Kwong Man Kee Group Limited
鄺文記集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8023)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("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 Kwong Man Kee Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules governing the Listing of Securities on the Growth Enterprise Market 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.*

FINANCIAL HIGHLIGHTS

- During the year ended 31 March 2017, the revenue of the Group increased to approximately HK$72.4 million from approximately HK$68.6 million for the year ended 31 March 2016. Our revenue increment was mainly due to contracts secured before year ended 31 March 2017 and contracts signed during the reporting period for which works were performed during the reporting period.

- The Group's loss attributable to equity holders was approximately HK$2.8 million for the year ended 31 March 2017. The loss attributable to shareholders was mainly due to (i) the one-off listing expenses of approximately HK$14.2 million (year ended 31 March 2016: approximately HK$4.1 million) incurred during the year ended 31 March 2017; (ii) the revenue for the year ended 31 March 2017 was less than expected, principally due to the delay in certain car park flooring projects (thereby delaying the progress payments of approximately HK$6.0 million payable to the Group); (iii) the increase in direct costs in relation to the car park flooring projects; and (iv) provision for bad debt of approximately HK$1.1 million relating to trade receivables due from a listed company customer whose shares were suspended from trading on the Hong Kong Stock Exchange since April 2017 due to going concern uncertainties.

- The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (for the year ended 31 March 2016: HK$3.5 million).

ANNUAL RESULTS

The board of directors (the "**Board**") of Kwong Man Kee Group Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2017, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

		Year ended 31 March	
		2017	2016
	Note	***HK$***	*HK$*
Revenue	4	**72,362,730**	68,575,030
Cost of sales	5	**(43,020,269)**	(35,917,504)
Gross profit		**29,342,461**	32,657,526
Other income		**9,439**	25,500
General and administrative expenses	5	**(29,922,135)**	(11,771,927)
Operating (loss)/profit		**(570,235)**	20,911,099
Finance income, net		**9,176**	–
(Loss)/profit before income tax		**(561,059)**	20,911,099
Income tax expense	6	**(2,277,034)**	(4,114,281)
(Loss)/profit and total comprehensive (loss)/ income for the year attributable to owners of the Company		**(2,838,093)**	16,796,818
(Loss)/earnings per share attributable to owners of the Company			
– Basic and diluted (HK cents per share)	7	**(0.55)**	3.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

		As at 31 March	
		2017	2016
	Note	***HK$***	*HK$*
ASSETS			
Non-current assets			
Property, plant and equipment		**3,695,324**	472,522
Prepayments for non-current assets		**8,544,300**	–
Deferred income tax assets		**–**	9,456
		12,239,624	481,978
Current assets			
Inventories		**1,859,875**	5,942,646
Trade and retention receivables	9	**33,485,473**	17,203,858
Prepayments and other receivables	10	**975,507**	2,135,026
Amounts due from customers for contract work	11	**414,716**	1,200,660
Current income tax recoverable		**1,010,510**	–
Cash and cash equivalents		**35,085,289**	14,172,321
		72,831,370	40,654,511
Total assets		**85,070,994**	41,136,489
EQUITY			
Share capital	12	**6,000,000**	77,500
Reserves		**61,283,063**	8,722,608
Retained earnings		**8,820,284**	15,158,377
Total equity		**76,103,347**	23,958,485

	Note	As at 31 March 2017 HK$	2016 HK$
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**29,503**	–
Current liabilities			
Trade payables	13	**7,818,371**	9,527,025
Accruals and other payables		**845,545**	4,068,151
Amounts due to customers for contract work	11	**274,228**	1,141,896
Current income tax liabilities		**–**	2,440,932
		8,938,144	17,178,004
Total liabilities		**8,967,647**	17,178,004
Total equity and liabilities		**85,070,994**	41,136,489

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital *(Note 12)* *HK$*	Share premium *(Note 12)* *HK$*	Capital reserve *HK$*	Shareholder contribution *HK$*	Retained earnings *HK$*	Total *HK$*
At 1 April 2015	100	–	–	8,800,000	4,861,559	13,661,659
Profit and total comprehensive income for the year	–	–	–	–	16,796,818	16,796,818
Transactions with equity owners in their capacity as equity owners						
Additional paid in capital	77,500	–	–	–	–	77,500
Capital reserve arising on business combination	(100)	–	(77,392)	–	–	(77,492)
Dividend *(Note 8)*	–	–	–	–	(6,500,000)	(6,500,000)
At 31 March 2016	77,500	–	(77,392)	8,800,000	15,158,377	23,958,485
At 1 April 2016	**77,500**	**–**	**(77,392)**	**8,800,000**	**15,158,377**	**23,958,485**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(2,838,093)**	**(2,838,093)**
Transactions with equity owners in their capacity as equity owners						
Capital reserve arising on business combination	**(77,500)**	**–**	**77,500**	**–**	**–**	**–**
Additional paid in capital	**100**	**–**	**–**	**–**	**–**	**100**
Issuance of shares pursuant to capitalisation	**4,499,900**	**(4,499,900)**	**–**	**–**	**–**	**–**
Issuance of ordinary shares pursuant to Listing	**1,500,000**	**63,000,000**	**–**	**–**	**–**	**64,500,000**
Listing expenses charged to share premium	**–**	**(6,017,145)**	**–**	**–**	**–**	**(6,017,145)**
Dividend *(Note 8)*	**–**	**–**	**–**	**–**	**(3,500,000)**	**(3,500,000)**
At 31 March 2017	**6,000,000**	**52,482,955**	**108**	**8,800,000**	**8,820,284**	**76,103,347**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Year ended 31 March	
	2017	2016
	HK$	*HK$*
Net cash (used in)/generated from operating activities	**(22,853,802)**	9,566,475
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,725,706)**	(453,117)
Prepayments for property, plant and equipment	**(8,544,300)**	–
Interest income received	**16,781**	–
Net cash used in investing activities	**(12,253,225)**	(453,117)
Cash flows from financing activities		
Contribution from shareholders	**100**	8
Issuance of ordinary share pursuant to Listing	**64,500,000**	–
Dividends paid	**(3,500,000)**	(6,500,000)
Amount paid to the director	**–**	(4,313,481)
Payment for listing expenses	**(4,972,500)**	(1,044,645)
Proceed from bank borrowing	**10,000,000**	–
Repayment of bank borrowing	**(10,000,000)**	–
Interest paid	**(7,605)**	–
Net cash generated from/(used in) financing activities	**56,019,995**	(11,858,118)
Net increase/(decrease) in cash and cash equivalents	**20,912,968**	(2,744,760)
Cash and cash equivalents at beginning of the year	**14,172,321**	16,917,081
Cash and cash equivalents at end of the year	**35,085,289**	14,172,321

Analysis of the balance of cash and cash equivalents:

	As at 31 March	
	2017	2016
	HK$	*HK$*
Cash and cash equivalents	**35,085,289**	14,172,321

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 30 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is Office J, 11th Floor, Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong.

The Company is an investment holding company. The Group provides engineering services in flooring, screeding, anti-skid surfacing and concrete repairing. Its immediate and ultimate holding company is Sage City Investments Limited. The directors regard Mr. Kwong Chi Man, ("**Mr. Kwong**") as being the ultimate beneficial owner of the Group.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

The Company has listed its shares on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited on 13 October 2016 (the "**Listing**").

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these audited financial statements are consistent with those followed in the preparation of the Group's combined financial statements for the year ended 31 March 2016, except as described below.

The Group has adopted and applied the following new standards and amendments to standards that have been issued and effective for the accounting periods beginning on 1 April 2016. The adoption of these new standards and amendments to standards has no material impact on the Group's results and financial position.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle
HKFRS 14	Regulatory Deferral Accounts
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted:

		Effective for annual periods beginning on
HKAS 7 Amendment	Disclosure Initiative	1 April 2017
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses	1 April 2017
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1 April 2018
HKFRS 9	Financial Instruments	1 April 2018
HKFRS 15	Revenue from Contracts with Customers	1 April 2018
HKFRS 16	Leases	1 April 2019
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined

The Group is assessing the impact of these new standards and amendments to standards and will apply them when they become effective.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations;

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management is currently assessing the impact of applying HKFRS 15 on the Group's financial statements by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, which could affect the timing of the revenue recognition. The directors of the Company is currently in the process of evaluating the full impact of HKFRS 15 on the Group's financial statements but not yet in a position to provide quantified information. Management will make more detailed assessments of the impact over the next twelve months.

4 REVENUE AND SEGMENT INFORMATION

	Year ended 31 March	
	2017	2016
	HK$	*HK$*
Flooring	**70,052,894**	66,366,928
Ancillary services	**2,309,836**	2,208,102
	72,362,730	68,575,030

The Executive Directors have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The directors regard the Group's business as a single operating segment and review consolidated financial statements accordingly.

The Group is principally engaged in the provision of engineering services in flooring, screeding, anti-skid surfacing and concrete repairing.

The Group primarily operates in Hong Kong with all of its non-current assets located in and capital expenditure incurred in Hong Kong. During the years ended 31 March 2016 and 2017, revenue was also earned from customers located in Hong Kong.

5 EXPENSES BY NATURE

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

	Year ended 31 March	
	2017	2016
	HK$	*HK$*
Cost of flooring materials used	**27,524,223**	19,842,622
Subcontractor cost	**13,206,316**	13,012,935
Employee benefit expenses		
– Direct labour	**1,771,900**	2,516,400
– Administrative staff	**8,260,649**	4,588,217
Depreciation of property, plant and equipment	**502,904**	574,639
Operating lease rentals in respect of rented premises	**354,526**	444,794
Repair and maintenance expenses	**34,661**	237,580
Motor vehicle expenses	**578,987**	346,535
Auditor's remuneration		
– audit services	**700,000**	300,000
– non-audit services	**20,000**	–
Provision for inventory obsolescence	**83,379**	94,499
Provision for impairment of trade receivables	**1,740,946**	–
Listing expenses	**14,162,032**	4,114,110
Legal and professional fees	**1,045,025**	172,200
Entertainment expenses	**1,026,244**	394,038
Other expenses	**1,930,612**	1,050,862
	72,942,404	47,689,431

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2017	2016
	HK$	*HK$*
Current income tax:		
– Hong Kong profits tax	**2,203,488**	4,134,186
– Under-provision in prior year	**34,587**	–
	2,238,075	4,134,186
Deferred income tax relating to the origination and reversal of temporary differences	**38,959**	(19,905)
Income tax expense	**2,277,034**	4,114,281

7 (LOSS)/EARNINGS PER SHARE

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

	Year ended 31 March	
	2017	2016
	HK$	*HK$*
(Loss)/profit attributable to owners of the Company	**(2,838,093)**	16,796,818
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**519,863,014**	450,000,000
(Loss)/earnings per share (expressed in HK cents per share)	**(0.55)**	3.73

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per shares has been determined on the assumption that the reorganisation and capitalisation issue had been effective from 1 April 2015.

Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share as there were no dilutive potential shares.

8 DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

Interim dividend of HK$6,500,000 and final dividend of HK$3,500,000 for the year ended 31 March 2016 represented dividends declared and paid or payable by companies now comprising the Group to its then respective shareholders. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement.

9 TRADE AND RETENTION RECEIVABLES

	Year ended 31 March	
	2017	2016
	HK$	*HK$*
Trade receivables	**29,357,481**	14,300,844
Less: provision for impairment	**(1,535,066)**	–
Trade receivables, net	**27,822,415**	14,300,844
Retention receivables	**5,663,058**	2,903,014
	33,485,473	17,203,858

The credit period granted to trade customers other than for retention receivables is within 30 days. The terms and conditions in relation to the release of retentions varies from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The ageing analysis of trade receivables based on invoice date is as follows:

	As at 31 March	
	2017	2016
	HK$	*HK$*
1 – 30 days	**11,821,755**	4,146,818
31 – 60 days	**2,393,028**	2,583,717
61 – 90 days	**933,090**	4,494,165
Over 90 days	**14,209,608**	3,076,144
	29,357,481	14,300,844

In the consolidated statement of financial position, retention receivables were classified as current assets based on operating cycle. The ageing of the retention receivables based on invoice date is as follows:

	As at 31 March	
	2017	2016
	HK$	*HK$*
Within 1 year	**2,650,640**	1,530,108
Between 1 to 5 years	**3,012,418**	1,372,906
	5,663,058	2,903,014

The carrying amounts of trade and other receivables approximate their fair values due to their short maturities.

The carrying amounts of the Group's trade and retention receivables are denominated in HK$.

10 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2017	2016
	HK$	*HK$*
Prepayments	**9,270,910**	110,548
Other receivables	**248,897**	12,900
Prepaid listing expense	**–**	2,011,578
	9,519,807	2,135,026
Less: Non-current portion – Prepayments for non-current assets	**(8,544,300)**	–
	975,507	2,135,026

11 CONTRACTING WORK IN PROGRESS

	As at 31 March	
	2017	2016
	HK$	*HK$*
Contract costs incurred plus attributable profits less foreseeable losses to date	**5,886,529**	9,830,990
Progress billings to date	**(5,746,041)**	(9,772,226)
	140,488	58,764

Included in current assets/(liabilities) as follows:

	As at 31 March	
	2017	2016
	HK$	*HK$*
Due from customers for contract work	**414,716**	1,200,660
Due to customers for contract work	**(274,228)**	(1,141,896)
	140,488	58,764

12 SHARE CAPITAL AND PREMIUM

	Number of ordinary share	Nominal value of ordinary share	Share premium
		HK$	*HK$*
Authorised:			
Ordinary shares at HK$0.01 each as at 30 May 2016 (date of incorporation)	500,000,000	5,000,000	–
Increase in the authorised share capital on 13 June 2016	1,500,000,000	15,000,000	–
At 31 March 2017	2,000,000,000	20,000,000	–
Issued and fully paid:			
Ordinary shares of HK$0.01 each as at 30 May 2016 (date of incorporation)	1	–	–
Issue of ordinary shares of HK$0.01 each on 16 June 2016	9,999	100	–
Issuance of shares pursuant to capitalisation	449,990,000	4,499,900	(4,499,900)
Issuance of ordinary shares of HK$0.43 each on 13 October 2016	150,000,000	1,500,000	63,000,000
Listing expenses charged to share premium	–	–	(6,017,145)
At 31 March 2017	600,000,000	6,000,000	52,482,955

13 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 March	
	2017	2016
	HK$	*HK$*
1 – 30 days	**5,431,684**	3,481,020
31 – 60 days	**301,550**	1,886,017
61 – 90 days	**1,850,973**	79,165
Over 90 days	**234,164**	4,080,823
	7,818,371	9,527,025

Trade payables are denominated in HK$.

The carrying amounts of trade payables approximate their fair values due to their short maturities.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the Hong Kong car park flooring industry. We provide (i) flooring services, which involve the application of proprietary floor coating products for the purpose of providing a colorful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and (ii) ancillary services, which include concrete repairing and wall painting work in Hong Kong. Our target segment range from mid to high end projects in the car park flooring market.

Our Board and management are actively exploring new business opportunities by keeping track of any new construction projects in Hong Kong through existing network, and soliciting new business through sending our marketing material to architects, who are responsible for determining products and services specifications for new construction projects. In order to further develop the market, to create a higher company profile and explore new business opportunities, we cooperate with our supplier to participate in industry exhibition and luncheon presentations. Our listing status enhanced our corporate profile and recognition that in turn reinforce our brand awareness and image in both of our existing and potential customers.

Looking forward, the future opportunities and challenges facing the Group will continue to be affected by the development of the policies of the Hong Kong Government as well as the construction schedule of our customers who are mainly property developers.

The Group acquired a property in May 2017 to serve as its workshop and office (the "Property") to strengthen the Group's leading position in the construction market and expand its presence in the refurbishment market. Such purchase is expected to facilitate the marketing of the Group's services to both existing and new customers and in raising its profile. The Directors consider that the Property will, amongst other things, (i) cater for the Group's expanding staff; (ii) mitigate the risk of possible substantial increases in rental expenses; (iii) mitigate the risk of early termination or non-renewal of the Group's existing lease by the relevant landlord; and (iv) ensure the continuity of its operation.

To explore new market and strengthen our revenue base, the Group has started to expand its business to Macau. In May 2017, the Group has signed its first contract amounting to approximately MOP$7,900,000 which is expected to commence in the financial year 2017/2018. There are several projects upcoming which are in the process of tendering.

Financial Review

Revenue and gross profit

Our revenue, principally generated from the provision of car park flooring services for construction projects, was approximately HK$72.4 million for the year ended 31 March 2017 and HK$68.6 million for the year ended 2016. The Group's gross profit margin decreased from 48% for the year ended 31 March 2016 to 41% for the year ended 31 March 2017. Our revenue increment was mainly due to contracts secured before year ended 31 March 2017 and contracts signed during the reporting period for which works were performed during the reporting period.

General and administrative expenses

General and administrative expenses of the Group increased by approximately HK$18.2 million from approximately HK$11.8 million for the year ended 31 March 2016 to approximately HK$29.9 million for the year ended 31 March 2017. General and administrative expenses consist primarily of staff cost, depreciation, rental expenses, listing expenses and other general administrative expenses. The increase was mainly due to non-recurring listing expenses which accounted for approximately HK$14.2 million, increase in staff cost due to additional staff hired during the year, retirement of staff with long service payment paid and a general increase in professional fees such as legal consultation fees, advisory fees and listing maintenance fee during the reporting period.

Loss attributable to owners of the Company

The Group's loss attributable to equity holders was approximately HK$2.8 million for the year ended 31 March 2017. The loss attributable to shareholders was mainly due to (i) the one-off listing expenses of approximately HK$14.2 million (year ended 31 March 2016: approximately HK$4.1 million) incurred during the year ended 31 March 2017; (ii) the revenue for the year ended 31 March 2017 was less than expected, principally due to the delay in certain car park flooring projects (thereby delaying the progress payments of approximately HK$6.0 million payable to the Group); (iii) the increase in direct costs in relation to the car park flooring projects; and (iv) provision for bad debt of approximately HK$1.1 million relating to trade receivables due from a listed company customer whose shares were suspended from trading on the Hong Kong Stock Exchange since April 2017 due to going concern uncertainties.

Liquidity, financial resources and capital structure

As at 31 March 2017, the Group's current ratio was approximately 8.15 compared to approximately 2.37 at 31 March 2016. As at 31 March 2017, the Group had total assets of approximately HK$85.1 million (31 March 2016: approximately HK$41.1 million). As at 31 March 2017, the Group had cash and bank balances of approximately HK$35.1 million (31 March 2016: approximately HK$14.2 million). The management is of the view that the Group has adequate capital base for further growth.

Gearing ratio

The Group does not have any outstanding borrowing as at 31 March 2017 except for a bank overdraft of HK$10.0 million drawn down in October 2016, which was repaid in December 2016.

Charges on assets

As at 31 March 2017, the Group did not have any charge on its assets.

Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures

There was no significant investment held by the Group nor any material acquisition or disposal of subsidiary, associate and joint venture for the year ended 31 March 2017, except the corporate reorganisation undergone in preparation for the listing of the Company on the GEM (the "**Listing**") as set out in the prospectus of the Company dated 30 September 2016 (the "**Prospectus**").

Future plans for material investments or capital assets

As at the date of this announcement, the Board does not have any plan for material investments or additions of capital assets.

Risk of foreign exchange fluctuations

The Group's flooring business activities are primarily operated in Hong Kong and most of the transactions are settled in Hong Kong dollars. The Board considers that the risk of foreign exchange fluctuations to the Group is insignificant. No hedging arrangement has been made during the year ended 31 March 2017.

Treasury policy

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

Employees and remuneration policy

As at 31 March 2017, the Group had 26 employees in total. The staff costs of the Group (including directors' emoluments, and management, administrative and operational staff costs) for the year ended 31 March 2017 were approximately HK$10.0 million.

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

Commitments and contingent liability

The Company entered into a preliminary sale-and-purchase agreement acquiring a property and two car park spaces amounting to HK$30.0 million for its own use during the reporting period. The purchase transactions was completed in May 2017. Apart from such, the Group did not have significant lease commitments and contingent liabilities as at 31 March 2017.

Events after the reporting period

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

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the achievement of business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of Listing (i.e. 13 October 2016, the "**Listing Date**") to 31 March 2017 is set out below:

Business objectives	Implementation plans	Actual business progress for the year ended 31 March 2017
To expand our presence in the refurbishment market and purchase of an office	To purchase an office	The Group entered into a preliminary sale and purchase agreement in March 2017 to purchase a workshop and office located on the 21st Floor and Car Park Nos. P5 and P6 on the 1st Floor of The Bedford, Nos. 91-93 Bedford Road, Tai Kok Tsui, Kowloon, Hong Kong for the consideration of HK$30.0 million, completion of which took place in May 2017.

Business objectives	Implementation plans	Actual business progress for the year ended 31 March 2017
To strengthen the Group's leading position in the new construction market	To strengthen the sales and marketing efforts and brand awareness in the industry	The Group has conducted luncheons with property developers, cross-over exhibition with the suppliers to promote awareness and gather market intelligence to create higher company profile.
	To strengthen the manpower and capacity	The Group has recruited refurbishment expert to explore the refurbishment market.
To repay the bank loan	To discuss with the bank on repayment of the bank loan	The bank loan of HK$10.0 million was repaid in December 2016.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting the underwriting fees, the Stock Exchange trading fee and transaction levy of the Securities & Futures Commission and estimated listing expenses, were approximately HK$42.3 million.

The Group adjusted the use of proceeds, which is (i) approximately HK$17.2 million, representing 40.7% of the net proceeds, for expanding our presence in the refurbishment market and purchase of an office; (ii) approximately HK$13.0 million, representing 30.8% of the net proceeds, for strengthening the Group's leading position in the new construction market by improving the overall capacity and project management efficiency; (iii) approximately HK10.0 million, representing 23.6% of the net proceeds, for repaying bank loan; and (iv) approximately HK$2.1 million, representing 4.9% of the net proceeds, for general working capital and other general corporate uses of the Group.

An analysis of the utilisation of the net proceeds from the Listing Date up to 31 March 2017 is set out below:

	Adjusted use of the net proceeds *(HK$ million)*	**Planned use of the net proceeds up to 31 March 2017** *(HK$ million)*	**Actual use of the net proceeds up to 31 March 2017** *(HK$ million)*
expanding our presence in the refurbishment market and purchase of an office	17.2	0.6	0.6
strengthening the Group's leading position in the new construction market by improving the overall capacity and project management efficiency	13.0	4.5	3.6
repaying bank loan	10.0	10.0	10.0
general working capital and other general corporate uses	2.1	0.6	0.6
Total:	42.3	15.7	14.8

The business objectives, implementation plans and planned use of proceeds were based on the estimation and assumption of future market conditions made by the Group for the purpose of Listing. The actual use of proceeds was based on the Group's business operations and development.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (for the year ended 31 March 2016: HK$3.5 million).

CORPORATE GOVERNANCE PRACTICE AND COMPLIANCE

The Company has complied with the principles and applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2017, except the deviation from CG Code provision A.2.1.

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

Mr. Kwong Chi Man is the chairman and the chief executive officer of the Company. Mr. Kwong has been the key leadership figure of the Group for over 14 years and is well recognised in the car park flooring industry in Hong Kong. Mr. Kwong has been primarily involved in the overall business development, technical operations and strategic planning of the Group. The Directors are of the view that it would be in the Group's best interest for Mr. Kwong to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**"). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 March 2017.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2017.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 24 September 2016 with its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has discussed with the Company's auditor and reviewed the Group's consolidated financial statements for the year ended 31 March 2017. The Audit Committee is of the opinion that the Group's consolidated financial statements for the year ended 31 March 2017 comply with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Kwong Man Kee Group Limited
Mr. Kwong Chi Man
Chairman and Executive Director

Hong Kong, 23 June 2017

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

This announcement will remain on the GEM website (www.hkgem.com) on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and the Company's website at www.kmk.com.hk.