



# 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

### *Third Quarterly Report 2018/19*

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

*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 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 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\$91.6 million, or 72.5%, for the nine months ended 31 December 2018 from approximately HK\$53.1 million for the same period ended 31 December 2017.
- The Group's gross profit increased by approximately HK\$6.9 million, or 35.2% from approximately HK\$19.6 million for the nine months ended 31 December 2017 to approximately HK\$26.5 million for the nine months ended 31 December 2018. The gross profit margin of the Group decreased from 37.0% for the nine months ended 31 December 2017 to 29.0% for the same period ended 31 December 2018.
- The net profit attributable to owners of the Company was approximately HK\$9.8 million for the nine months ended 31 December 2018, as compared to net profit of approximately HK\$5.6 million recorded for the same period ended 31 December 2017.
- The Board does not recommend payment of an interim dividend for the nine months ended 31 December 2018 (for the same period ended 31 December 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 nine months ended 31 December 2018, together with the comparative unaudited figures for the corresponding period in 2017 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)
<b>Revenue</b>	4	<b>38,325,869</b>	27,830,315	<b>91,612,136</b>	53,066,160
Cost of sales	8	<b>(28,802,506)</b>	(16,386,893)	<b>(65,080,511)</b>	(33,431,156)
<b>Gross profit</b>		<b>9,523,363</b>	11,443,422	<b>26,531,625</b>	19,635,004
Other gain		-	8,564	<b>67,018</b>	99,403
General and administrative expenses	8	<b>(5,129,489)</b>	(4,566,037)	<b>(14,813,527)</b>	(13,000,378)
<b>Operating profit</b>		<b>4,393,874</b>	6,885,949	<b>11,785,116</b>	6,734,029
Finance cost, net		<b>(61,765)</b>	(70,272)	<b>(226,599)</b>	(165,534)
<b>Profit before income tax</b>		<b>4,332,109</b>	6,815,677	<b>11,558,517</b>	6,568,495
Income tax expense	5	<b>(673,217)</b>	(1,015,209)	<b>(1,804,167)</b>	(1,015,209)
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>		<b>3,658,892</b>	5,800,468	<b>9,754,350</b>	5,553,286
<b>Earnings per share, attributable to owners of the Company</b>					
- Basic and diluted (HK cents per share)	7	<b>0.61</b>	0.97	<b>1.63</b>	0.93

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

	Unaudited					
	Share capital	Share premium	Capital reserves	Shareholders contribution	Retained earnings	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Balance at 1 April 2018</b>						
as original presented	6,000,000	52,482,955	108	8,800,000	15,466,937	82,750,000
Change in accounting policies	-	-	-	-	(1,252,933)	(1,252,933)
Restated balance at 1 April 2018	6,000,000	52,482,955	108	8,800,000	14,214,004	81,497,067
Dividend	-	-	-	-	(8,400,000)	(8,400,000)
Profit and total comprehensive income for the period	-	-	-	-	9,754,350	9,754,350
<b>Balance at 31 December 2018</b>	<b>6,000,000</b>	<b>52,482,955</b>	<b>108</b>	<b>8,800,000</b>	<b>15,568,354</b>	<b>82,851,417</b>
<b>Balance at 1 April 2017</b>	6,000,000	52,482,955	108	8,800,000	8,820,284	76,103,347
Profit and total comprehensive income for the period	-	-	-	-	5,553,286	5,553,286
<b>Balance at 31 December 2017</b>	<b>6,000,000</b>	<b>52,482,955</b>	<b>108</b>	<b>8,800,000</b>	<b>14,373,570</b>	<b>81,656,633</b>

## **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 Company listed its share on GEM of The Stock Exchange of Hong Kong Limited on 13 October 2016.

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

The condensed consolidated financial information has not been audited but has been reviewed by the audit committee of the Company.

### **2 BASIS OF PREPARATION**

This condensed consolidated financial information for the nine months ended 31 December 2018 has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure 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 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.

Annual Improvement Project HKFRS 2 (Amendments)	Annual Improvements 2014-2016 Cycle 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
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

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 nine 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 31 December		Nine months ended 31 December	
	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)
Flooring	<b>37,529,246</b>	27,637,422	<b>88,949,708</b>	51,732,084
Ancillary services	<b>796,623</b>	192,893	<b>2,662,428</b>	1,334,076
	<b>38,325,869</b>	27,830,315	<b>91,612,136</b>	53,066,160

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's revenue is recognised over the time based on the stage of completion at the end of the reporting period and the percentage of completion is determined by the proportion that contract cost incurred for work performed relative to the estimated total contract cost.

The Group primarily operates in Hong Kong and Macau with most of its non-current assets located in and capital expenditure incurred in Hong Kong.

Revenue was earned from customers located in both Hong Kong and Macau of approximately HK\$79.6 million and approximately HK\$12.0 million, respectively, for the nine months ended 31 December 2018 (for the same period ended 31 December 2017: approximately HK\$44.5 million and approximately HK\$8.6 million, respectively).

#### 5 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 15.6% for the nine months ended 31 December 2018 (for the nine months ended 31 December 2017: approximately 15.5%).

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 nine months ended 31 December 2018.

Macau corporate income tax was provided at the applicable rate of 12% on the estimated assessable profits of the Group's operation in Macau.

## 6 DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2018 (for the same period ended 31 December 2017: nil).

## 7 EARNINGS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)
Profit attributable to owners of the Company	<b>3,658,892</b>	5,800,468	<b>9,754,350</b>	5,553,286
Weighted average number of ordinary shares in issue	<b>600,000,000</b>	600,000,000	<b>600,000,000</b>	600,000,000
Basic earnings per share (HK cents)	<b>0.61</b>	0.97	<b>1.63</b>	0.93

No adjustment has been made to the basic earnings per share presented for the nine months ended 31 December 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 31 December		Nine months ended 31 December	
	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2018 HK\$ (Unaudited)	2017 HK\$ (Unaudited)
Cost of flooring materials used	<b>14,799,808</b>	10,601,239	<b>35,563,222</b>	17,869,037
Subcontractor cost	<b>13,078,450</b>	4,997,782	<b>26,883,987</b>	13,442,286
Employee benefit expenses	<b>3,164,803</b>	3,170,789	<b>9,491,659</b>	8,423,039
Auditor's remuneration	<b>200,000</b>	275,000	<b>600,000</b>	725,000

## 9 RELATED PARTY TRANSACTIONS

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

<b>Related parties</b>	<b>Relationship with the Group</b>
Mr. Kwong	Controlling shareholder and executive Director of the Company
Ms. Li Chuen Chun (" <b>Mrs. Kwong</b> ")	Spouse of Mr. Kwong
Ms. Kwong Wing Yan (" <b>Ms. Kwong</b> ")	Daughter of Mr. Kwong
Ms. Kwong Wing Yee (" <b>Ms. Kwong W.Y.</b> ")	Daughter of Mr. Kwong
Mr. Yip Kong Lok (" <b>Mr. Yip</b> ")	Executive Director of the Company
Mr. Yip Wai Man (" <b>Mr. Yip W.M.</b> ")	Executive Director of the Company

- (a) During the nine months ended 31 December 2018 and 2017, the Group had the following transactions with its related parties:

	<b>Nine months ended</b>	
	<b>31 December</b>	
	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
	<b>(Unaudited)</b>	(Unaudited)
Rental expenses paid in relation to rental contract entered into with:		
Mrs. Kwong and Ms. Kwong	<b>31,450</b>	–
Mrs. Kwong and Ms. Kwong W.Y.	–	60,000
Mr. Kwong and Mr. Yip	–	60,000
	<b>31,450</b>	<b>120,000</b>

These transactions were entered into at terms mutually agreed with the Directors or the related parties in the ordinary course of the Group's business.

- (b) On 25 May 2018, the Group purchased a motor vehicle at a consideration of HK\$75,000 from Mr. Yip W.M.. The consideration was referenced to the market value of similar vehicles in the locality. The transaction was entered into at terms mutually agreed with the Directors or the related parties 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 nine months ended 31 December 2018, the Group recorded revenue of approximately HK\$91.6 million, or the increase of 72.5% as compared with approximately HK\$53.1 million for the same period of last year, which increased the Group's net profit to approximately HK\$9.8 million for the nine months ended 31 December 2018 as compared with approximately HK\$5.6 million for the same period of last year. The increase of revenue was mainly due to (i) the significant numbers of contracts under progress from the year ended 31 March 2018; and (ii) the increase in numbers of projects undertaken by the Group during the nine months ended 31 December 2018.

#### *Revenue*

The revenue, which is principally generated from the provision of car park flooring services for construction projects, increased to approximately HK\$91.6 million or 72.5%, for the nine months ended 31 December 2018 from approximately HK\$53.1 million for the nine months ended 31 December 2017.

#### *Gross Profit and Gross Profit Margin*

The Group's gross profit increased by approximately HK\$6.9 million, or 35.2% from approximately HK\$19.6 million for the nine months ended 31 December 2017 to approximately HK\$26.5 million for the nine months ended 31 December 2018.

The gross profit margin of the Group decreased from 37.0% for the nine months ended 31 December 2017 to 29.0% for the same period ended 31 December 2018. Such decline was primarily caused by (i) intensified competition in the car parking flooring industry and the competitive labour market, which resulted in decrease of the contract sum and increase in subcontractor cost respectively; (ii) increased usage of materials and subcontractor cost to meet the variation orders in certain projects; and (iii) lower pricing strategy for Macau projects in order to expand the local market share.

***General and administrative expenses***

General and administrative expenses of the Group increased by approximately HK\$1.8 million from approximately HK\$13.0 million for the nine months ended 31 December 2017 to approximately HK\$14.8 million for the nine months ended 31 December 2018. The increase was mainly attributable to the increase in staff cost and the depreciation during the nine months ended 31 December 2018. General and administrative expenses consist primarily of staff cost, depreciation, professional fee, rental expenses and other general administrative expenses.

***Income tax expense***

Income tax expense for the Group was approximately HK\$1.8 million for the nine months ended 31 December 2018 (for the nine months ended 31 December 2017: approximately HK\$1.0 million). Hong Kong profits tax was calculated at a rate of 8.25% on the first HK\$2 million and 16.5% of the remaining balance of the estimated assessable profits for the nine months ended 31 December 2018. Macau corporate income tax was provided at the applicable rate of 12% on the estimated assessable profits of the Group's operation in Macau.

***Profit attributable to owners of the Company***

The net profit attributable to owners of the Company increased by approximately HK\$4.2 million, or 75.0% from approximately HK\$5.6 million for the nine months ended 31 December 2017 to approximately HK\$9.8 million for the nine months ended 31 December 2018. Such increase was primarily attributable to the increase in revenue.



## **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 who are mainly property developers; and (iii) the factors affecting 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. During the nine months ended 31 December 2018, the Group had successfully secured two major projects in Macau with the total contract sum of approximately Macau Pataca 25.5 million. One of the projects commenced in October 2018 and the other one is expected to commence in February 2019.

In addition of our extensive experience and reputation in the car park flooring industry, we believe that we will achieve continuous growth for the Group and create reasonable return for our shareholders.

## **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 can meet its funding requirements from time to time.

## **COMMITMENTS AND CONTINGENT LIABILITY**

As at 31 December 2018, the Group did not have any significant lease commitments and contingent liabilities (31 December 2017: nil).

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **DISCLOSURE OF INTERESTS**

### **(A) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation**

As at 31 December 2018, the interests or short positions of the Directors and chief executives of the Company in the shares (the "**Shares**"), underlying Shares and debentures of the Company or any of its associated corporations (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 interests and 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***

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Number of shares held or interested</b>	<b>Percentage of shareholding</b>
Mr. Kwong Chi Man ( <b>"Mr. Kwong"</b> )	Interest in controlled corporation ( <i>Note 1</i> )	375,750,000	62.63%

*Note:*

1. 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.

***Long position in the shares of associated corporation***

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Number of shares held or interested in associated corporation</b>	<b>Percentage of interest in associated corporation</b>
Mr. Yip Kong Lok ("Mr. Yip")	Beneficial owner (Note 2)	3,000 shares in Sage City	30% in Sage City

Note:

- Mr. Yip is an executive Director of the Company.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executives 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 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' interest and short positions in the shares and underlying shares and debenture of the Company**

So far as the Directors were aware, as at 31 December 2018, the following persons (other than the Directors or chief executives 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 provision of Divisions 2 and 3 of Part XV of the SFO, or who recorded in the register of interests required to be kept under Section 336 of the SFO:

***Long Position in the Shares***

<b>Name</b>	<b>Nature of Interest</b>	<b>Number of shares held or interested</b>	<b>Percentage of shareholding</b>
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 as to 70% and 30%, respectively. Mr. Kwong is the chairman, an executive Director of the Company and a director of Sage City. Mr. Yip is an executive Director of the Company.
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 31 December 2018, the Directors were not aware that any persons (other than the Directors or chief executives 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.

## COMPETING INTERESTS

Other than members of the Group, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had interests in any businesses which competes or is likely to compete, directly or indirectly, with the business of the Group during the nine months ended 31 December 2018.

## INTERESTS OF COMPLIANCE ADVISER

As notified by compliance adviser of the Company, Alliance Capital Partners Limited (“ACP”), as at 31 December 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 interests in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## 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 nine months ended 31 December 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 over 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 FOR SECURITIES TRANSACTIONS BY THE 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 nine months ended 31 December 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 during the nine months ended 31 December 2018.

## **DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2018. (for the nine months ended 31 December 2017: nil)

## **SHARE OPTION SCHEME**

The Company conditionally adopted a share option scheme (the “**Scheme**”) on 24 September 2016. The terms of the 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 31 December 2018.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) on 24 September 2016 with its written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, being Mr. Law Pui Cheung, Ms. Yu Wan Wah Amparo and Mr. Wat Danny Hiu Yan. Mr. Law Pui Cheung currently serves as the chairman of the Audit Committee.



The Audit Committee has reviewed the unaudited consolidated financial results of the Group for the nine months ended 31 December 2018. The Audit Committee is of the opinion that the unaudited consolidated financial results of the Group for the nine months ended 31 December 2018 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**  
**Mr. Kwong Chi Man**  
*Chairman and Executive Director*

Hong Kong, 29 January 2019

*As at the date of this report, the executive Directors are Mr. Kwong Chi Man, Mr. Yip Kong Lok and Mr. Yip Wai Man 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](http://www.hkgem.com) for at least 7 days from the date of its posting and the Company's website at [www.kmk.com.hk](http://www.kmk.com.hk).*

