KNK Holdings Limited
中國卓銀國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8039)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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; and all opinions expressed in this announcement have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

* *for identification propose only*

SUMMARY

- The revenue of the Company and its subsidiaries (collectively the "**Group**") amounted to approximately HK$45.8 million for the year ended 31 March 2019 (2018: approximately HK$40 million), representing an increase of approximately 14.5% as compared to that of the same period in 2018.
- The net loss of the Group amounted to approximately HK$5.2 million for the year ended 31 March 2019 (2018: net profit of approximately HK$8.0 million) representing a decrease of approximately 164.2% as compared to that of the same period in 2018.
- The Directors do not recommend any final dividend for the year ended 31 March 2019.

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 2019 together with the comparative figures for the financial year ended 31 March 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*4*	**45,848**	40,016
Cost of services rendered		**(40,664)**	(22,523)
Gross profit		**5,184**	17,493
Other income	*5*	**376**	341
General and administrative expenses		**(10,500)**	(7,590)
(Loss)/profit from operations		**(4,940)**	10,244
Finance cost	*6(a)*	**(199)**	–
Share of results of an associate		**(9)**	–
(Loss)/profit before taxation	*6*	**(5,148)**	10,244
Income tax	*7*	**(7)**	(2,216)
(Loss)/profit for the year attributable to owners of the Company		**(5,155)**	8,028
Other comprehensive income for the year (net of nil tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**–**	–
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(5,155)**	8,028
(Loss)/earnings per share	*9*		
Basic		**HK(1.23) cents**	HK1.92 cents
Diluted		**HK(1.23) cents**	HK1.92 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000 (Note)
Non-current assets			
Property, plant and equipment		**1,451**	1,258
Interest in an associate		**7,831**	–
Deposits and prepayments	*10*	**1,200**	–
		10,482	1,258
Current assets			
Contract assets		**4,073**	–
Loan receivables		**4,092**	–
Trade and other receivables	*10*	**5,411**	7,724
Amounts due from customers for contract work		**–**	997
Amount due from an associate		**160**	–
Amount due from the ultimate holding company		**12**	–
Tax recoverable		**1,460**	–
Cash and cash equivalents		**29,419**	44,831
		44,627	53,552
Current liabilities			
Contract liabilities		**100**	–
Trade and other payables	*11*	**552**	3,501
Amounts due to customers for contract work		**–**	322
Other borrowings		**4,092**	–
Current taxation		**27**	461
		4,771	4,284
Net current assets		**39,856**	49,268
Total assets less current liabilities		**50,338**	50,526
Non-current liabilities			
Bond payable		**5,000**	–
Deferred tax liabilities		**26**	59
		5,026	59
Net assets		**45,312**	50,467
Capital and reserves			
Share capital		**4,180**	4,180
Reserves		**41,132**	46,287
Total equity		**45,312**	50,467

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

		Attributable to owners of the Company					
	Note	**Share capital** *HK$'000*	**Share premium** *HK$'000*	**Other reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 April 2017		4,180	33,785	5,000	–	12,014	54,979
Profit for the year		–	–	–	–	8,028	8,028
Profit and total comprehensive income for the year		–	–	–	–	8,028	8,028
Dividends declared in respect of the current year	*8*	–	–	–	–	(12,540)	(12,540)
Balance at 31 March 2018		4,180	33,785	5,000	–	7,502	50,467
Balance at 1 April 2018		4,180	33,785	5,000	–	7,502	50,467
Loss for the year		–	–	–	–	(5,155)	(5,155)
Other comprehensive income		–	–	–	–	–	–
Loss and total comprehensive loss for the year		–	–	–	–	(5,155)	(5,155)
Balance at 31 March 2019		4,180	33,785	5,000	–	2,347	45,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of investment property

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

HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. There is no significant impact on the Group's financial position and financial result upon initial application at 1 April 2018. Comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

b) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, loan receivables, amount due from an associate and amount due from ultimate holding company); and

– contract assets as defined in HKFRS 15.

The application of HKFRS 9 has not resulted in material additional loss allowance against the Group's retained profits at 1 April 2018.

c) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

There is no significant impact on the Group's financial position and financial results upon initial application at 1 April 2018. Comparative information continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Under HKFRS 15, contract revenue recognised over time continues to be applied. This core principle is same as the method in measuring the stage of completion under HKAS 11. As a result, there is no change in the method in measuring the stage of completion under HKAS 11 as compared with HKFRS 15.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from contraction contracts.

b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the date of revenue recognition. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, Borrowing costs.

This change in policy has had no effect on retained profits at 1 April 2018.

c) Timing of recognition of contract costs

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Previously, contract costs of the Group were recognised by reference to the stage of completion of the contract, which was measured with reference to the percentage of the estimated total revenue for the contracts entered into by the Group that have been performed to date, and under HKAS 11, contract costs that related to satisfied performance obligations were the excess of costs incurred up to date over costs calculated based on the stage of completion and were recorded in the "Amount due from customers for contract work". Under HKFRS 15, these contract costs relating to satisfied performance obligations are expensed as incurred, and the timing of recognition of contract costs would change and it would no longer be possible to defer or accrue costs to report a consistent profit margin percentage over the term of a contract.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognise costs from constructions contracts.

d) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "Amounts due from customers for contract work" or "Amount due to customers for contract work" respectively, and the revenue was recognised for the reasons explained in paragraph a. above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

(i) "Amounts due from customers for contract work" amounting to HK$997,000 is now included under contract assets; and

(ii) "Amounts due to customers for contract work" amounting to HK$322,000 is now included under contract liabilities.

e) Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000* *(Note)*
Current assets			
Amounts due from customers for contract work	997	(997)	–
Contract assets	–	997	997
Current liabilities			
Contract liabilities	–	322	322
Amounts due to customers for contract work	322	(322)	–

Note: The amounts in this column are before the adjustments from the application of HKFRS 9.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Amounts due from customers for contract work	–	4,073	4,073
Contract assets	4,073	(4,073)	–
Current liabilities			
Amounts due to customers for contract work	–	100	100
Contract liabilities	100	(100)	–

Impact on the consolidated statement of cash flows

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Operating activities			
Increase in contract assets	(3,076)	3,076	–
Decrease/(increase) in amounts due from customers for contract work	–	(3,076)	3,076
Decrease in amounts due to customers for contract work	–	(222)	(222)
Decrease in contract liabilities	(222)	222	–

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these consolidated financial statements.

HK(IFRIC) 22 Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

4. REVENUE AND SEGMENT INFORMATION

Revenue and business segment

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

The amounts of revenue recognised during the year is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Contract revenue from provision for comprehensive architectural and structural engineering consultancy service	**45,848**	40,016

The Group's operation is mainly derived from provision for comprehensive architectural and structural engineering consultancy service. For the purpose of resources allocation and performance assessment, the chief operating decision marker (i.e. 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.

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its construction contracts such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the construction contracts as contract works have an original expected duration of one year or less.

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.

The geographical location of the non-current assets is based on (i) the physical location of the asset in the case of property, plant and equipment; and (ii) the location of the operation to which they are allocated in the case of deposits and prepayments. In the case of interest in the associate, it is based on the location of the operation of such associate.

Since all of the property, plant and equipment employed by the Group are located in Hong Kong, the location of the operation to which deposits and prepayments are allocated and the operation of the associate is in Hong Kong, no geographical information is presented accordingly.

Information about major customers

Revenue from customers contributing individually over 10% or more of the Group's revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**16,649**	16,652
Customer B *(note (i))*	**–**	4,057

Notes:

i) The corresponding revenue did not contribute 10% or more of the Group's total revenue during the year ended 31 March 2019.

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income on bank deposits	**–**	34
Total interest income on financial assets measured at amortised cost	**–**	34
Rental income from operating leases, other than those relating to investment properties	**294**	307
Reversal of impairment losses on trade receivables	**21**	–
Sundry income	**61**	–
	376	341

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
a) Finance cost		
Interest on bond payable	**199**	–
b) Staff cost (including directors' remuneration)		
Salaries, wages and other benefits	**19,144**	12,038
Contributions to defined contribution retirement plan	**313**	272
Total staff costs	**19,457**	12,310
Less: Amount included in cost of services rendered	**(15,016)**	(9,483)
Total staff costs included in general and administrative expenses	**4,441**	2,827
c) Other items		
Auditor's remuneration	**540**	450
Depreciation of property, plant and equipment	**657**	431
Impairment losses on trade receivables	**–**	21
Operating lease charges for office premise	**769**	874

7. INCOME TAX

Income tax recognised in profit or loss

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**40**	2,271
Deferred taxation		
Origination and reversal of temporary differences	**(33)**	(55)
	7	2,216

The provision for Hong Kong Profits Tax for 2019 in calculated at 16.5% (2018: 16.5%) of the estimated assessable profits 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 2018-19 subject to a maximum reduction of HK$20,000 for each business (2018: a maximum reduction of HK$30,000 was granted for the year of assessment 2017-18 and was taken into account in calculating the provision for 2018).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and the assessable profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

No provision for PRC Enterprise Income Tax for the PRC subsidiary in 2019 as there is no estimated profits for the year (2018: Nil).

8. DIVIDENDS

Dividends payable to owners of the Company attributable to the year

	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared and paid of HKNil cent per ordinary share (2018: HK3 cents per ordinary share)	**–**	12,540

The directors of the Company do not recommend the payment of a final dividend for both years ended 31 March 2018 and 2019.

9. (LOSS)/EARNINGS PER SHARE

a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the year ended 31 March 2019 of HK$5,155,000 (2018: profit of HK$8,028,000) and the weighted average number of ordinary shares of the Company in issue during the year, calculated as follows:

	2019	2018
	Number of shares	*Number of shares*
Weighted average number of ordinary shares	**418,000,000**	418,000,000

b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share equals to basic earnings per share as there was no potential dilutive ordinary shares in issue during the years ended 31 March 2018 and 2019.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables, net of loss allowance	**3,754**	7,303
Financial assets measured at amortised cost	**3,754**	7,303
Deposits and prepayments	**2,857**	421
	6,611	7,724
Analysed as:		
Non-current	**1,200**	–
Current	**5,411**	7,724
	6,611	7,724

Ageing analysis

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**785**	6,336
31 – 60 days	**550**	534
61 – 90 days	**336**	91
91 – 180 days	**433**	321
Over 180 days	**1,650**	21
	3,754	7,303

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

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**–**	2,103
Accrued expenses and other payables	**552**	1,398
	552	3,501

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**–**	2,103
	–	2,103

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 2019, 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 longterm 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 2019 was approximately HK$45.8 million (2018: approximately HK$40.0 million), representing approximately HK$5.8 million or 14.5% increase compared to the corresponding period in 2018. Such increase was mainly attributable to the Design and Build Project as announced in the announcement dated 18 July 2017.

The Group's gross profit margin was lowered from approximately 43.7% in the financial year ended 31 March 2018 to approximately 11.3% in the financial year ended 31 March 2019. Such drop was due to the higher percentage of revenue contribution from the Design and Build Project which it had a lower gross profit margin compared with other projects of the Group, in addition to the salaries increment to project team staff members and director.

General and administrative expenses

The Group's total general and administrative expenses for the financial year ended 31 March 2019 was approximately HK$10.5 million (2018: approximately HK$7.6 million), representing an increase of approximately HK$2.9 million or 38.3% when compared to the corresponding period in 2018. Such increase was mainly due to the increase of HK$0.9 million for legal and advisory services on potential group development opportunities and increased director fees payments due to number of directors increased compared with financial year ended 31 March 2018.

(Loss)/profit for the year

The Group recorded a net loss attributable to owners of the Company of approximately HK$5.2 million for the financial year ended 31 March 2019 (2018: profit of HK$8.0 million). Such decrease was mainly due to the increase in general and administrative expenses as well as the drop of gross profit due to the project nature of the Design and Build Project and salaries increment to project team staff members and director.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the financial year ended 31 March 2019, the Group financed its operations by cash flow from operating activities. As at 31 March 2019, the Group had net current assets of approximately HK$29.9 million (2018: approximately HK$49.3 million), including cash and cash equivalents of approximately HK$29.4 million (2018: approximately HK$44.8 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 9.4 times as at 31 March 2019 (2018: approximately 12.5 times). The decrease in the current ratio was mainly attributable to the decrease in cash and cash equivalents which was in turn used to invest in an associate.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK$45.3 million as at 31 March 2019 (2018: approximately HK$50.5 million).

EMPLOYEE INFORMATION

Total staff and Directors' remuneration for the financial year ended 31 March 2019 was approximately HK$19.5 million (2018: approximately HK$12.3 million). Such increase was mainly due to the increase in directors' remunerations by HK$3.9 million and project team staff salaries increment. 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 2019 (2018: 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 2019, 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 2019 and up to the date of announcement of annual results and report issuance.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 March 2019.

USE OF PROCEEDS

Among the net proceeds of approximately HK$25.1 million from the Placing, up to the latest practicable date for the purpose of this announcement, approximately HK$2.5 million has been used as general working capital of the Group, comprising (i) approximately HK$0.9 million as Directors' remuneration and staff salaries payment; and (ii) approximately HK$1.6 million as compliance and professional fee and general expenses. Also approximately HK$3.2 million was used as salaries to recruit additional staff since listing to support the expansion of business and approximately HK$2.5 million was used to purchase new property, plant and equipment. The remaining balance of HK$16.9 million was kept in the Company's bank account. The Directors do not intend to change the intended usage of the proceed as disclosed in the Prospectus.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "**Required standard of Dealing**"). Having made specific enquiries of all the Directors, all of them have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 March 2019. No incident of non-compliance was noted by the Company during the year.

CORPORATE GOVERNANCE PRACTICES

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code and Report") in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 March 2019 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.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Friday 20 September 2019. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 17 September 2019 to Friday 20 September 2019 (both dates inclusive), during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Monday 16 September 2019.

AUDIT COMMITTEE

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the CG Code and Report. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Sung Hak Keung Andy. The other members are Mr. Kong Kam Wang and Mr. Wong Kai Tat.

The primary duties of the audit committee are to make recommendations to the Board on the appointment, reappointment and removal of external auditors; review the financial statements of our Company and areas involving judgements in respect of financial reporting; and oversee internal control procedures of our Company. All members of the Audit Committee are appointed by the Board.

The audited annual results of the Company for the year ended 31 March 2019 have been reviewed by the audit committee members who have provided advice and comments thereon.

CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

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

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

Hong Kong, 30 June 2019

As at the date of this announcement, the executive Directors are Mr. Poon Kai Kit Joe, Ms. Chan Ka Yee, Mr. Sun Xiao Li, Mr. Gu Jintai, Ms. Shi Lijie and Mr. Feng Wei; 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.