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## **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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 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**

- For the three months ended 30 June 2017, the revenue of the Group decreased to approximately HK\$8.9 million from approximately HK\$13.6 million for the same period ended 30 June 2016. Such decrease in revenue was caused by delay of some contracts secured due to the schedule of the property developers.
- The loss attributable to the owners of the Company was approximately HK\$535,000 for the three months ended 30 June 2017, as compared to the loss of approximately HK\$1.4 million for the same period ended 30 June 2016. Such decrease was mainly due to the one-off listing expenses for the period ended 30 June 2016.
- The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2017 (for the same period ended 30 June 2016: HK\$3.5 million).

## FIRST QUARTERLY RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

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

FOR THE THREE MONTHS ENDED 30 JUNE 2017

		Three months ended	
		30 June	
	Notes	2017	2016
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Revenue	4	8,891,697	13,566,747
Cost of sales	8	<u>(5,546,344)</u>	<u>(5,888,407)</u>
Gross profit		3,345,353	7,678,340
Other gain		90,839	–
General and administrative expenses	8	<u>(4,150,793)</u>	<u>(9,614,180)</u>
Operating loss		(714,601)	(1,935,840)
Finance cost, net		<u>(23,984)</u>	<u>–</u>
Loss before income tax		(738,585)	(1,935,840)
Income tax credit	5	<u>203,991</u>	<u>534,652</u>
Loss and total comprehensive loss for the period attributable to owners of the Company		<u><u>(534,594)</u></u>	<u><u>(1,401,188)</u></u>
Dividend	6	<u>–</u>	<u>3,500,000</u>
Loss per share, basic and diluted, attributable to owners of the Company (HK cents per share)	7	<u><u>(0.09)</u></u>	<u><u>(0.31)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 30 JUNE 2017**

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Capital reserves <i>HK\$</i>	Shareholders contribution <i>HK\$</i>	Retained earnings <i>HK\$</i>	Total equity <i>HK\$</i>
<b>Balance at 1 April 2017</b>	6,000,000	52,482,955	108	8,800,000	8,820,284	76,103,347
Loss and total comprehensive loss for the period	-	-	-	-	(534,594)	(534,594)
<b>Balance at 30 June 2017</b>	<u>6,000,000</u>	<u>52,482,955</u>	<u>108</u>	<u>8,800,000</u>	<u>8,285,690</u>	<u>75,568,753</u>
<b>Balance at 1 April 2016</b>	77,500	-	(77,392)	8,800,000	15,158,377	23,958,485
Loss and total comprehensive loss for the period	-	-	-	-	(1,401,188)	(1,401,188)
Additional paid in capital	100	-	-	-	-	100
Capital reserve arising on Reorganisation	(77,500)	-	77,400	-	-	(100)
Dividend	-	-	-	-	(3,500,000)	(3,500,000)
<b>Balance at 30 June 2016</b>	<u>100</u>	<u>-</u>	<u>8</u>	<u>8,800,000</u>	<u>10,257,189</u>	<u>19,057,297</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Kwong Man Kee Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 30 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is 21st Floor, The Bedford, Nos 91-93 Bedford Road, Kowloon, Hong Kong.

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of engineering services in flooring, screeding, anti-skid surfacing and concrete repairing. The controlling shareholder of the Company is Mr. Kwong Chi Man (“**Mr. Kwong**”) and the immediate and ultimate holding company of the Company is Sage City Investments Limited.

The Company has its primary listing (“**Initial Public Offering**”) on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited on 13 October 2016.

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

The condensed consolidated financial information has been reviewed by the audit committee of the Company.

## 2 BASIS OF PREPARATION

This condensed consolidated financial information for the three months ended 30 June 2017 has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated financial information should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 March 2017, which have been prepared in accordance with HKFRSs issued by the HKICPA.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2017, except as described below.

The Group has adopted and applied, for the first time, the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 April 2017. The adoption of these new standards, amendments and interpretations to standards have no material impact on the Group’s results and financial position.

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

For those new standards, amendments to standards and interpretations which have been issued but are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

Taxes on income for the three months period are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The preparation of the condensed consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2017.

#### 4 REVENUE AND SEGMENT INFORMATION

	<b>Three months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Flooring	<b>7,753,077</b>	13,477,057
Ancillary services	<b>1,138,620</b>	89,690
	<b><u>8,891,697</u></b>	<b><u>13,566,747</u></b>

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

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

The Group primarily operates in Hong Kong with all of its non-current assets located in and capital expenditure incurred in Hong Kong. Revenue was also earned from customers located in Hong Kong.

#### 5 INCOME TAX CREDIT

Income tax credit is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is approximately 27.6% (2016: approximately 27.6%).

#### 6 DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2017 (for the same period ended 30 June 2016: HK\$3.5 million).

## 7 LOSS PER SHARE

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

	Three months ended 30 June	
	2017	2016
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	(534,594)	(1,401,188)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>600,000,000</u>	<u>450,000,000</u>
Loss per share (HK cents per share)	<u>(0.09)</u>	<u>(0.31)</u>

No adjustment has been made to the basic loss per share presented for the three months ended 30 June 2017 and 2016 as the Group had no potentially diluted ordinary shares in issue during those periods.

## 8 EXPENSES BY NATURE

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

	Three months ended 30 June	
	2017	2016
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cost of flooring materials used	2,825,718	4,133,001
Subcontractor cost	2,203,952	1,256,089
Employee benefit expenses	2,615,583	2,060,383
Auditor's remuneration	175,000	175,000
Listing expenses	–	7,732,422

## 9 RELATED PARTY TRANSACTIONS

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

Related parties	Relationship with the Group
Mr. Kwong	Controlling Shareholder and director of the Group
Ms. Li Chuen Chun (“Mrs. Kwong”)	Spouse of Mr. Kwong
Ms. Kwong Wing Yan (“Ms. Kwong”)	Daughter of Mr. Kwong
Ms. Kwong Wing Yee (“Ms. Kwong W.Y.”)	Daughter of Mr. Kwong
Ms. Li Mei Ying (“Ms. Li”)	Sister-in-law of Mr. Kwong

- (a) During the three months ended 30 June 2017 and 2016, the Group had the following significant transactions with its related parties:

	<b>Three months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Rental expenses paid in relation to rental contract entered into with:		
Mr. Kwong	–	40,000
Mrs. Kwong and Ms. Kwong W.Y.	<b>60,000</b>	40,000
Ms. Li	–	6,200
	<u>          </u>	<u>          </u>

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

## **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, solicit new business through sending our marketing material to architects who are responsible for determining products and services specifications of 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 main contractors who are mainly property developers.

The Group expanded its business to Macau in May 2017 and the project is expected to commence in August 2017. The Group expects that a contract sum of MOP7.9 million would be recorded in the year ending 31 March 2018.

### **Financial Review**

#### ***Revenue and Gross Profit***

Our revenue, which is principally generated from the provision of car park flooring services for construction projects, was approximately HK\$8.9 million for the three months ended 30 June 2017 (as decreased from HK\$13.6 million for the same period ended 30 June 2016). The Group's gross profit margin decreased from 57% for the three months ended 30 June 2016 to 38% for the three months ended 30 June 2017. The decrease in revenue was caused by delay of some contracts secured due to the schedule of the property developers.

#### ***General and administrative expenses***

General and administrative expenses of the Group decreased by approximately HK\$5.4 million from approximately HK\$9.6 million for the three months ended 30 June 2016 to approximately HK\$4.2 million for the three months ended 30 June 2017. General and administrative expenses consist primarily of staff cost, depreciation, rental expenses, listing expenses and other general administrative expenses. Such decrease was mainly due to the non-recurring listing expenses which accounted for the period ended 30 June 2016.

### ***Loss attributable to the owners of the Company***

The loss attributable to the owners of the Company was approximately HK\$535,000 for the period ended 30 June 2017, as compared to the loss of approximately HK\$1.4 million for the same period ended 30 June 2016. The decrease was mainly due to the one-off listing expenses as above-mentioned for the period ended 30 June 2016.

### **Liquidity, financial resources and capital structure**

#### ***Mortgage loan***

On 1 March 2017, Kwong Man Kee Engineering Limited, an indirectly wholly-owned subsidiary of the Company, entered into a preliminary sales and purchase agreement with Triple Sky Limited, an independent third party and is a company incorporated in Hong Kong with limited liability which principally engaged in building construction and property development, to acquire a property in the total consideration of approximately HK\$30.0 million. The acquisition was completed on 31 May 2017 and a mortgage loan of approximately HK\$12.0 million was borrowed from Bank of Communications Limited.

#### ***Treasury policy***

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

#### ***Commitments and Contingent Liability***

The Group did not have significant lease commitments and contingent liabilities as at 30 June 2017.

#### **Events after the reporting period**

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

#### **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2017 (for the period ended 30 June 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 three months ended 30 June 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 three months ended 30 June 2017.

#### **SHARE OPTION SCHEME**

The Company conditionally adopted a share option scheme (the “**Scheme**”) on 24 September 2016, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to the prospectus of the Company dated 30 September 2016. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted or exercised under the Scheme during the three months ended 30 June 2017. No share option was outstanding as at 30 June 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 for the three months ended 30 June 2017.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2017, the interests and short positions of the Directors or chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

#### *Long Position in the Shares*

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

*Note:* Mr. Kwong beneficially owns 70% of the issued share capital of Sage City Investments Limited (**"Sage City"**), the beneficial owner holding 62.63% shareholding in the Company. Therefore, Mr. Kwong is deemed to be interested in all the Shares which are beneficially owned by Sage City for the purpose of the SFO. Mr. Kwong is the chairman, an executive Director of the Company and a director of Sage City.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive officer of the Company had any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

**(B) Substantial shareholders' and other persons' interests and short positions in the Shares, underlying Shares and debenture of the Company**

So far as the Directors were aware, as at 30 June 2017, the following persons (other than the Directors or chief executive officer of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register of interests required to be kept under section 336 of the SFO:

*Long Position in the Shares*

<b>Name</b>	<b>Nature of Interest</b>	<b>Number of Shares held or interested</b>	<b>Percentage of shareholding</b>
Sage City	Beneficial interest (note 1)	375,750,000	62.63%
Ms. Li Chuen Chun	Interest of spouse (note 2)	375,750,000	62.63%

*Notes:*

1. Sage City is a company incorporated in the British Virgin Islands and is owned by Mr. Kwong and Mr. Jason Yip as to 70% and 30%, respectively. Mr. Kwong is the chairman, an executive Director of the Company and a director of Sage City. Mr. Jason Yip is a senior management of the Company.
2. Ms. Li Chuen Chun is the spouse of Mr. Kwong and is deemed to be interested in all the Shares in which Mr. Kwong is interested for the purposes of the SFO.

Save as disclosed above, as at 30 June 2017, the Directors were aware that any persons (other than the Directors or chief executive officer of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were required to be recorded in the register of interests required to be kept under section 336 of the SFO.

**DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

## **INTERESTS OF COMPLIANCE ADVISER**

As notified by the compliance adviser of the Company, Alliance Capital Partners Limited (“ACP”), as at 30 June 2017, save as the compliance adviser agreement entered into between the Company and ACP dated 17 June 2016, neither ACP nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **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 reviewed the unaudited consolidated financial results of the Group for the three months ended 30 June 2017. The Audit Committee is of the opinion that such financial results 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, 11 August 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 “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and the Company’s website at [www.kmk.com.hk](http://www.kmk.com.hk).*