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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

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 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 announcement, for which the directors (the “Board” or “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 GEM of the Stock Exchange (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.

The board announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the nine months period ended 31 December 2020 (“Period”) together with the comparative unaudited figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months period ended 31 December 2020

		Three months ended 31 December		Nine months ended 31 December	
		2020	2019	2020	2019
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	8,784	7,121	26,778	21,945
Cost of services rendered		<u>(7,025)</u>	<u>(10,463)</u>	<u>(24,415)</u>	<u>(21,601)</u>
Gross profit (loss)		1,759	(3,342)	2,363	344
Other income		1,256	73	2,019	220
Administrative expenses		(2,110)	(13,475)	(8,633)	(19,041)
Share of loss of an associate		(983)	–	(983)	–
Finance costs		<u>(141)</u>	<u>(201)</u>	<u>(699)</u>	<u>(201)</u>
Loss before taxation		(219)	(16,945)	(5,933)	(18,678)
Income tax (expense) recoverable	5	<u>(9)</u>	<u>106</u>	<u>(9)</u>	<u>–</u>
Loss for the period attributable to owners of the Company		(228)	(16,839)	(5,942)	(18,678)
Other comprehensive income for the period		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(228)</u>	<u>(16,839)</u>	<u>(5,942)</u>	<u>(18,678)</u>
Loss per share					
Basic (HK cents)	7	<u>(0.05) cents</u>	<u>(4.03) cents</u>	<u>(1.42) cents</u>	<u>(4.47) cents</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months period ended 31 December 2020*

	Attributable to owners of the Company				
	Share capital	Share premium	Other reserve	Accumulated profits (losses)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2020 (audited)	4,180	33,785	5,000	(31,987)	10,978
Loss and total comprehensive loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,942)</u>	<u>(5,942)</u>
At 31 December 2020 (unaudited)	<u>4,180</u>	<u>33,785</u>	<u>5,000</u>	<u>(37,929)</u>	<u>5,036</u>

For the nine months period ended 31 December 2019

	Attributable to owners of the Company				
	Share capital	Share premium	Other reserve	Accumulated profits (losses)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2019 (audited)	4,180	33,785	5,000	2,347	45,312
Loss and total comprehensive loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(18,678)</u>	<u>(18,678)</u>
At 31 December 2019 (unaudited)	<u>4,180</u>	<u>33,785</u>	<u>5,000</u>	<u>(16,331)</u>	<u>26,634</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2020

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 of the Cayman Islands and acts as an investment holding company. Its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 December 2016. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Unit E, 33rd Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company and its subsidiaries (together the “Group”) are principally engaged in the provision of comprehensive architectural and structural engineering consultancy service.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKASs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the nine months period ended 31 December 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

3. SEGMENT REPORTING

The Group manages its operation by business lines in a manner consistent with the way in which information is reported internally to the Group’s most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment. The management reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Information about geographical areas

All of the activities of the Group are carried out in Hong Kong and all of the Group’s revenue for the nine months period ended 31 December 2020 and 2019 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

4. REVENUE

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

5. INCOME TAX (EXPENSE) RECOVERABLE

	For the three months ended 31 December		For the nine months ended 31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax (Provision) recoverable for the period	<u>(9)</u>	<u>106</u>	<u>(9)</u>	<u>–</u>

The provision for Hong Kong Profits tax for 2020 is calculated at 8.25% for the first HK\$2,000,000 and 16.5% on the remaining balance (2019: 8.25% for the first HK\$2,000,000 and 16.5% on the remaining balance) of estimated assessable profits for the Period.

6. DIVIDEND

The Board has resolved not to declare any dividend for the nine months ended 31 December 2020 (2019: Nil).

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the three months ended 31 December		For the nine months ended 31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss:				
Loss for the purposes of basic and diluted earnings per share:				
Loss for the period attributable to owners of the Company	<u>(228)</u>	<u>(16,839)</u>	<u>(5,942)</u>	<u>(18,678)</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>418,000,000</u>	<u>418,000,000</u>	<u>418,000,000</u>	<u>418,000,000</u>

No diluted earnings per share is presented for the nine months ended 31 December 2020 and 2019 as there were no potential ordinary shares outstanding during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of comprehensive architectural and structural engineering consultancy service. During the Period, as continuing from previous financial year and mentioned in 2020 annual report, 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 proceeds raised have strengthened the cash position of the Group and allowed the Group to expand from different aspects.

The revenue of the Group increased by HK\$4.9 million or 22.4% during the Period as compared with nine months ended 31 December 2019; and the loss for the Period was HK\$5.9 million whereas there was a loss of HK\$18.7 million for the nine months ended 31 December 2019. The reasons of such changes can be found under the Financial Review section below.

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 its longterm development. These strategic directions aim to capture new business opportunities in the market and contribute satisfactory long-term returns to its shareholders. Such achievements depend on whether the Group can attract competent professionals to join the Group and the domestic business environment.

Under the current political and economic environment, in particular as the impact of COVID-19 is still uncertain, the Group will seek to minimise risk exposure by bargaining better terms from sub-contractors, minimising expenses, securing projects and keeping closer eyes on chasing receivables to keep the operations of the Group as usual.

FINANCIAL REVIEW

Revenue

The Group's revenue is generated from 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 architectural related consultancy.

The total revenue for the Period was approximately HK\$26.8 million (2019: HK\$21.9 million) which represents a HK\$4.9 million or 22.4% increase compared to the corresponding period in 2019. Such increase was mainly attributable to the revenue contribution from a project with a relatively large contract sum.

The gross profit margin was increased from approximately 1.6% for the nine months ended 31 December 2019 to approximately 8.8% for the nine months ended 31 December 2020. Such increase was mainly due to the Group incurred approximately HK\$4.0 million sub-contractor costs on a project as maintenance within warranty period in 2019 and its revenue was recognised in previous years already. This non-recurring incident did not incur for the Period.

Administrative Expenses

The total administrative expenses for the Period was approximately HK\$8.6 million (2019: HK\$19.0 million) and there was a decrease of HK\$10.4 million or 54.7%. Such change was mainly due to a decrease in legal and professional fees on handling various compliance and legal issues when compare to the corresponding period in 2019.

Income tax expense

The income tax expenses for the Period was approximately HK\$9,000 (2019: Nil) and such increase was in line with the increase in assessable profits of the Group.

Loss for the period

The Group recorded a net loss attributable to owners of the Company of approximately HK\$5.9 million for the Period (2019: HK\$18.7 million). Such decrease was mainly due to the increase in revenue recognised, increase in gross profit, increase in other income and decrease in legal and professional fees during the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by cash flow from operating activities. As at 31 December 2020, the Group had net current liabilities of approximately HK\$1.9 million (31 March 2020: net current assets HK\$2.7 million), including bank and cash balances of approximately HK\$3.1 million (31 March 2020: HK\$11.1 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 0.9 times as at 31 December 2020 (31 March 2020: 1.1 times). The decrease in the current ratio was mainly attributable to the decrease in bank balance and cash as at 31 December 2020 when compared to 31 March 2020.

The capital of the Group comprises ordinary shares only. Total equity attributable to owners of the Company amounted to approximately HK\$5.0 million as at 31 December 2020 (31 March 2020: HK\$11.0 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 27 (2019: 32) employees. Total staff and directors' remuneration for the Period was approximately HK\$13.5 million (2019: HK\$14.0 million). The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and with 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 December 2020 (2019: Nil).

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in Hong Kong dollars, and thus the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal. Hence, no financial instrument for hedging was employed.

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in the nine months ended 31 December 2020 and up to the date hereof.

LITIGATIONS

References are made to the announcements of the Company dated 13 July 2020, 21 July 2020, 31 August 2020 and 8 October 2020 in relation to, amongst others, the Alleged Bond and the Alleged Debt. The Company received the statement of claim in relation to the Writ on 8 December 2020 in which the Plaintiff claimed against the Company, inter alia, HK\$5,830,000 being the principal and interest of the Alleged Debt. The Company's lawyer is contesting the claim for the time being.

Reference is also made to the announcement of the Company dated 31 August 2020 in relation to the claim against three ex-directors, namely Mr. Sun Xiao Li, Mr. Gu Jintai and Ms. Shi Lijie for breach of fiduciary duties. At present, the writ was lodged at the Hong Kong Judiciary on 9 November 2020 for service out of jurisdiction through the PRC Judiciary on them at their last known PRC addresses. As advised by the legal advisers of the Company in respect of this litigation in early February 2021, the Company is still awaiting for confirmation about the status of service of the writ from the PRC Judiciary.

EVENT AFTER THE REPORTING PERIOD

Up to the date of results announcement and quarterly report issuance of the Company, 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 period ended 31 December 2020.

USE OF PROCEEDS

With reference to the announcement dated 11 August 2020, the amount of unutilized proceeds in the sum of HK\$10.4 million as at 31 March 2020 was reduced to HK\$9.4 million as HK\$1.0 million was used for strengthening the Group's team of professional staff.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the ordinary shares of HK\$0.01 each in the Company ("Shares"), underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer set out in rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code") were as follows:

Long position in the Shares

Name of Director	Capacity/Nature of interests	Number of Shares interested	% of issued voting Shares
Mr. Poon Kai Kit, Joe ("Mr. Poon")	Interest of a controlled corporation	194,800,000	46.60%

Note:

These Shares were registered in the name of Energetic Way Limited ("Energetic Way"), which were owned as to 50% by Mr. Poon and 50% by Ms. Chan Ka Yee ("Ms. Chan"), spouse of Mr. Poon. Under the SFO, Mr. Poon was deemed to have interest in all of these Shares by virtue of having controlling interest in Energetic Way.

Save as disclosed above, as at 31 December 2020, none of the Directors or the Chief Executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN SECURITIES

So far as is known to the Directors and the Chief Executives, as at 31 December 2020, the interests and short positions of the persons or corporations (other than the Directors and the Chief Executives) in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Shares

Name	Capacity/Nature of interests	Number of Shares interested	% of issued voting Shares
Energetic Way (<i>Note</i>)	Beneficial owner	194,800,000	46.60%
Ms. Chan (<i>Note</i>)	Interest of a controlled corporation	194,800,000	46.60%
Mr. Ke Yuexian	Beneficial owner	69,168,000	16.55%

Note:

These Shares were the same Shares of which Mr. Poon were interested as set out under the Section of “Interests and Short Positions of the Directors and Chief Executives in Securities” above. Under the SFO, Ms. Chan was deemed to have interest in all of these Shares by virtue of having controlling interest in Energetic Way.

Save as disclosed above, as at 31 December 2020, there was no person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 21 November 2016 which has become effective since 12 December 2016 to recognize and motivate the contribution of the eligible participants to the Group.

As at the date of this announcement and since the adoption of the Scheme, no share option has been granted by the Company.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Save as disclosed in this announcement, at no time during the Period had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) and its associated corporations (within the meaning of the SFO).

COMPETING INTERESTS

As at 31 December 2020, none of the Directors, substantial shareholders and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE

Corporate Governance Code

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code under Appendix 15 of the GEM Listing Rules (the "CG Code").

The Company had complied throughout the Period with all the code provisions as set out in the CG Code except with the deviation from code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. All the executive Directors, being Mr. Poon, Mr. Chung Yuk Lun and Ms. Sin Pui Ying (who resigned on 8 January 2021) provide the Board with strong and consistent leadership to ensure that the Board works effectively and acts in the interest of the Company. At the same time, they are responsible for formulation of corporate strategy and business development. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. All Directors (including the independent non-executive Directors), being experienced individuals, are encouraged to make active contributions to the Board's affairs and promoting a culture of openness and debate. Based on the above, the Board is of the view that although no chairman nor chief executive are appointed, the balance of power and authority of the Board is ensured and believes the current structure (with proper delegation authorities to the management and effective supervision by the Board and its committees) functions effectively and that no change to current structure is required.

Model Code for Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in the Model Code as its code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries to the Directors, all of them had confirmed they had complied with the required standard of dealings as set out in the Model Code throughout the Period.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information since the date of the 2020/2021 Interim Report of the Company, which are required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules are set out below:

Change of Directors and positions held with board committees of the Company

Name/Positions	Appointment Date	Resignation Date
Mr. Chung Yuk Lun – Executive Director – Member of Remuneration Committee – Member of Nomination Committee	28 December 2020	–
Mr. Lee Pui Chung – Member of Remuneration Committee – Member of Nomination Committee	–	28 December 2020
Ms. Sin Pui Ying – Executive Director	–	8 January 2021

REVIEW OF UNAUDITED THIRD QUARTERLY RESULTS

The condensed consolidated financial results of the Group for the Period has not been reviewed nor audited by the Company's auditor, Mazars CPA Limited (Registered Public Interest Entity Auditor), but has been reviewed by the Audit Committee of the Company, which comprises the three independent non-executive Directors of the Company.

By order of the Board
KNK Holdings Limited
Chung Yuk Lun
Executive Director & Company Secretary

Hong Kong, 10 February 2021

As at the date of this announcement, the executive Directors are Mr. Poon Kai Kit, Joe and Mr. Chung Yuk Lun; and the independent non-executive Directors are Mr. Lee Pui Chung, Ms. Lai Pik Chi, Peggy and Ms. Chan Yuk Chun.