



鄺文記集團有限公司

KWONG MAN KEE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8023

First Quarterly Report 2018/19

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*This report, for which the directors (the “**Directors**”) of Kwong Man Kee Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules governing the Listing of Securities on GEM (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 report 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 report misleading.*

HIGHLIGHTS

- The revenue of the Group increased to approximately HK\$24.0 million or 169.7%, for the three months ended 30 June 2018 from approximately HK\$8.9 million for the three months ended 30 June 2017, which was mainly due to the significant number of contracts with revenue recognized by stage of completion during the three months ended 30 June 2018.
- The Group's gross profit increased by approximately HK\$3.9 million, or 114.7%, from approximately HK\$3.4 million for the three months ended 30 June 2017 to approximately HK\$7.3 million for the three months ended 30 June 2018. The gross profit margin of the Group decreased from 37.6% for the three months ended 30 June 2017 to 30.3% for the same period ended 30 June 2018, which was caused by intensified competition in the car parking industry with decrease of the contract sum.
- The net profit attributable to owners of the Company was approximately HK\$2.2 million for the three months ended 30 June 2018, as compared to net loss of approximately HK\$0.5 million recorded for the same period ended 30 June 2017.
- The Board does not recommend payment of an interim dividend for the three months ended 30 June 2018 (2017: Nil).

FINANCIAL RESULTS

The board of directors (the "**Board**") of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 30 June 2018 together with the unaudited comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2018

		Three months ended 30 June	
		2018	2017
		HK\$	HK\$
<i>Notes</i>		(Unaudited)	(Unaudited)
	Revenue	23,950,159	8,891,697
	Cost of sales	(16,682,126)	(5,546,344)
	Gross profit	7,268,033	3,345,353
	Other income and gain	30,000	90,839
	General and administrative expenses	(4,728,036)	(4,150,793)
	Operating profit/(loss)	2,569,997	(714,601)
	Finance cost, net	(72,460)	(23,984)
	Profit/(loss) before income tax	2,497,537	(738,585)
	Income tax (expense)/credit	(257,891)	203,991
	Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the Company	2,239,646	(534,594)
	Dividend	–	–
	Earnings/(loss) per share attributable to owners of the Company		
	– Basic and diluted (HK cents per share)	0.37	(0.09)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 JUNE 2018

	Share capital	Share premium	Capital reserves	Shareholders contribution	Retained earnings	Total equity
	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)	HK\$ (unaudited)
Balance at 1 April 2018	6,000,000	52,482,955	108	8,800,000	15,466,937	82,750,000
Profit and total comprehensive income for the period	-	-	-	-	2,239,646	2,239,646
Balance at 30 June 2018	6,000,000	52,482,955	108	8,800,000	17,706,583	84,989,646
Balance at 1 April 2017	6,000,000	52,482,955	108	8,800,000	8,820,284	76,103,347
Loss and total comprehensive loss for the period	-	-	-	-	(534,594)	(534,594)
Balance at 30 June 2017	6,000,000	52,482,955	108	8,800,000	8,285,690	75,568,753

NOTES TO THE CONDENSED CONSOLIDATED 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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is 21st Floor, The Bedford, 91-93 Bedford Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of engineering services in flooring, screeding, anti-skid surfacing 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 condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated financial information for the three months ended 30 June 2018 has been prepared in accordance with Hong Kong Financial Reporting Standard (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated financial information should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 March 2018, which have been prepared in accordance with HKFRSs issued by the HKICPA.



3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2018.

The Group has adopted and applied the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 April 2018. The adoption of these new standards and amendments to standards has no material impact on the Group's results and financial position.

HKFRS1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 28 (Amendments)	Investments in Associates and Joint ventures
HKAS 40 (Amendments)	Transfers of Investment Property

For those new standards, amendments to standards and interpretations which have been issued but are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

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

The preparation of the condensed consolidated financial information in conformity with HKFRSs 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 were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

4 REVENUE AND SEGMENT INFORMATION

	Three months ended 30 June	
	2018	2017
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Flooring	23,132,182	7,753,077
Ancillary services	817,977	1,138,620
	23,950,159	8,891,697

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 consolidated 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 and Macau.

During the three months ended 30 June 2018, all the revenue of the Group is recognised over time (three months ended 30 June 2017: same).

5 INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) 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 10.3% (2017: 27.6%).

In accordance with the two-tiered profits tax regime effective from 1 April 2018, Hong Kong profits tax was calculated at 8.25% on the first HK\$2 million and 16.5% of the remaining balance of the estimated assessable profits for the three months ended 30 June 2018.

6 DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 June 2018 (2017: Nil).

7 EARNINGS/(LOSS) PER SHARE

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

	Three months ended 30 June	
	2018	2017
	HK \$	HK \$
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company	2,239,646	(534,594)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	600,000,000	600,000,000
Earnings/(loss) per share (HK cents)	0.37	(0.09)

No adjustment has been made to the basic earnings/(loss) per share presented for the three months ended 30 June 2018 and 2017 as the Group had no potentially diluted ordinary shares in issue during those periods.

8 EXPENSES BY NATURE

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

	Three months ended 30 June	
	2018	2017
	HK \$	HK \$
	(Unaudited)	(Unaudited)
Cost of flooring materials used	10,404,314	2,825,718
Subcontractor cost	5,438,749	2,203,952
Employee benefit expenses	3,341,264	2,615,583
Auditor's remuneration	200,000	175,000

9 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
Ms. Li Chuen Chun (“ Mrs. Kwong ”)	Spouse of Mr. Kwong
Ms. Kwong Wing Yan (“ Ms. Kwong ”)	Daughter of Mr. Kwong
Ms. Kwong Wing Yee (“ Ms. Kwong W.Y. ”)	Daughter of Mr. Kwong

During the three months ended 30 June 2018 and 2017, the Group had the following transactions with its related parties:

	Three months ended 30 June	
	2018	2017
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Rental expenses paid in relation to rental contract entered into with:		
Mrs. Kwong and Ms. Kwong	9,250	–
Mrs. Kwong and Ms. Kwong W.Y.	–	60,000
	<u> </u>	<u> </u>

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



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group is principally engaged 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 colorful, 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 range from mid to high end projects in the car park flooring market.

During the three months ended 30 June 2018, the Group recorded revenue of HK\$24.0 million, an increase of 169.7% as compared with HK\$8.9 million for the same period of last year, which in turn increased the Group's net profit to approximately HK\$2.2 million for the three months ended 30 June 2018. The increase of revenue was mainly due to the significant numbers of contracts under progress at the year ended 31 March 2018 which revenues were recognized by the stage of completion during the three months ended 30 June 2018.

Revenue

Our revenue, which is principally generated from the provision of car park flooring services for construction projects, increased to approximately HK\$24.0 million or 169.7%, for the three months ended 30 June 2018 from approximately HK\$8.9 million for the three months ended 30 June 2017.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK\$3.9 million, or 114.7%, from approximately HK\$3.4 million for the three months ended 30 June 2017 to approximately HK\$7.3 million for the three months ended 30 June 2018. The gross profit margin of the Group decreased from 37.6% for the three months ended 30 June 2017 to 30.3% for the same period ended 30 June 2018. Such decline was primarily caused by intensified competition in the car parking industry which resulted in decrease of the contract sum.

General and administrative expenses

General and administrative expenses of the Group increased by approximately HK\$0.5 million from approximately HK\$4.2 million for the three months ended 30 June 2017 to approximately HK\$4.7 million for the three months ended 30 June 2018. General and administrative expenses consist primarily of staff cost, depreciation, rental expenses and other general administrative expenses.

Profit/(loss) attributable to owners of the Company

The net profit attributable to owners of the Company was approximately HK\$2.2 million for the three months ended 30 June 2018, as compared to net loss of approximately HK\$0.5 million recorded for the same period ended 30 June 2017. The turnaround from loss to profit was primarily attributable to the substantial increase of revenue for the three months ended 30 June 2018.

Treasury policy

The Group adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the reporting period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments will meet our funding requirements from time to time.

Commitments and Contingent Liability

The Group did not have significant lease commitments and contingent liabilities as at 30 June 2018.

Events after the reporting period

The Board is not aware of any events after the reporting period that requires disclosures.



DIVIDEND

The Board does not recommend payment of an interim dividend for the three months ended 30 June 2018 (2017: Nil).

OUTLOOK

Looking forward, the Directors still consider that the future opportunities and challenges facing the Group will continue to be affected by (i) the development of the property market, (ii) the construction schedule of our main contractors which are property developers, and (iii) the labour and material costs as well as our contract price.

The Group will continue to explore new business opportunities through the existing network, industry exhibitions and advertisements in industry magazines. In order to broaden our customer base and strengthen the income stream, the management also keeps track of any new construction projects and explore any business opportunities in car park flooring markets outside Hong Kong.

In view of the development plans of Hong Kong Government and the property developers, we are positive about the prospects of the construction industry as well as the car park flooring industry in the long run. We believe that the Group will achieve continuous growth for the Group and the Shareholders' value as a whole.

CORPORATE GOVERNANCE PRACTICE AND COMPLIANCE

The Company has complied with the principles and applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules for the three months ended 30 June 2018, except the deviation from CG Code provision A.2.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.



Mr. Kwong Chi Man is the chairman and the chief executive officer of the Company. Mr. Kwong has been the key leadership figure of the Group for about 15 years and is well recognised in the car park flooring industry in Hong Kong. Mr. Kwong has been primarily involved in the overall business development, technical operations and strategic planning of the Group. The Directors are of the view that it would be in the Group's best interest for Mr. Kwong to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**"). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the three months ended 30 June 2018.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Scheme**") on 24 September 2016, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to the prospectus of the Company dated 30 September 2016. The terms of the Scheme comply with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted or exercised under the Scheme during the three months ended 30 June 2018. No share option was outstanding as at 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares for the three months ended 30 June 2018.

DISCLOSURE OF INTERESTS

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

As at 30 June 2018, the interests or short positions of the Directors or chief executives officer of the Company in the Shares, underlying Shares and debentures of the Company or any of the 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Director	Nature of Interest	Number of Shares held or interested	Percentage of shareholding
Mr. Kwong Chi Man ("Mr. Kwong")	Interest in controlled corporation (<i>note</i>)	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 the Company. Therefore, Mr. Kwong is deemed to be interested in all the Shares which are beneficially owned by Sage City for the purpose of the SFO. Mr. Kwong is the chairman, an executive Director of the Company and a director of Sage City.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive officer of the Company had any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

B. Substantial Shareholders' interest and other persons' Interests and short positions in the Shares and, underlying Shares and debenture of the Company

So far as the Directors were aware, as at 30 June 2018, the following persons (other than the Directors or chief executive officer of the Company) had interests 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 recorded in the register of interests required to be kept under section 336 of the SFO:

Long Position in the Shares

Name	Nature of Interest	Number of Shares held or interested	Percentage of shareholding
Sage City	Beneficial interest (note 1)	375,750,000	62.63%
Ms. Li Chuen Chun	Interest of spouse (note 2)	375,750,000	62.63%

Notes:

1. Sage City is a company incorporated in the British Virgin Islands and is owned by Mr. Kwong and Mr. Yip Kong Lok as to 70% and 30%, respectively. Mr. Kwong is the chairman of the Company, an executive Director and a director of Sage City. Mr. Yip is the general manager and has been appointed as an executive Director since 3 August 2018.
2. Ms. Li Chuen Chun is the spouse of Mr. Kwong and is deemed to be interested in all the Shares in which Mr. Kwong is interested for the purposes of the SFO.

Save as disclosed above, as at 30 June 2018, the Directors were aware that any persons (other than the Directors or chief executive officer of the Company) had interests 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 required to be recorded in the register of interests required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interests in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Alliance Capital Partners Limited (“ACP”), as at 30 June 2018, save as the compliance adviser agreement entered into between the Company and ACP dated 17 June 2016, neither ACP nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 24 September 2016 with its written terms of reference in accordance with the GEM Listing Rules and the CG Code. The Audit Committee has reviewed the Group’s unaudited consolidated financial results for the three months ended 30 June 2018. The Audit Committee is of the opinion that such financial results comply with the applicable accounting standards, the GEM Listing Rules 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, 8 August 2018

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

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the Company’s website at www.kmk.com.hk.