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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 2019

CHARACTERISTICS OF THE 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 that 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 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 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**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 30 June 2019. This announcement, containing the full text of the First Quarterly Report 2019/20 of the Company, complies with the relevant requirements of the GEM Listing Rules in relation to information to accompany preliminary announcement of quarterly results. Printed version of the Company’s First Quarterly Report 2019/20 will be delivered to the shareholders of the Company and available for viewing on the GEM website at www.hkgem.com and the Company’s website at www.kmk.com.hk in due course in the manner as required by the GEM Listing Rules.*

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

Hong Kong, 8 August 2019

As at the date of this announcement, the executive Directors are Mr. Kwong Chi Man, Mr. Yip Kong Lok 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 Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the Company’s website at www.kmk.com.hk.



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HIGHLIGHTS

- The revenue of the Group increased to approximately HK\$28.6 million or by 19.4%, for the three months ended 30 June 2019 from approximately HK\$24.0 million for the three months ended 30 June 2018.
- The Group's gross profit decreased by approximately HK\$940,000, or 12.9%, from approximately HK\$7.3 million for the three months ended 30 June 2018 to approximately HK\$6.3 million for the three months ended 30 June 2019. The gross profit margin of the Group decreased from 30.3% for the three months ended 30 June 2018 to 22.1% for the same period ended 30 June 2019.
- The net profit of the Group decreased from approximately HK\$2.2 million for the three months ended 30 June 2018 to approximately HK\$306,000 for the same period ended 30 June 2019.
- The Board does not recommend payment of an interim dividend for the three months ended 30 June 2019 (2018: Nil).



FINANCIAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 30 June 2019 together with the unaudited comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2019

		Three months ended 30 June	
	Notes	2019 HK\$ (Unaudited)	2018 HK\$ (Unaudited)
Revenue	4	28,595,381	23,950,159
Cost of sales	8	(22,267,343)	(16,682,126)
Gross profit		6,328,038	7,268,033
Other income and gain		–	30,000
Impairment loss on trade receivables		(767,761)	–
General and administrative expenses	8	(5,139,393)	(4,728,036)
Operating profit		420,884	2,569,997
Finance costs, net		(82,678)	(72,460)
Profit before income tax		338,206	2,497,537
Income tax expense	5	(32,541)	(257,891)
Profit for the period		305,665	2,239,646
Profit/(loss) for the period attributable to:			
– Owners of the Company		325,441	2,239,646
– Non-controlling interests		(19,776)	–
		305,665	2,239,646
Earnings per share attributable to owners of the Company			
– Basic and diluted (HK cents per share)	7	0.05	0.37



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE THREE MONTHS ENDED 30 JUNE 2019

		Three months ended 30 June	
		2019	2018
		HK\$	HK\$
<i>Notes</i>		(Unaudited)	(Unaudited)
	Profit for the period	305,665	2,239,646
	Other comprehensive loss:		
	Item that may be reclassified to profit or loss:		
	Exchange differences on translation of foreign operations	(2,284)	–
	Total comprehensive income for the period	303,381	2,239,646
	Total comprehensive income/(loss) for the period attributable to:		
	– Owners of the Company	323,157	2,239,646
	– Non-controlling interests	(19,776)	–
		303,381	2,239,646


CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company						Non-controlling interests		Total HK\$ (unaudited)
	Share capital HK\$ (unaudited)	Share premium HK\$ (unaudited)	Capital reserves HK\$ (unaudited)	Shareholders contribution HK\$ (unaudited)	Translation reserves HK\$ (unaudited)	Retained earnings HK\$ (unaudited)	Total HK\$ (unaudited)	Non-controlling interests HK\$ (unaudited)	
Balance at 1 April 2019 as originally presented	6,000,000	52,482,955	108	8,800,000	-	15,793,515	83,076,578	(15,098)	83,061,480
Change in accounting policy upon adoption of HKFRS 16	-	-	-	-	-	(2,731)	(2,731)	(192)	(2,923)
Restated balance at 1 April 2019	6,000,000	52,482,955	108	8,800,000	-	15,790,784	83,073,847	(15,290)	83,058,557
Profit/(loss) for the period	-	-	-	-	-	325,441	325,441	(19,776)	305,665
Other comprehensive loss									
Exchange differences on translation of foreign operations	-	-	-	-	(2,284)	-	(2,284)	-	(2,284)
Total comprehensive income/(loss) for the period	-	-	-	-	(2,284)	325,441	323,157	(19,776)	303,381
Balance at 30 June 2019	6,000,000	52,482,955	108	8,800,000	(2,284)	16,116,225	83,397,004	(35,066)	83,361,938
Balance at 1 April 2018 as originally presented	6,000,000	52,482,955	108	8,800,000	-	15,466,937	82,750,000	-	82,750,000
Change in accounting policy upon adoption of HKFRS 9	-	-	-	-	-	(1,252,933)	(1,252,933)	-	(1,252,933)
Restated balance at 1 April 2018	6,000,000	52,482,955	108	8,800,000	-	14,214,004	81,497,067	-	81,497,067
Profit and total comprehensive income for the period	-	-	-	-	-	2,239,646	2,239,646	-	2,239,646
Balance at 30 June 2018	6,000,000	52,482,955	108	8,800,000	-	16,453,650	83,736,713	-	83,736,713



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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is 21/F, The Bedford, 91-93 Bedford Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of engineering services in flooring, screeding, anti-skid surfacing, specialised texture painting and waterproofing works. The controlling shareholder of the Company is Mr. Kwong Chi Man (“**Mr. Kwong**”) and the parent company of the Company is Sage City Investments Limited.

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

The Company listed its share on GEM of The Stock Exchange of Hong Kong Limited on 13 October 2016.

The condensed consolidated financial information has not been audited but 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 2019 has been prepared in accordance with Hong Kong Financial Reporting Standard (“**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 2019, which have been prepared in accordance with HKFRSs issued by the HKICPA.

The preparation of the condensed consolidated financial information for the three months ended 30 June 2019 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 expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated financial information, 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 2019.



3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the consolidated financial statements of the Group for the year ended 31 March 2019 unless otherwise stated.

3.1 New standards and amendments to standards adopted by the Group

The following amendments to existing standards are effective to the Group for the accounting periods beginning on or after 1 April 2019:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements	Annual Improvements 2015-2017 Cycle
Project (Amendment)	

Except as disclosed in Note 3.2 for the adoption of HKFRS 16, the adoption of other new and amended standards did not have any material impact on the current period or any prior period.

3.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's results and financial position.

HKFRS 16 Leases

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that leases recognised in the condensed consolidated statement of financial position.



Each lease payment is allocated between the principal repayment of lease liability and finance cost. The finance cost is charged to the condensed consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

HKFRS 16 has been applied without restating comparative information, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings as at 1 April 2019.

Upon the initial application of HKFRS 16, the Group measured the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets had been adjusted as at 1 April 2019.

The following table summarises the impact of transition to HKFRS 16 on the opening balance of retained earnings:

	HK\$
Retained earnings as at 31 March 2019 (Audited)	83,061,480
Adoption of HKFRS 16	<u>(2,923)</u>
Retained earnings as at 1 April 2019 (Unaudited)	<u><u>83,058,557</u></u>



4 REVENUE AND SEGMENT INFORMATION

	Three months ended 30 June	
	2019 HK\$ (Unaudited)	2018 HK\$ (Unaudited)
Flooring	26,867,556	23,132,182
Ancillary services	1,727,825	817,977
	<u>28,595,381</u>	<u>23,950,159</u>

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 information accordingly.

The Group operates primarily in Hong Kong with substantially all of its non-current assets located and capital expenditure incurred in Hong Kong.

During the three months ended 30 June 2019, revenue was earned from customers located in Hong Kong and Macau of HK\$25,139,384 (2018: HK\$23,950,159) and HK\$3,455,997 (2018: Nil), respectively.

The Group’s revenue is recognised over time for the three months ended 30 June 2019 and 2018.

5 INCOME TAX EXPENSE

Income tax expense 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 9.6% (2018: approximately 10.3%).

Hong Kong profits tax was calculated at 8.25% on the first HK\$2 million and 16.5% on the remaining balance of the estimated assessable profits for the three months ended 30 June 2019 and 2018.

Macau corporate income tax was provided at the applicable rate of 12% on the estimated assessable profits in excess of MOP600,000 (approximately HK\$583,000) of the Group’s operation in Macau.

6 DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 June 2019 (2018: Nil).

7 EARNINGS PER SHARE

Basic 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 period.

	Three months ended 30 June	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	325,441	2,239,646
Weighted average number of ordinary shares in issue	600,000,000	600,000,000
Basic earnings per share (HK cents)	0.05	0.37

No adjustment has been made to the basic earnings per share presented for the three months ended 30 June 2019 and 2018 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	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cost of materials used	12,468,885	10,404,314
Subcontractor costs	8,692,935	5,438,749
Employee benefit expenses	3,568,530	3,341,264
Auditor's remuneration	225,000	200,000



9 RELATED PARTY TRANSACTIONS

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

Related parties	Relationship with the Group
Mr. Kwong	Controlling shareholder and executive Director of the Group
Ms. Li Chuen Chun (" Mrs. Kwong ")	Spouse of Mr. Kwong
Ms. Kwong Wing Yan (" Ms. Kwong ")	Daughter of Mr. Kwong

During the three months ended 30 June 2019 and 2018, the Group had the following transactions with its related parties:

	Three months ended 30 June	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Rental expenses paid in relation to rental contract entered into with: Mrs. Kwong and Ms. Kwong	—	9,250

This transaction was entered into at terms mutually agreed the related party in the ordinary course of the Group's business.

As at 30 June 2019, the Group recognised lease liabilities to related parties of approximately HK\$386,000 over the relevant properties leases upon the adoption of HKFRS 16 on 1 April 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

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 specialised texture painting and waterproofing works. Our target segment range from mid to high end projects in the car park flooring market.

During the three months ended 30 June 2019, the Group recorded revenue of approximately HK\$28.6 million, an increase of 19.4% as compared with approximately HK\$24.0 million for the same period of last year, but the Group's net profit decreased from approximately HK\$2.2 million for the three months ended 30 June 2018 to approximately HK\$306,000 for the same period ended 30 June 2019.

Revenue

The revenue of the Group, which is principally generated from the provision of car park flooring services for construction projects, increased to approximately HK\$28.6 million or by 19.4%, for the three months ended 30 June 2019 from approximately HK\$24.0 million for the three months ended 30 June 2018. The increase was mainly due to the significant number of contracts with revenue recognised by stage of completion during the three months ended 30 June 2019.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$940,000, or 12.9%, from approximately HK\$7.3 million for the three months ended 30 June 2018 to approximately HK\$6.3 million for the three months ended 30 June 2019. The gross profit margin of the Group decreased from 30.3% for the three months ended 30 June 2018 to 22.1% for the same period ended 30 June 2019. Such sharply decline was primarily caused by (i) keen competition in the car park flooring industry which resulted in decrease of the contract sum; (ii) increase of usage of materials and subcontractor costs to meet the variation orders in certain projects; and (iii) lower pricing strategy for Macau projects in order to expand the local market.



Impairment loss on trade receivables

In order to measure the expected credit losses, trade receivables had been grouped based on the settlement profiles of customers, shared credit risk characteristics and the days past due. Based on the results, the Group recorded impairment loss on trade receivables approximately HK\$768,000 for the three months ended 30 June 2019 (2018: Nil).

General and administrative expenses

General and administrative expenses of the Group increased by approximately HK\$411,000 from approximately HK\$4.7 million for the three months ended 30 June 2018 to approximately HK\$5.1 million for the three months ended 30 June 2019. General and administrative expenses consist primarily of staff cost, depreciation, professional fee, vehicle expenses and other general administrative expenses.

Income tax expense

Income tax expense for the Group was approximately HK\$33,000 for the three months ended 30 June 2019 (2018: approximately HK\$258,000). Hong Kong profits tax was calculated at a rate of 8.25% on the first HK\$2 million and 16.5% on the remaining balance of the estimated assessable profits for the three months ended 30 June 2019. Macau corporate income tax was provided at the applicable rate of 12% on the estimated assessable profits in excess of MOP600,000 (approximately HK\$583,000) of the Group's operation in Macau.

Profit for the Company

The net profit of the Group decreased from approximately HK\$2.2 million for the three months ended 30 June 2018 to approximately HK\$306,000 for the same period ended 30 June 2019. The significant decrease in profit was mainly due to the decrease of gross profit ratio and increases of general and administrative expenses and the impairment loss on trade receivables.



OUTLOOK

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by (i) the development of the property market, (ii) the construction schedules of our main contractors who are mainly property developers; (iii) the price competition in the car park flooring market; and (iv) the factors affecting the labour and material costs as well as our contract price.

The Group will continue to strengthen its market position and income stream by focusing on the following business strategies: (i) explore new business opportunities through the existing network, industry exhibitions and advertisements in industry magazines; (ii) keep track of any new construction and renovation projects and explore any business opportunities in car park flooring markets outside Hong Kong, especially in Macau and China; (iii) expand the business in our ancillary services, i.e. specialised texture painting and waterproofing works; and (iv) take measures to control the operation cost, such as the labour and materials costs, as well as general and administrative expenses. The Group will adhere to these strategies and cope with future challenges in order to achieve continuous growth for the Group and the Shareholders' value as a whole.

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 will meet our funding requirements from time to time.

COMMITMENTS AND CONTINGENT LIABILITY

The Group did not have any significant lease commitments and contingent liabilities as at 30 June 2019.



EVENTS AFTER THE REPORTING PERIOD

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

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, the interests or short positions of the Directors or chief executives officer of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporation (within the meaning of Part XV of the Securities and 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 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 of the Company

Name of Director	Nature of Interest	Number of shares held or interested	Percentage of shareholding
Mr. Kwong Chi Man ("Mr. Kwong")	Interest in controlled corporation (<i>Note 1</i>)	375,750,000	62.63%

Note 1: 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.

***Long position in the shares of associated corporation***

Name of Director	Nature of interest	Number of shares held or interested in associated corporation	Percentage of shareholding
Mr. Yip Kong Lok ("Mr. Yip")	Beneficial owner (Note 2)	3,000 shares in Sage City	30% in Sage City

Note 2: Mr. Yip is an executive Director of the Company.

Save as disclosed above, as at 30 June 2019, 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' interest and other persons' interests and short positions in the shares and, underlying shares and debenture of the Company

So far as the Directors were aware, as at 30 June 2019, 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 of the Company

Name	Nature of interest	Number of shares held or interested	Percentage of shareholding
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. 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. Yip is an executive Director 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 2019, 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.



COMPETING INTEREST

Other than members of the Group, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had interests in any business which competes or is likely to compete, directly or indirectly, with the business of the Group during the three months ended 30 June 2019.

INTERESTS OF COMPLIANCE ADVISER

As notified by compliance adviser of the Company, Alliance Capital Partners Limited (“**ACP**”), as at 30 June 2019, 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 interests in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 2019, 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 16 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. Since the listing of the Company on GEM, 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, and consider that the deviation from the code provision A.2.1 of the CG Code was appropriate.



The Board reviewed and discussed the need for the Group to appoint a suitable candidate to assume the role of chief executive in order to comply with the CG code during its meeting on 21 June 2019. Taking into account that (i) Mr. Yip Kong Lok (one of the executive Directors) has more than 15 years of experience in the car park flooring industry; and (ii) Mr. Kwong would like to focus more on exploration of further business opportunities than general operation and management, the Board considers that it would be in the interest of the Group and the shareholders of the Company for Mr. Yip to be appointed for the role of chief executive in place of Mr. Kwong in terms of general management and business operations of the Group. Mr. Yip will be appointed as chief executive officer of the Company with effect from 1 September 2019.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY 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 Company's 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 2019.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares for the three months ended 30 June 2019.

DIVIDEND

The Board does not recommend payment of an interim dividend for the three months ended 30 June 2019 (2018: Nil).



SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Scheme**”) on 24 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 since the adoption of the Scheme and there was no share option outstanding as at 30 June 2019.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) with its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the Group’s unaudited consolidated financial results for the three months ended 30 June 2019. 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
Kwong Chi Man
Chairman and Executive Director

Hong Kong, 8 August 2019

As at the date of this report, the executive Directors are Mr. Kwong Chi Man, Mr. Yip Kong Lok 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 report will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the Company’s website at www.kmk.com.hk.