorporation.

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

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 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 Growth Enterprise Market 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. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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 of 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 of comprehensive architectural and structural engineering consultancy service. For the purpose of resources allocation and performance assessment, the chief operating decision maker (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

There was no customer with whom revenue amounted to 10% or more of the Group's total revenue during the years ended 31 March 2017 and 2016.

5. OTHER INCOME

	2017 **HK$'000**	2016 HK$'000
Gain on disposal of property, plant and equipment	**—**	86

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2017 **HK$'000**	2016 HK$'000
a) Staff cost		
Salaries, wages and other benefits	**10,072**	8,095
Contributions to defined contribution retirement plan	**244**	180
Total staff costs	**10,316**	8,275
Less: Amount included in cost of services rendered	**(8,150)**	(6,639)
Total staff costs included in general and administrative expenses	**2,166**	1,636
b) Other items		
Auditor's remuneration	**400**	200
Depreciation of property, plant and equipment	**13**	17
Operating lease charges for office premise	**600**	420
Loss on written off on property, plant and equipment	**5**	—

7. INCOME TAX

Income tax recognised in profit or loss

	2017	2016
	HK$'000	HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**2,509**	2,656
Deferred taxation		
Origination and reversal of temporary differences	**223**	6
Income tax expenses	**2,732**	2,662

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 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 2016-2017 subject to a maximum reduction of HK$20,000 (2016: HK$20,000) for each business.

The Company and its subsidiary 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:

	2017	2016
	HK$'000	HK$'000
Interim dividend declared (2016: HK$151,500) per ordinary share	**—**	15,150
	—	15,150

The directors of the Company do not recommend the payment of a final dividend for both years ended 31 March 2016 and 2017.

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 2017 of HK$7,401,000 (2016: HK$5,924,000) and the weighted average number of ordinary shares of the Company in issue during the years ended 31 March 2016 and 2017 is calculated based on the assumption that 280,000,000 shares were in issue throughout the entire years, taking into consideration of the effect of Reorganisation and the capitalisation issue.

	2017 Number of shares	2016 Number of shares
Reorganisation and capitalisation issue	**280,000,000**	280,000,000
Effect of shares issue under placing	**41,589,041**	—
Weighted average number of ordinary shares	**321,589,041**	280,000,000

b) Diluted earnings per share

For both the years ended 31 March 2017 and 2016, diluted earnings per share equals to basic earnings per share as there was no potential dilutive ordinary share in issue.

10. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables (note a)	**3,114**	2,735
Less: Allowance for doubtful debts	**—**	—
	3,114	2,735
Amount due from a director	**—**	—
Loans and receivables	**3,114**	2,735
Deposits and prepayments	**456**	2,243
	3,570	4,978

Deposits and prepayments expected to be recovered after more than one year is HK$242,000 (2016: HK$Nil). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

a) Ageing analysis

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

	2017	2016
	HK$'000	HK$'000
Within 30 days	**1,665**	1,638
31–60 days	**539**	177
61–90 days	**153**	419
91–180 days	**258**	250
Over 180 days	**499**	251
	3,114	2,735

11. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables	**63**	253
Accrued expenses and other payables	**2,098**	1,139
Advance received from a customer	**—**	25
	2,161	1,417

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

	2017	2016
	HK$'000	HK$'000
Within 30 days	**—**	87
31–60 days	**—**	72
61–90 days	**—**	48
91–180 days	**—**	36
Over 180 days	**63**	10
	63	253

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 2017, 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 2017 was approximately HK$33.2 million (2016: approximately HK$29.3 million), representing approximately HK$3.8 million or 13.3% increase compared to the corresponding period in 2016. Such increase was mainly attributable to the increase in the number of projects and the increase in the average revenue contributed per project.

The Group's gross profit margin was lowered from approximately 64.7% in the financial year ended 31 March 2016 to approximately 62.3% in the financial year ended 31 March 2017. Such drop was due to decrease in the revenue contributed by projects with high gross profit margin was lowered in 2017 when compared to that of the corresponding period in 2016.

General and administrative expenses

The Group's total general and administrative expenses for the financial year ended 31 March 2017 was approximately HK$5.3 million (2016: approximately HK$2.8 million), representing an increase of approximately HK$2.5 million or 89.3% when compared to the corresponding period in 2016. Such increase was mainly due to the increase in compliance 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$7.4 million for the financial year ended 31 March 2017 (2016: HK$5.9 million). Such change was mainly due to the increase in gross profit of approximately HK$1.7 million and decrease of listing expenses of approximately HK$2.4 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the financial year ended 31 March 2017, the Group financed its operations by cash flow from operating activities. As at 31 March 2017, the Group had net current assets of approximately HK$53.4 million (2016: approximately HK$9.5 million), including cash and cash equivalents of approximately HK$51.3 million (2016: approximately HK$7.1 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 20.3 times as at 31 March 2017 (2016: approximately 3.5 times). The increase in the current ratio was mainly attributable to the increase in cash and cash equivalents from the proceeds from the Placing as mentioned in the Company's announcement dated 9 December 2016.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK$55.0 million as at 31 March 2017 (2016: approximately HK$9.6 million).

EMPLOYEE INFORMATION

Total staff and Directors' remuneration for the financial year ended 31 March 2017 was approximately HK$10.3 million (2016: approximately HK$8.3 million). Such increase was mainly due to the recruitment of 4 subcontractors of the Group in July 2015, 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 2017 (2016: 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 2017, neither the Company nor any of its subsidiaries had 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 2017 and up to the date of this announcement of annual results.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this announcement of annual results, 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 2017.

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$1.5 million has been used as general working capital of the Group, comprising (i) approximately HK$0.5 million as Directors' remuneration and staff salaries payment; and (ii) approximately HK$1.0 million as compliance and professional fee and general expenses. The remaining balance of HK$23.6 million was kept in the Company's interest bearing 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 of the Company 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 2017 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 OFFICER ("CEO")

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 CEO 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 CEO, 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, 29 June 2017

As at the date of this announcement, the executive directors are Mr. Poon Kai Kit Joe, Ms. Chan Ka Yee and Mr. Fok Yat Cheong 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.