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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 2021

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 “Directors”) of KNK Holdings 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 (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 of Directors (the “Board”) announces the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2021 (“Period”) together with the comparative unaudited figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months period ended 31 December 2021

		Three months ended		Nine months ended	
		31 December		31 December	
		2021	2020	2021	2020
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	6,701	8,784	27,073	26,778
Cost of services		(5,193)	(7,025)	(18,533)	(24,415)
Gross profit		1,508	1,759	8,540	2,363
Other income		–	1,256	–	2,019
Administrative expenses		(2,233)	(2,110)	(6,701)	(8,633)
Share of loss of an associate		–	(983)	–	(983)
Finance costs		(15)	(141)	(411)	(699)
Profit (loss) before tax		(740)	(219)	1,428	(5,933)
Income tax expenses	5	(19)	(9)	(64)	(9)
Profit (loss) and total comprehensive income (loss) for the period attributable to owners of the Company		(759)	(228)	1,364	(5,942)
Profit (loss) per share					
Basic (HK cents)	7	(0.15)	(0.05)	0.30	(1.42)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 31 December 2021

	Attributable to owners of the Company				Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	
At 1 April 2021 (audited)	4,180	33,785	5,000	(45,128)	(2,163)
Profit and total comprehensive income for the period	–	–	–	1,364	1,364
Issue of shares by placing	750	9,525	–	–	10,275
Share issue expenses	–	(229)	–	–	(229)
At 31 December 2021 (unaudited)	<u>4,930</u>	<u>43,081</u>	<u>5,000</u>	<u>(43,764)</u>	<u>9,247</u>

For the nine months period ended 31 December 2020

	Attributable to owners of the Company				Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Accumulated losses <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	–	–	–	(5,942)	(5,942)
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>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months period ended 31 December 2021

1. GENERAL INFORMATION

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 were listed on the 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 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 Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. The unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of the GEM 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 HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the nine months period ended 31 December 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

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 2021 and 2020 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 EXPENSES

	For the three months ended 31 December		For the nine months ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax				
Provision for the period	19	9	64	9

The provision for Hong Kong Profits tax for 2021 is calculated at 8.25% for the first HK\$2,000,000 and 16.5% on the remaining balance (2020: 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 Directors do not recommend the payment of any dividend for the nine months ended 31 December 2021 (2020: HK\$ nil).

7. PROFIT (LOSS) PER SHARE

The calculation of the basic and diluted profit (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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit (loss):				
Profit (loss) for the purposes of basic and diluted earnings per share:				
Profit (loss) for the period attributable to owners of the Company	<u>(759)</u>	<u>(228)</u>	<u>1,364</u>	<u>(5,942)</u>
Number of shares:				
Weighted average number of ordinary shares ('000)	<u>493,000</u>	<u>418,000</u>	<u>455,000</u>	<u>418,000</u>

Diluted profit (loss) per share is the same as basic profit (loss) per share as there were no potential ordinary shares during the nine months ended 31 December 2021 and 2020.

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 nine months ended 31 December 2021, the Group continued to focus 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 when opportunities arise.

The revenue of the Group was approximately HK\$27.1 million for the nine months ended 31 December 2021 (2020: approximately HK\$26.8 million, which represented 1.1% increase compared to the corresponding period in 2020). The profit for the nine months ended 31 December 2021 was approximately HK\$1.4 million whereas there was a loss of HK\$5.9 million for the nine months ended 31 December 2020. The reasons of such turnaround in the operating results from loss to profit 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 our longterm development. These strategic directions aim to capture new business opportunities in the market and contribute satisfactory long-term returns to our shareholders. Such achievements depend on whether the Group can attract competent professionals to join it.

In view of the current economic environment, in particular 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 closely monitoring recoverability of the 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 in Hong Kong, 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\$27.1 million (2020: HK\$26.8 million) which represents a HK\$0.3 million or 1.1% increase as compared to the corresponding period in 2020. Such increase was mainly attributable to the revenue contribution from projects with a relatively large contract sum.

The gross profit margin improved from approximately 8.8% for the nine months ended 31 December 2020 to approximately 31.5% for the nine months ended 31 December 2021. Such increase was mainly due to the revenue contribution from projects with higher profit margin during the nine months ended 31 December 2021 compared to the corresponding period in 2020.

Administrative expenses

The total administrative expenses for the Period was approximately HK\$6.7 million (2020: HK\$8.6 million) and there was a decrease of HK\$1.9 million or 22.1%. Such decrease was mainly due to a decrease in legal and professional fees on handling various compliance and legal issues.

Income tax expenses

The income tax expenses for the Period was approximately HK\$64,000 (2020: HK\$9,000) at the rate of 8.25% for the first HK\$2,000,000 and 16.5% on the remaining balance of estimated assessable profit for the Period.

Profit (loss) for the period

The Group recorded a net profit attributable to owners of the Company of approximately HK\$1.4 million for the Period (2020: loss of approximately HK\$5.9 million). Such turnaround in the operating results from loss to profit was mainly due to improvement of profit margin and decrease in legal and professional fee for the nine months ended 31 December 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by cash flow from operating activities and equity financing by placing. As at 31 December 2021, the Group had net current assets of approximately HK\$3.8 million (31 March 2021: net current liabilities HK\$7.2 million), including bank and cash balances of approximately HK\$5.3 million (31 March 2021: HK\$2.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.5 times as at 31 December 2021 (31 March 2021: 0.5 times). Such increase was mainly due to the increase in bank and cash balances generated from operation activities and equity financing by placing.

The capital of the Group comprises ordinary shares only. Total equity attributable to owners of the Company amounted to approximately HK\$9.2 million as at 31 December 2021 (31 March 2021: approximately HK\$2.2 million deficit).

EMPLOYEES AND REMUNERATION POLICY

Total staff and directors' remuneration for the Period was approximately HK\$13.5 million (2020: HK\$13.5 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 2021 (2020: 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 for the nine months ended 31 December 2021 and up to the date hereof.

EVENT AFTER THE REPORTING PERIOD

There was no significant event relevant to the business or financial performance of the Group that came to the attention of the Directors after the period ended 31 December 2021 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 in the legal proceedings 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. 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 June 2021, service of the writ to them through the PRC Judiciary was unsuccessful. The Company is considering the legal adviser's advice on application for substituted service of the writ to them.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS

Placing of new shares under general mandate

On 20 August 2021, the Company raised net proceeds of approximately HK\$10.02 million from its placing of 75,000,000 new Shares to not less than six independent placees at the placing price of HK\$0.137 each per placing share.

As at 31 December 2021, the net proceeds from placing had been utilized as follows:

	Actual proceed allocated <i>HK\$ million</i>	Amount utilized up to 31 December 2021 <i>HK\$ million</i>	Balance as at 31 December 2021 <i>HK\$ million</i>
Repayment of outstanding debts	8.61	8.61	–
General working capital	<u>1.41</u>	<u>1.41</u>	<u>–</u>

OTHER INFORMATION

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

As at 31 December 2021, none of the Directors and chief executives of the Company (the “Chief Executives”) had any interest or short positions 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”).

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 2021, 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 Limited (<i>Note</i>)	Beneficial owner	194,800,000	39.51%
Mr. Poon Kai Kit, Joe ("Mr. Poon") (<i>Note</i>)	Interest of a controlled corporation	194,800,000	39.51%
Ms. Chan Ka Yee ("Ms. Chan") (<i>Note</i>)	Interest of a controlled corporation	194,800,000	39.51%
Mr. Ke Yuexian	Beneficial owner	69,168,000	14.03%

Note:

Energetic Way Limited was owned as to 50% by Mr. Poon and 50% by Ms. Chan, spouse of Mr. Poon. Mr. Poon was the ex-director and ex-authorised representative of the Company and is the director of certain subsidiaries of the Company. Under the SFO, Mr. Poon and Ms. Chan were deemed to have interest in all of these Shares by virtue of having controlling interest in Energetic Way Limited.

Save as disclosed above, as at 31 December 2021, 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed “Interests and Short Positions of the Directors and Chief Executives in Securities” 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 above, 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 2021, 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 nine months ended 31 December 2021 with all the code provisions as set out in the CG Code except for the followings:

- (a) There is 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. No chairman nor chief executive are appointed by the Company. The executive Directors, being Mr. Chung Yuk Lun (“Mr. Chung”) and Mr. Cao Dayong (“Mr. Cao”), 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.
- (b) There was deviation from rule 5.05(1) and rule 5.28 of the GEM Listing Rules after the retirement of Mr. Lee Pui Chung as an independent non-executive Director on 23 August 2021. The Company fails to meet the requirements of (i) having at least three independent non-executive Directors on the Board under rule 5.05(1) of the GEM Listing Rules; and (ii) having a minimum of three non-executive directors in the Audit Committee of the Company (“Audit Committee”) under rule 5.28 of the GEM Listing Rules. The Company has complied with rule 5.05(1) and rule 5.28 of the GEM Listing Rules after the appointment of Ms. Mabel Lee as an independent non-executive Director and a member of Audit Committee on 10 November 2021.
- (c) There was deviation from rule 5.24 of the GEM Listing Rules after the resignation of Mr. Poon as an authorised representative on 25 August 2021. According to Rule 5.24 of the GEM Listing Rules, the Company must at all time retain two authorized representatives. Given the fact that there is only one authorised representative for the period from 16 August 2021 to 19 January 2022, the Company has not complied with Rule 5.24 of the GEM Listing Rules. The Company has complied with rule 5.24 of the GEM Listing Rules after the appointment of Mr. Cao as an authorised representative on 20 January 2022.

Model Code for Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in the Rules 5.48 to 5.67 of the GEM Listing Rules 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 during the nine months ended 31 December 2021 are set out below:

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

Name/Positions	Appointment Date	Resignation Date
Mr. Lee Pui Chung		
– Independent Non-executive Director	–	23 August 2021
– Chairman of Audit Committee	–	23 August 2021
Mr. Poon Kai Jit, Joe		
– Executive Director	–	25 August 2021
– Authorised Representative	–	25 August 2021
Ms. Mabel Lee		
– Independent Non-executive Director	10 November 2021	–
– Chairman of Remuneration Committee	10 November 2021	–
– Member of Audit Committee	10 November 2021	–
– Member of Nomination Committee	10 November 2021	–

Name/Positions	Appointment Date	Resignation Date
Ms. Lai Pik Chi, Peggy		
– Chairman of Remuneration Committee	–	10 November 2021
– Member of Audit Committee	–	10 November 2021
– Member of Remuneration Committee	10 November 2021	–
– Chairman of Audit Committee	10 November 2021	–
Mr. Chung Yuk Lun		
– Member of Nomination Committee	–	10 November 2021
– Member of Remuneration Committee	–	10 November 2021
Mr. Cao Dayong		
– Executive Director	20 January 2022	–
– Authorised Representative	20 January 2022	–

Mr. Chung had resigned as the executive director of CT Environmental Group Limited (Stock code : 1363) with effect from 9 August 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, ZHONGHUI ANDA 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, 11 February 2022

As at the date of this announcement, the executive Directors are Mr. Chung Yuk Lun and Mr. Cao Dayong; and the independent non-executive Directors are Ms. Lai Pik Chi, Peggy, Ms. Chan Yuk Chun and Ms. Mabel Lee.