

# 2017

*ANNUAL REPORT*

KNK  
Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 8039**

## **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.**

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*This report, for which the directors (the “Directors”) of KNK Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (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 report 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 report misleading.*

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## BOARD OF DIRECTORS

### Executive Directors

Mr. Poon Kai Kit Joe (*Chairman*)  
Ms. Chan Ka Yee  
Mr. Fok Yat Cheong

### Independent non-executive Directors

Mr. Kong Kam Wang  
Mr. Sung Hak Keung Andy  
Mr. Wong Kai Tat

## AUTHORISED REPRESENTATIVES

Mr. Poon Kai Kit Joe  
Mr. Kwong Chun Man

## AUDIT COMMITTEE MEMBERS

Mr. Sung Hak Keung Andy (*Chairman*)  
Mr. Kong Kam Wang  
Mr. Wong Kai Tat

## NOMINATION COMMITTEE MEMBERS

Mr. Wong Kai Tat (*Chairman*)  
Mr. Kong Kam Wang  
Mr. Sung Hak Keung Andy

## REMUNERATION COMMITTEE MEMBERS

Mr. Kong Kam Wang (*Chairman*)  
Mr. Sung Hak Keung Andy  
Mr. Wong Kai Tat

## COMPLIANCE OFFICER

Mr. Poon Kai Kit Joe

## COMPANY SECRETARY

Mr. Kwong Chun Man

## AUDITOR

Crowe Horwath (HK) CPA Limited  
*Certified Public Accountants*  
9/F, Leighton Centre  
77 Leighton Road  
Hong Kong

## COMPLIANCE ADVISER

Ample Capital Limited  
Unit A, 14/F, Two Chinachem Plaza  
135 Des Voeux Road Central  
Central  
Hong Kong

## REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit E, 33/F, Legend Tower  
7 Shing Yip Street  
Kwun Tong  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111 Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking  
Corporation Limited  
HSBC Building  
1 Queen's Road Central  
Hong Kong

## STOCK CODE

8039

## WEBSITE OF THE COMPANY

[www.knk.com.hk](http://www.knk.com.hk)

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of the Company, I am delighted to present to you the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017.

### REVIEW

The Group was successfully listed on GEM on 12 December 2016. The proceeds raised have strengthened the cash position of the Group with the aim of recruiting additional professional staff to provide services to both existing and new customers.

For the year ended 31 March 2017, the Group achieved an increase in revenue of approximately HK\$3.8 million or 13.1% to approximately HK\$33.1 million compared with the previous financial year. Such growth was mainly attributable to the increase in number of projects with revenue contribution over HK\$1 million. At the same time, the gross profit margin remained relatively stable from approximately 64.7% for the year ended 31 March 2016 to approximately 62.3% for the year ended 31 March 2017.

Without considering the effect of listing expenses, the net profit for the year ended 31 March 2017 was HK\$15.4 million compared with HK\$16.2 million for the year ended 31 March 2016. Such decrease was not significant and was mainly due to compliance expenses after listing.

The Directors and senior management are aware of the regulatory reporting and compliance requirements in the architectural industry, and will continue to keep abreast of their development in addition to change of general business environment.

### OUTLOOK

Going forward, the Group will continue to focus on our existing businesses and look for opportunities to expand the services in the architectural industry based on the assumption that we can recruit enough competent professional staff to join us and maintain our reputation in the industry in order to maximise returns to our shareholders in the long run.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Group's shareholders, bankers, customers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

**Poon Kai Kit Joe**

*Chairman*

Hong Kong, 29 June 2017

## BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of comprehensive architectural and structural engineering consultancy service in Hong Kong. During the financial year ended 31 March 2017, the Group has focused on developing business opportunities with existing customers as well as working on those referrals from them; at the same time, the Group plans to expand the types of architectural-related services.

The Company's shares were successfully listed on GEM on 12 December 2016 (the "Listing"). The proceed raised has strengthened the cash position of the Group and allowed the Group to expand from different aspects. After having evaluated the Group's business objectives as stated in the prospectus of the Company dated 30 November 2016 (the "Prospectus"), the Group and the Directors considered that no modification of the business objectives or the business plans as stated in the Prospectus was required.

Going forward, while actively exploring new businesses opportunities, as mentioned above, the Group also plans to extend its business reach and expand service coverage to lay a foundation for our long-term development. These strategic directions aim to capture new business opportunities in the market and contribute satisfactory long-term returns to our shareholders. And such achievements depend on whether we can attract competent professionals to join the Group.

## FINANCIAL REVIEW

### Revenue

The Group's revenue is generated from the contract revenue from provision of comprehensive architectural and structural engineering consultancy service in Hong Kong, including licensing consultancy, alternation and addition works and minor works consultancy, inspection and certification and other architectural related consultancy.

The Group's total revenue for the financial year ended 31 March 2017 was approximately HK\$33.2 million (2016: approximately HK\$29.3 million), representing approximately HK\$3.8 million or 13.3% increase compared to the corresponding period in 2016. Such increase was mainly attributable to the increase in the number of projects and the increase in the average revenue contributed per project.

The Group's gross profit margin was lowered from approximately 64.7% in the financial year ended 31 March 2016 to approximately 62.3% in the financial year ended 31 March 2017. Such drop was due to decrease in the revenue contributed by projects with high gross profit margin was lowered in 2017 when compared to that of the corresponding period in 2016.

### General and administrative expenses

The Group's total general and administrative expenses for the financial year ended 31 March 2017 was approximately HK\$5.3 million (2016: approximately HK\$2.8 million), representing an increase of approximately HK\$2.5 million or 89.3% when compared to the corresponding period in 2016. Such increase was mainly due to the increase in compliance and professional expenses after Listing and increased payments of directors' salaries and fees since Listing.

### Profit for the year

The Group recorded a net profit attributable to owners of the Company of approximately HK\$7.4 million for the financial year ended 31 March 2017 (2016: HK\$5.9 million). Such change was mainly due to the increase in gross profit of approximately HK\$1.7 million and decrease of listing expenses of approximately HK\$2.4 million.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the financial year ended 31 March 2017, the Group financed its operations by cash flow from operating activities. As at 31 March 2017, the Group had net current assets of approximately HK\$53.4 million (2016: approximately HK\$9.5 million), including cash and cash equivalents of approximately HK\$51.3 million (2016: approximately HK\$7.1 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 20.3 times as at 31 March 2017 (2016: approximately 3.5 times). The increase in the current ratio was mainly attributable to the increase in cash and cash equivalents from the proceeds from the Placing as mentioned in the Company's announcement dated 9 December 2016.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$55.0 million as at 31 March 2017 (2016: approximately HK\$9.6 million).

### EMPLOYEE INFORMATION

Total staff and Directors' remuneration for the financial year ended 31 March 2017 was approximately HK\$10.3 million (2016: approximately HK\$8.3 million). Such increase was mainly due to the recruitment of 4 subcontractors of the Group in July 2015, general increase in staff salaries and increase in directors' salaries and fees after Listing. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions. Our remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

### CHARGES ON THE GROUP'S ASSETS

The Group did not have any charge arranged with any financial institution in Hong Kong as at 31 March 2017 (2016: Nil).

### FOREIGN EXCHANGE EXPOSURE

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

### PURCHASE, REDEMPTION OF LISTED SECURITIES

During the financial year ended 31 March 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in the financial year ended 31 March 2017 and up to the date of this announcement of annual results.

### EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 March 2017.

### USE OF PROCEEDS

Among the net proceeds of approximately HK\$25.1 million from the Placing, up to the latest practicable date for the purpose of this report, approximately HK\$1.5 million has been used as general working capital of the Group, comprising (i) approximately HK\$0.5 million as Directors' remuneration and staff salaries payment; and (ii) approximately HK\$1.0 million as compliance and professional fee and general expenses. The remaining balance of HK\$23.6 million was kept in the Company's interest bearing bank account. The Directors do not intend to change the intended usage of the proceed as disclosed in the Prospectus.

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 March 2017. This report highlights the key corporate governance practices of the Company.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code and Report") in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 March 2017 and up to the date of this report, to the best knowledge of the Board, the Company has complied with all the code provisions set out in the CG Code and Report.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required standard of Dealing"). Having made specific enquiries of all the Directors, all of them have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 March 2017. No incident of non-compliance was noted by the Company during the year under review.

## BOARD OF DIRECTORS

### Composition of the Board

Up to the date of this annual report, the Board comprises three executive Directors, three independent non-executive Directors. Details of their composition by category are as follows:

#### Executive Directors

Mr. Poon Kai Kit Joe (*Chairman*)  
Ms. Chan Ka Yee  
Mr. Fok Yat Cheong

#### Independent non-executive Directors

Mr. Kong Kam Wang  
Mr. Sung Hak Keung Andy  
Mr. Wong Kai Tat.

The biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" in this report.

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.



## Independent non-executive Directors

In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board, and with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and believes that their independence satisfies the criteria set out in Rule 5.09 of the GEM Listing Rules.

## The Board

The Board has the responsibility for leadership and control of the Group. They are collectively responsible for promoting the success of the Group by directing and supervising the Groups' affairs. The Board is accountable to shareholders of the Company (the "Shareholders") for the strategic development of the Group with the goal of maximizing long-term Shareholders' interest, while balancing broader stakeholder interests. The Board has delegated the day-to-day responsibility to the executive Directors and senior management of the Company who meet on a regular basis to review the financial results and performance of the Group and make financial and operational decisions for the implementation of strategies and plans approved by the Board. The Board also communicates with Shareholders and regulatory bodies and makes recommendations to Shareholders on issues relating to interim and final dividends.

## Board Meetings and Attendance

The Board meets in person or through electronic means of communication to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. The Board held 3 meetings after listing and up to 31 March 2017. Individual attendance records of each Director at the respective Board and committee meetings are set out in the table on page 12 of this report.

The Board meets regularly on a quarterly basis. Notice of at least 14 days is given to all Directors for a regular Board meeting. Apart from the regular Board meetings, the Board also meets on other occasions when a Board-level decision on a particular matter is required. For such, reasonable notice is given. All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company ("Company Secretary"), senior management and compliance officer of the Company who are responsible for ensuring the compliance of the Company with the GEM Listing Rules and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company. Any Directors and their associates who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed in the Board meetings shall abstain from voting on the relevant resolutions and are not to be counted in the quorum at meetings.

At least 3 days (or such other period as agreed in advance) before each Board meeting, a draft agenda is sent out to all Directors in order to allow the Directors to include any other matters in the agenda for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors 3 days or such other period as agreed before each Board meeting such that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

## Relationships between the Board

There was no financial, business, family or other material relationship among the Directors.

## Directors' Continuing Professional Development Programme

Each Director receives comprehensive and formal induction and orientation to ensure he/she adequately understand the operations and business of the Group. The Company also provided detailed director's responsibilities and obligations statement pursuant to the GEM Listing Rules for the Director to review and study. In addition, materials in relation to regularly update on latest development in relation to the GEM Listing Rules, other applicable regulatory requirements and the Group's business and governance policies (the "Reading Materials in relation to Continuous Professional Developments") were circulated to the Directors. Continuing briefings and seminars for the directors will be arranged as necessary. The Directors are encouraged to participate in continuous professional developments to develop and refresh their knowledge and skills periodically.

During the year ended 31 March 2017, the Directors participated in the continuous professional developments in the following manner:

Name	Reading Materials in relation to Continuous Professional Developments	Attending seminars/ courses/ conferences in relation to Continuous Professional Developments
<b>Executive Directors</b>		
Mr. Poon Kai Kit Joe	√	
Ms. Chan Ka Yee	√	
Mr. Fok Yat Cheong	√	
<b>Independent non-executive Directors</b>		
Mr. Kong Kam Wang	√	
Mr. Sung Hak Keung Andy	√	
Mr. Wong Kai Tat	√	

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Pursuant to A.2.1 of the CG Code and Report, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Poon Kai Kit Joe is the Chairman of the Board and is responsible for formulation of corporate strategy, overseeing the management of the Group and business development. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to the Board's affairs and promoting a culture of openness and debate.

The Company has no such position as the CEO and therefore the daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

#### Executive Directors

Each of the Executive Directors has entered into a service contract dated 21 November 2016 with the Company without a specific term until terminated earlier by no less than three (3) months' notice in writing served by either party or otherwise pursuant to the service contract. Each of the executive Directors is entitled to a fixed salary and may be entitled to a discretionary bonus under their respective service contracts determined by the Board.

#### Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of three (3) years commencing from 21 November 2016, unless terminated by not less than three (3) months' notice in writing served by either the relevant Director or the Company or otherwise pursuant to the applicable laws, Articles and the terms of appointment. Each of independent non-executive Directors is entitled to a director's fee.

In accordance with the Articles of Association of the Company, At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

### BOARD COMMITTEES

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee in order to maintain high standard of corporate governance within the Company.

#### Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 of the GEM Listing Rules and code provision C.3.3 and C.3.7 of the CG Code and Report. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Sung Hak Keung Andy. The other members are Mr. Kong Kam Wang and Mr. Wong Kai Tat.

The primary duties of the audit committee are to make recommendations to the Board on the appointment, reappointment and removal of external auditors; review the financial statements of our Company and areas involving judgements in respect of financial reporting; and oversee internal control procedures of our Company. All members of the Audit Committee are appointed by the Board.

The Audit Committee has met its responsibilities to review the Group's quarterly reports for the three months ended 31 December 2016 and the Group's audited annual results for the year ended 31 March 2017 and provided advice and comments thereon.

The Audit Committee held 1 meetings during the year ended 31 March 2017. Individual attendance records of each member of the Audit Committee are set out in the table on page 12 of this report.

### **Nomination Committee**

The Nomination Committee has been established with written terms of reference in compliance with code provision A.4.5 of the CG Code and Report. The Nomination Committee currently comprises three independent non-executive Directors and is chaired by Mr. Wong Kai Tat. The other members are Mr. Kong Kam Wang and Mr. Sung Hak Keung Andy.

The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. All members of the Nomination Committee are appointed by the Board.

During the year ended 31 March 2017, the Nomination Committee reviewed and discussed the structure, size and composition of the Board; made recommendation on the re-election of the retiring Directors; and confirmed the independence of the independent non-executive Directors. The Nomination Committee held 1 meeting during the year ended 31 March 2017. Individual attendance records of each member of the Nomination Committee are set out in the table on page 12 of this report.

### **Remuneration Committee**

The Remuneration Committee has been established with written terms of reference in compliance with code provision B.1.2 of the CG Code and Report. The Remuneration Committee currently comprises three independent non-executive Directors and is chaired by Mr. Kong Kam Wang. The other members are Mr. Sung Hak Keung Andy and Mr. Wong Kai Tat.

The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance-based remuneration; and ensure none of our Directors determine their own remuneration.

During the year ended 31 March 2017, the Remuneration Committee reviewed and made recommendation on the remuneration package of Directors and senior management of the Group and assessed the performance of executive Directors. The Remuneration Committee held 1 meeting during the year ended 31 March 2017. Individual attendance records of each member of the Remuneration committee are set out in the table on page 12 of this report.

## Directors' Attendance Record at Meetings

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the year ended 31 March 2017 are as follows:

Name of Director	Board Meeting Attended/ Eligible to attend	Audit Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	General Meeting Attended/ Eligible to attend
<b>Executive Directors</b>					
Mr. Poon Kai Kit Joe	3/3	N/A	N/A	N/A	N/A
Ms. Chan Ka Yee	3/3	N/A	N/A	N/A	N/A
Mr. Fok Yat Cheong	3/3	N/A	N/A	N/A	N/A
<b>Independent non-executive Directors</b>					
Mr. Kong Kam Wang	3/3	1/1	1/1	1/1	N/A
Mr. Sung Hak Keung Andy	3/3	1/1	1/1	1/1	N/A
Mr. Wong Kai Tat	3/3	1/1	1/1	1/1	N/A

## CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties in accordance with code provision D.3.1 to the CG Code and Report which are included to develop and review the Company policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, the issuer's policies and practices on compliance with legal and regulatory requirements and reviewing the issuer's compliance with the CG Code and Report and disclosure in the Corporate Governance Report.

## NON-COMPETITION UNDERTAKING

Pursuant to the Deed of Non-competition entered into among Mr. Poon Kai Kit Joe ("Mr. Poon"), Ms. Chan Ka Yee ("Ms. Chan") and Energetic Way Limited (the "Energetic Way") have agreed to and undertaken with the Company (for itself and on behalf of its subsidiaries) that for so long as the Deed of Non-competition remains in effect, other than through the Group and subject as provided below, he/it will not and will procure that none of his/its associates will, engage or be interested, directly or indirectly, in any business which may be in any aspect in competition with or similar to the businesses as may from time to time be carried on by the Group in Hong Kong (other than, in respect of Mr. Poon, Ms. Chan and Energetic Way, as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange). Mr. Poon, Ms. Chan and Energetic Way have further agreed to and undertaken with our Company (for itself and on behalf of its subsidiaries) that Mr. Poon, Ms. Chan and Energetic Way will, jointly and severally, indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Group arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of Mr. Poon, Ms. Chan and Energetic Way under the Deed of Non-competition, including any costs and expenses incurred as a result of such breach.

The Company has received an annual confirmation from Mr. Poon, Ms. Chan and Energetic Way that each of Mr. Poon, Ms. Chan and Energetic Way confirmed that other than their respective interests in our Group, none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of our Group during the year ended 31 March 2017.

The Independent Non-Executive Directors reviewed annually the compliance with the non-competition undertaking of Mr. Poon, Ms. Chan and Energetic Way under the Deed of Non-competition during the year ended 31 March 2017. No incident of non-compliance was noted by the Company and the Independent Non-Executive Directors for the year ended 31 March 2017.

### AUDITOR AND THEIR REMUNERATION

For the year ended 31 March 2017, remuneration paid and payable to the auditor of the Group (the “Auditor”) are approximately HK\$400,000 (2016: HK\$200,000) for audit services. There was no significant non-audit service provided by the auditor of the Group for the year.

### Director’s Acknowledgement

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company’s ability to continue as a going concern.

### Auditor’s Statement

The statement of the Auditor about their reporting responsibilities on the Company’s financial statements for the year ended 31 March 2017 is set out in the section “Independent Auditor’s Report” of this report.

### Financial Reporting

The Management has provided to all Directors quarterly updates with quarterly consolidated financial statement of the Company’s performance, position and prospects in sufficient details during the regular Board meetings. In addition, the Management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The Management will spare no effort to provide all members of the board with more detailed and promptly monthly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient detail in coming future.

### INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective internal control system to safeguard the Group’s assets against unauthorized use or disposition, and to protect the interests of the shareholders of the Company. During the year ended 31 March 2017, a review of the effectiveness of the Group’s internal control systems was conducted by external consultant and the results were summarized and reported to the Audit Committee and the Board. The Board will continue to assess the effectiveness of internal controls by considering reviews performed by the audit committee and senior management.

The Group reviewed the need of setting up an internal audit department and based on the resources needed and benefits of doing so, the Group and Directors believe that engaging external consultants to carry out an internal audit on an annual basis is more suitable to the Group’s current situation.

## COMPANY SECRETARY

Mr. Kwong Chun Man joined the Group on 17 August 2015 and has been the Company Secretary since 21 September 2015. The biographical details of the Company Secretary are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. In accordance with the Rule 5.15 of the GEM Listing Rule, the Company Secretary has taken no less than 15 hours of relevant professional training during the year ended 31 March 2017.

## SHAREHOLDERS' RIGHT

### Procedures for the Shareholders to convene an extraordinary general meeting

Pursuant to the Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures for the Shareholders to put their enquiries to the board

The Company endeavor to maintain two way communications with the Shareholders through various channels. The Shareholders are encouraged to send their enquiries about the Group by mail to the principle address of the Company. All the enquiries are dealt with in a timely manner. The Shareholders are also encouraged to attend annual general meeting (the "AGM") and EGM of the Company and to put their enquiries to the Board directly. Notices are duly being circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the EGM. The Chairman of the Board, chairmen of each of the Remuneration Committee, Nomination Committee and Audit Committee and the senior management attend the aforesaid meetings and respond proactively to the Shareholders' enquiries. The detailed procedures for conducting a poll are set out in the proxy forms and will be explained by the chairmen of the AGM and EGM orally in the beginning of the aforesaid meetings.

## INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company strengthens its communications with shareholders and investors through various channels including publication of interim and annual reports, press releases and announcements regarding the latest developments of the Company in its corporate website at [www.knk.com.hk](http://www.knk.com.hk) at a timely manner.

## CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles of Association. During the year ended 31 March 2017, there had not been any changes in the Company's constitutional documents.

## Overview

This is the first Environmental, Social and Governance (the “ESG”) Report (the “Report”) issued by KNK Holdings Limited for the year ended 31 March 2017. This Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM.

As the Group’s business nature is provision of architectural consultancy services in Hong Kong and primarily an office with relatively low energy, power and resources consumption, our direct environmental impact is immaterial in the process of the Group’s daily operation and business development. We adhere closely to principles of sustainable development, seeking to achieve required standards in the areas of environmental protection, employment and labour practices, operations practices and community service. While acknowledging our responsibility to our stakeholders, we encourage our staff to recognise those responsibilities and behave in a responsible manner toward the society in which we function.

## Scope of ESG Report

The ESG report presents the Group’s sustainability approach and performance in the environmental and social aspects of its business in Hong Kong during the year ended 31 March 2017. The Group will continue to strengthen its efforts to collect information in order to enhance its performance in the environmental and social areas and to disclose related information in sustainable development.

## Stakeholders’ Feedback to this Report

The Group welcomes stakeholders’ feedback on its ESG approach and performance. For any suggestions or opinions, questions or comments, please kindly send to the Company through the communication channels as stated in our Company’s website.

## Identification of and Communication with Stakeholders

The Stock Exchange has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which should form the basis for preparing the Report. As recommended, through stakeholder engagements, our Company can understand wide-ranging views and identify material environmental and social issues.

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders whom are communicated through meetings, enquiries, interviews and discussions, including: shareholders, employees, customers, suppliers and subcontractors, regulatory authorities and the local communities in which the Group operates.

## ENVIRONMENTAL PROTECTION

### Emissions and use of resources

The Group is committed to providing architectural consultancy services to our clients in a manner that minimises our potential adverse impact on the environment and in compliance with applicable environmental laws and regulations in all material respects and protecting environment by minimizing the negative impact of the Group’s operation on the environment. Due to the nature of our business, there is minimal direct impact to the environment and we do not generate hazardous waste. There is minimal need for our management and employees to travel overseas for business, so the main emission of the Group is the indirect greenhouse gas emissions from electricity consumption, which is mainly attributable to the use of lighting system, air-conditioning and office equipment.

As the water consumption of the Group is minimal, our commitment to the environment mainly focuses on the energy conservation, minimising the use of paper and the reduction of waste by recycling.



As a supporter of environmental protection, the Group strives for efficient and effective use of energy and resources in operation and management level of the Group. Energy conservation is a priority under environmental protection and energy-saving devices are used when applicable to reduce power consumption. The type of waste produced by the Group is mainly waste paper from daily operations. To enhance environmental awareness and encourage daily participation among the staff, there are recommendations to them to reduce energy wastage including, but not limited to:

- 1) Lights and electronic appliances in office premise will be turned off when not in use.
- 2) Every staff will turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.
- 3) Other than formal documents that require the use of papers, each staff is advised to handle documents electronically. When the use of paper is required, double-sided printing or using recycle paper is recommended except for formal and confidential documents.

Relating to reduction of waste by recycling, the Group also collects used toner cartridges for recycling purpose.

### Environment and natural resources

Due to the nature of our business, the Group does not directly generate industrial pollutants and is not aware of any significant generation of hazardous waste. During the year ended 31 March 2017, the Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection relating to air, greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.

The Group seeks to work toward environmental best practice. This involves giving careful consideration to various operational aspects and activities to minimise any environmental impact. Green messages and practical tips for green living will be circulated amongst employees to achieve environmental sustainability.

## EMPLOYMENT AND LABOUR PRACTICES

### Employment, health and safety

Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success and maintaining good labour relation is essential for sustainable development of our business.

The Group is committed to providing them with a safe, pleasant and healthy working environment. The Group not only rewards and recognises employees by competitive remuneration package and promote career development and progression by providing opportunities for career advancement, but also provides support in different areas for its employees. The Group complies with all applicable laws and regulations in relation to employment matters.

The Group considers its employees as vital assets. To maintain a safe and comfortable work environment, the professional cleaning company will clean and sanitise office areas and equipment regularly. The Group also designs and plans office layouts based on relevant safety provisions, and ensures that fire escapes are not blocked. Subsidiaries of the Group also review their office environment and their safety policies regularly to make sure that daily operations fully comply with all applicable laws and regulations.

### Development and training

The Group is aware of the continuous development and updates of relevant laws and regulations, each department of the Group is responsible for determining its training needs for employee in its department and any suggested applicable training courses either arranged internally or by external service providers shall be submitted to the senior management of the Group for approval. Knowledge, skills and capacities of employees are vital to continuous business growth and success of the Group. The Group strives to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

## Labour standards

The Group establishes recruitment policies according to applicable laws and regulations of Hong Kong. The Group makes certain that its employees are all above the minimum legal working age and have been fully protected in terms of labour standards, and that all laws and regulations prohibiting child labour and forced labour are complied.

All recruitment, remuneration, training, and promotion mechanisms are carried out impartially, and individuals are assessed solely on the basis of professional experience and/or work performance. No one is subject to discrimination due to age, gender, race or skin colour. The management of the Group regularly reviews its internal management system, and revises its remuneration and welfare policies according to changes in labour laws, to ensure that its male and female employees enjoy all statutory rights.

## OPERATIONS PRACTICES

As a professional architectural consultancy services provider, the Group has set up a comprehensive and effective compliance procedure to ensure its full compliance in daily operations with all applicable laws, rules and regulations. It also keeps a close eye on changes to laws and regulations in the areas where it operates, and makes appropriate and timely adjustments in its internal control policies. To ensure its overall operations are in line with all legal compliance requirements, the management of the Group also disseminates information on related changes by email or other means to update employees on new developments. The Group reviews its internal and external operations practices from time to time, and takes the initiative to revise management policies when necessary to adjust its corporate governance practices. In addition, the Group has obtained all the licences required by all relevant laws and regulations in Hong Kong. The management of the Group will ensure employees comply with all relevant laws and regulations whenever they provide architectural consultancy services to clients.

## Service responsibilities

The Group and its subsidiaries have an ethic responsibilities on its services provided to clients. The staff involved in service delivery always bear in mind to provide high level of services to clients. Apart from its service quality, the Group emphasises the importance of the confidentiality of personal data and the privacy of our clients and we adhere to the provisions of the Personal Data (Privacy) Ordinance when collecting, processing and using clients' personal data.

## Anti-corruption

All of the Group's operations comply with the legislation on standards of conduct, such as the Prevention of Bribery Ordinance in Hong Kong. The Group has worked to establish a corporate culture of integrity and justice, and treats integrity as one of its core business principles. To raise anti-corruption awareness among its employees, the Group lays out codes of conduct concerning the conflict of interest and business conduct in its employment handbook. We also encourage employees to report their interests and make good use of the accusation mechanism to eliminate illegal activities such as money laundering, bribery and fraud.

## COMMUNITY SERVICES

### Charity and community work

The Group regards contributions to society as part of its mission. Our business development strategy also pays close attention to community welfare. The Group has been devoted to promote community development by taking the lead and encouraging employees to care for the community.

The Group and controlling shareholders target through donations, sponsorships and charity work by supporting non-profit-making organisations to help charitable, cultural, medical, educational and other needs of society. The Group wishes to raise fund as caring for people in need and supporting charity activities.

### Charity donations

During the year, the Group made contributions to Hong Kong Community Chest by donation during the GEM stock code selection process.

### EXECUTIVE DIRECTORS

**Mr. Poon Kai Kit Joe (潘啟傑)**, previously named Poon Hoi Ming, aged 51, is the founder of our Group, the chairman of the Board and an executive Director. Mr. Poon is responsible for the overall corporate development of our Group, overseeing the management of our Company and giving guidance or decision on design, administration and policy matters. Mr. Poon also collaborates with project directors and architects to assume full responsibility for the projects. Mr. Poon was appointed as a Director on 29 July 2015.

Mr. Poon has over 20 years of experience in the architectural service industry. He established Prompt Shine Investment Limited (currently known as KKCAAL) in 1993. Since 1999, he led Prompt Shine Investment Limited to specialise in architectural expertise while simultaneously providing structural, building services, interior design, project management and licensing services.

Mr. Poon graduated from the University of Hong Kong with a bachelor's degree of Arts in Architectural Studies in November 1988. He was then awarded with a bachelor's degree of Architecture from the University of Hong Kong in December 1990.

Mr. Poon is a director of Energetic Way, Energetic Tree and KKCAAL and the spouse of Ms. Chan, another executive Director.

**Ms. Chan Ka Yee (陳嘉儀)**, aged 39, has been appointed as the executive Director since 21 September 2015. She joined our Group on 19 May 2003 as a director of KKCAAL. She attained secondary education level and attended the Hong Kong Advanced Level Examination in 1997. She is primarily responsible for overseeing the daily operation of the office administration in our Group. Ms. Chan has over 12 years of experience in the architectural service industry in Hong Kong. Prior to joining our Group, she worked as a secretary in both Hong Kong Exchanges and Clearing Limited from June 2001 to May 2005 and Asia Standard International Group Limited from August 1999 to April 2001.

Ms. Chan is also a director of Energetic Tree and KKCAAL and the spouse of Mr. Poon.

**Mr. Fok Yat Cheong (霍日昌)**, aged 58, has been appointed as an executive Director since 21 September 2015. He is primarily responsible for overseeing the implementation and daily maintenance of our Group's information technology system and its design.

Mr. Fok obtained a master's degree of science in Engineering Business Management from The University of Warwick, United Kingdom in July 1995. He was elected as an Associate of the Hong Kong Institute of Bankers in October 2002 and admitted as a full member of the Hong Kong Computer Society in April 2000.

Since October 1980, he was employed as a programmer of the International Bank of Asia. As at the time of his resignation in November 1988, he held the position of assistant manager in system development and maintenance group of operations and support division. He was then employed as an IT manager by Sun Hung Kai Properties Limited from November 1988 for around 25 years and had led a team of more than 50 people to provide application systems development, office automation, data centre operation and user support.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Kong Kam Wang (江錦宏)**, aged 60, has been appointed as an independent non-executive Director since 21 November 2016. He is also the chairperson of Remuneration Committee and a member of each of Audit Committee and Nomination Committee.

Mr. Kong graduated from The Chinese University of Hong Kong in December 1981 with a bachelor's degree of Business Administration and he later obtained a master's degree of Business Administration from The Chinese University of Hong Kong in December 2002.

Mr. Kong has over 15 years of experience in the banking industry and has held senior management positions specializing in corporate banking in Hong Kong and the PRC. He has been appointed as an executive director of WLS Holdings Limited (stock code: 8021) since June 2002 and has been promoted to chief executive officer since January 2007. Before joining WLS Holdings Limited, Mr. Kong had been employed by First Pacific Bank Limited from June 1989 to February 2002 with his last position as vice president.

**Mr. Sung Hak Keung Andy (宋克強)**, aged 43, has been appointed as an independent nonexecutive Director since 21 November 2016. He is also the chairperson of Audit Committee and a member of each of Remuneration Committee and Nomination Committee.

Mr. Sung has over 16 years of experience in accounting and finance industry. Prior to joining our Group, Mr. Sung worked as a staff accountant I and was then promoted to senior accountant II in Ernst & Young in Hong Kong from October 1997 to December 2001 and has been a member of American Institute of Certified Public Accountants since July 2000, an associate member of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) since January 2001, and a Chartered Global Management Accountant of the American Institute of Certified Public Accountants since June 2012. Mr. Sung obtained a bachelor's degree in commerce in June 1997 from University of Toronto, Canada and obtained a master's degree in business administration in June 2007 from The University of Manchester, United Kingdom.

Mr. Sung worked as an assistant financial controller at Good Fellow Group Limited during the period from August 2003 to September 2006. Mr. Sung was a company secretary of Oriental City Group PLC during the period from May 2007 to March 2009 and a vice president-finance of China Smartpay Group Holdings Limited (formerly known as Oriental City Group Holdings Limited) (stock code: 8325) during the period from August 2009 to November 2013 and was the company secretary of that company from January 2009 to January 2013. Mr. Sung has also been an independent non-executive director of New Ray Medicine International Holding Limited (stock code: 6108) from September 2013 to June 2017.

**Mr. Wong Kai Tat (王啟達)**, aged 64, has been appointed as an independent non-executive Director since 21 November 2016. He is also the chairperson of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee.

He graduated with an LLB (Honours) degree from the University of Hong Kong in December 1989, a bachelor's degree in business administration from the University of Iowa in the United States in May 1974, a master's degree in business administration from the University of Strathclyde in Scotland in November 1993, a master's degree in applied finance from Macquarie University in Australia in September 2001, a master's degree in corporate finance from Hong Kong Polytechnic University in November 2002, an honorary doctor's degree of law from Armstrong University in the United States in June 1996 and a doctor's degree in business administration from the University of Newcastle in Australia in July 2013. He has also been an associate of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) since February 1980. He has been a barrister in Hong Kong since September 1994.

Mr. Wong was an independent non-executive director of Shenyang Public Utility Holdings Company Limited (stock code: 747) from February 2009 to February 2015 and an executive director of Great World Company Holdings Ltd (formerly known as T S Telecom Technologies Limited) (stock code: 8003) from July 2000 to July 2011.

### SENIOR MANAGEMENT

**Mr. Lee Hon Ho (李漢豪)**, aged 53, joined our Group on 10 September 2011 as a senior project architect and was then promoted to a senior associate director and the head of alteration and addition and minor work division of our Group. He is responsible for the architectural and interior design of alteration and addition works and minor works. Prior to joining our Group, Mr. Lee Hon Ho worked as a project architect in KLS International Architects & Planners Co., Ltd from May 2004 to September 2011.

He obtained a bachelor's degree of Art in Architecture Studies from the University of Hong Kong in November 1985 and was awarded a professional degree in Architecture from Politecnico di Milano in Italy in July 1993.

**Mr. Wong Kin Piu (黃健彪)**, aged 46, joined our Group on 9 March 2009 and has been a project manager of our Group since then. He is responsible for project management of alteration & addition works and minor works including preparation of statutory submission documents. He also supervises site works and liaises with customers, consultants and contractors. Prior to joining our Group, Mr. Wong Kin Piu worked as project manager in Mega Projects Construction Limited From September 2006 to February 2009. He gained skills in site planning, management and technical co-ordinations to solve problems without jeopardizing the fundamental design intention through experience in plenty of building services improvements project experience.

Mr. Wong Kin Piu was awarded the higher diploma in Building Surveying from the City University of Hong Kong in November 1993. He was also awarded BSc (Hon) in Construction Management from the University of Wolverhampton in September 2008.

**Mr. Wong Yiu Chung (黃耀聰)**, aged 52, has joined our Group since 1 July 2015 and has been an associate director of our Group since July 2015. He is in charge of building services division and he is responsible for managing the building services design team, project management and license consultant. Mr. Wong Yiu Chung has around 20 years experience in building services system planning, design and quality control. Prior to joining our Group, he worked as project manager in Asia Standard Development Holdings Limited from October 1993 to April 2006, in charge of all building services works and successfully completed over 30 development projects including residential, commercial, industrial buildings and hotels.

Mr. Wong Yiu Chung was awarded a Certificate in Mechanical Engineering (Air-conditioning and Refrigeration) from Morrison Hill Technical Institute in June 1990. Then he was awarded a Higher Certificate in Building Services Engineering from Hong Kong Polytechnic in November 1993. Mr. Wong Yiu Chung has mastery on heating, ventilation, refrigerating and air-conditioning engineering and had obtained the membership of American Society of Heating, Refrigerating and Air-conditioning Engineers, Inc in September 1994.

**Mr. Kwong Chun Man (鄺振文)**, aged 38, joined our Group as the financial controller on 17 August 2015 and was appointed as the company secretary of our Company on 21 September 2015 and is responsible for our Group's accounting and corporate finance matters.

Mr. Kwong is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Kwong is also a certified internal auditor of the Institute of Internal Auditors and a certified information systems auditor of the Information Systems Audit and Control Association. Mr. Kwong obtained a Bachelor of Art in Computing degree at The Hong Kong Polytechnic University in November 2001.

Before joining our Group, Mr. Kwong was employed by Deloitte Touche Tohmatsu from 2001 to 2008 and was a manager when he left the employment. He was a vice president of Orient Securities Limited, an indirect wholly owned subsidiary of Orient Securities International Holdings Limited (stock code: 8001), from 1 June 2013 to 16 August 2015 and was responsible for its financial reporting and overall financial planning and budgeting. Mr. Kwong has not held directorship in public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

## REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2017.

### PRINCIPAL ACTIVITIES AND REORGANISATION

The Company was incorporated and registered as an exempted company with limited liability on 29 July 2015 under the Companies Law of the Cayman Islands and acts as an investment holding company. Under a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of the Stock Exchange (the “Group Reorganisation”), the Company has become the ultimate holding company of the Group on 21 September 2015. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Unit E, 33rd Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

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

The Company’s shares have been listed on the GEM of the Stock Exchange since 12 December 2016 (the “Listing Date”).

### BUSINESS REVIEW AND PERFORMANCE

#### Review of the Group’s Business and Performance

Details of a fair review of the Group’s business (including an analysis using key financial performance indicators) and the possible future development of the Group’s business are set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report.

#### Compliance with Laws and Regulations

During the year ended 31 March 2017, the Group has complied with the relevant laws and regulations that have a significant impact on it.

#### Environmental Policies and Performance

While the direct impact of the Group’s business to the environment is minimal due to the nature of our business, we are committed to providing architectural consultancy services in a manner that minimises potential adverse impact on the environment. To achieve this aim, we have adopted a set of environmental protection policies including but not limited to shutting down lights and various office electronic equipment when not in use and reducing the paper consumption.

#### Relationship with Key Stakeholders

As developing and retaining talents are vital to the Group’s success, the Group not only provides competitive remuneration packages and opportunities for career advancement, but also gives support in different areas to its employees. During the period under review, there were no significant disputes between the Group and its employees.

In addition, the Group also kept maintaining a long-term healthy relationships with its major customers and subcontractors by keeping having new projects from them and engaging them on projects that need their participation.

## RESULTS

The Group's results for the year ended 31 March 2017 and the state of affairs of the Group at that date are set out in the consolidated financial statements from pages 37 to 38 of this annual report.

The Directors do not recommend payment of any dividend for the year.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four years is set out in the section headed "Financial Summary" on page 80 of this annual report. The summary does not form part of the audited consolidated financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 20 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 13 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 20 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2017, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK\$27,256,000 (2016: HK\$7,000).

## USE OF PROCEEDS

Among the net proceeds of approximately HK\$25.1 million from the placing transaction conducted in 12 December 2016, up to the latest practicable date for the purpose of this report, HK\$1.5 million has been used as general working capital of the Group, comprising (i) approximately HK\$0.5 million as Directors' remuneration and staff salaries payment; and (ii) approximately HK\$1.0 million as compliance and professional fee and general expenses.

The remaining balance of HK\$23.6 million was kept in the Company's bank account. The Directors do not intend to change the intended usage of the proceed as disclosed in the Prospectus.

## SUBSIDIARIES

A list of subsidiaries together with their places of operations and incorporation and particulars of their issued share capital are out in note 14 to the consolidated financial statements.



## DIRECTORS

The Directors of the Company during the year ended 31 March 2017 and up to the date of the report were:

### Executive Directors

Mr. Poon Kai Kit Joe (*Chairman*)

Ms. Chan Ka Yee

Mr. Fok Yat Cheong

### Independent Non-executive Directors

Mr. Kong Kam Wang

Mr. Sung Hak Keung Andy

Mr. Wong Kai Tat

In accordance with articles of the Company's Articles of Association, Mr. Fok Yat Cheong and Mr. Kong Kam Wang will retire as Directors by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "AGM").

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of Directors and senior management of the Group are set out from pages 18 to 21 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

The Independent Non-executive Directors were appointed for a fixed term of three years under a letter of appointment issued by our Company. Their appointment is renewable from each general meeting on which he is standing for re-election and is subject to (i) the rotation, removal, vacation or termination of his office as a Director or disqualification at act as a Director as set out in the applicable laws, the articles of association of the Company and the GEM Listing Rules; and (ii) the terms of the letter of appointment.

There have been no service contracts entered into by the Company with any of the Directors which contain an unexpired period which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

Save as disclosed in the Company's prospectus dated 30 November 2016 ("Prospectus") and the related party transactions as set out in note 25 to the consolidated financial statements, none of the Directors or entities connected with any of them has or had any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during, or at the end of, the year ended 31 March 2017.

Save as disclosed in the Prospectus, there were no arrangements subsisting during, or at the end of, the year ended 31 March 2017 to which the Company, its subsidiary(ies), its controlling shareholder(s), or the subsidiary(ies) of its controlling shareholder(s) is a party and whose objects were, or one of whose objects was, to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the Prospectus, there were no contracts of significance between the Company or any of its subsidiaries and the controlling Shareholders of the Company subsisting during the year ended 31 March 2017.

## DONATION

During the year ended 31 March 2017, the Group made donations amounted to HK\$650,000.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## EMOLUMENT POLICY

The remuneration committee was established for reviewing and determining the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under a share option scheme. The Company has conditionally adopted a share option scheme. The details of the share option scheme are set out in the paragraph headed "Share Option Scheme" below.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 9 and 10 to the consolidated financial statements.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled for Friday 22 September 2017. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 19 September 2017 to Friday 22 September 2017 (both dates inclusive), during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Monday 18 September 2017.

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the ordinary shares with a par value of HK\$0.01 each in the Company ("Shares"), underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer set out in rules 5.46 of the GEM Listing Rules (the "Required Standard of Dealings") were as follows:

### *Long position in Shares and underlying shares*

<b>Name of Directors</b>	<b>Capacity/Nature of interests</b>	<b>Number of share held (Note 3)</b>	<b>Approximate percentage of issued share capital (Note 2)</b>
Mr. Poon Kai Kit Joe (Note 1)	Interest of a controlled corporation	196,000,000 (L)	46.89%
Ms. Chan Ka Yee (Note 1)	Interest of a controlled corporation	196,000,000 (L)	46.89%

## REPORT OF DIRECTORS

### Long position in ordinary shares of Energetic Way Limited (“Energetic Way”) (Note 4)

Name of Directors	Capacity/Nature of interests	Number of share held (Note 3)	Approximate percentage of issued share capital (Note 2)
Mr. Poon Kai Kit Joe (Note 1)	Beneficial Interest/Interest of Spouse	2 (L) (Note 4)	100%
Ms. Chan Ka Yee (Note 1)	Beneficial Interest/Interest of Spouse	2 (L) (Note 4)	100%

#### Notes:

- 196,000,000 shares were registered in the name of Energetic Way Limited, which was owned as to 50% by Mr. Poon Kai Kit Joe (“Mr. Poon”) and 50% by Ms. Chan Ka Yee (“Ms. Chan”), spouse of Mr. Poon. Under the SFO, Mr. Poon and Ms. Chan were deemed to be interested in the shares held by Energetic Way Limited by virtue of Energetic Way Limited being controlled by Mr. Poon and Ms. Chan.
- The percentage is calculated on the basis of 418,000,000 shares of the Company in issue as at 31 March 2017.
- The letter “L” denotes the entity’s/person’s long position in the shares.
- Each of Mr. Poon and Ms. Chan was beneficially interested in 1 ordinary share of Energetic Way and each of Mr. Poon and Ms. Chan, being spouse of each other, was also deemed to be interested in the 1 ordinary share held by Ms. Chan and Mr. Poon respectively.

Save as disclosed above, as at 31 March 2017, none of the Directors or the Chief Executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2017, so far as is known to the Directors and the Chief Executives and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interests and short positions of the persons or corporations (other than the Directors and the Chief Executives) in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity/Nature of interests	Number of share held (Note 3)	Approximate percentage of issued share capital (Note 3)
Energetic Way Limited (Note 1)	Beneficial interest	196,000,000 (L)	46.89%
Ke Yuexian	Beneficial interest	83,624,000 (L)	20.01%
Cheung Tuen Ting	Beneficial interest/Interest of Spouse	24,000,000 (L) (Note 4)	5.74%
Wang Chang Yu Judy	Beneficial interest/Interest of Spouse	24,000,000 (L) (Note 4)	5.74%

## Notes:

1. 196,000,000 shares were registered and owned by Energetic Way Limited, of which 50% of the issued share capital was legally and beneficially owned by Mr. Poon and 50% by Ms. Chan, spouse of Mr. Poon. Therefore, Mr. Poon and Ms. Chan were deemed to be interested in the shares held by Energetic Way Limited by virtue of Energetic Way Limited being controlled by Mr. Poon and Ms. Chan.
2. The letter “L” denotes the person’s/entity’s long position in the shares.
3. The percentage is calculated on the basis of 418,000,000 shares of the Company in issue as at 31 March 2017.
4. Mr. Cheung Tuen Ting (“Mr. Cheung”) and Ms. Wang Chang Yu Judy (“Ms. Wang”) directly held 14,000,000 and 10,000,000 shares in the Company respectively. In light of the spousal relationship between Mr. Cheung and Ms. Wang, both of them are deemed interested in the shares of the Company directly held by each other.

Save as disclosed above, as at 31 March 2017, there was no person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

## OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there was no other person who had interest or short position in the Shares and underlying Shares that is discloseable under Chapter 18 of the GEM Listing Rules.

## RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed “INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION” and “SHARE OPTION SCHEME” in this report, at no time during year ended 31 March 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the year ended 31 March 2017 had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) and its associated corporations (within the meaning of the SFO).

## PURCHASE, REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## SHARES ISSUED FOR THE YEAR ENDED 31 MARCH 2017

Save as disclosed in the Prospectus and the allotment results announcement of the Company dated 9 December 2016, no Shares were issued during the year ended 31 March 2017.

## CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

Save as the granting of the Offer Size Adjustment Option as disclosed in the Prospectus which has been fully exercised as disclosed in the allotment results announcement of the Company dated 9 December 2016, no convertible securities, options, warrants and similar rights were issued or granted by the Group during the year ended 31 March 2017.

### SHARE OPTION SCHEME

The purpose of the share option scheme is to enable the Company to grant options to any employee, adviser, consultant, agent, contractors, client, supplier, customer and/or such other person, who in the sole discretion of the Board has contributed or may contribute to our Group (the “Eligible Participant”). The Company conditionally adopted a share option scheme (the “Scheme”) on 21 November 2016 which has become effective since 12 December 2016 (the “Effective Date”) whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Eligible Participant. The Scheme will be valid and effective for a period of ten years commencing from the Effective Date. Terms used below shall have the same meaning as those defined in the section “D. Share Option Scheme” in Appendix IV to the Prospectus.

An offer of the grant of option(s) shall be made to an Eligible Participant by letter in such form as the Board may from time to time determine requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Eligible Participant concerned until 5:00 p.m. on the 20th business days following the Offer Date provided that no such offer shall be open for acceptance after the Scheme Period or after the Scheme has been terminated.

An Option shall be deemed to have been granted and accepted when the duplicate of the offer letter as referred to above comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of our Company of HK\$1.00 or any other amount as determined by the Board by way of consideration for the grant thereof is received by our Company within the period open for acceptance referred to above. Such remittance shall in no circumstances be refundable.

The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer of the grant of option, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date of offer of the grant of option; and (iii) the nominal value of a share.

As at the date of this report, the maximum number of shares available for issue under the Scheme is 41,800,000 shares, representing approximately 10% of the issued share capital of the Company as at the date of adoption of the Scheme.

The Company may at any time refresh such limit, subject to the shareholders’ approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time of refreshment. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each Eligible Participant (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option scheme of the Company in any 12-month period up to and including the date of offer of the grant of option shall not exceed 1% of the total number of shares in issue for the time being. Any further grant of options in excess of this limit is subject to shareholder's approval in general meeting.

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

### **REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Details of the emoluments of the Directors, senior management and five individuals with highest emoluments are set out in notes 9 and 10 to the consolidated financial statements respectively.

### **COMPETING INTERESTS**

As at 31 March 2017, none of the Directors, the controlling Shareholders and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group and none of them had or may have any other conflicts of interest with the Group.

### **CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

During the year ended 31 March 2017, the Company did not enter into any connected transactions which required reporting, annual review, announcements and/or independent shareholders' approval under the GEM Listing Rules.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year ended 31 March 2017, there was no customer who accounted for over 10% of the total revenue of the Group.

For the year ended 31 March 2017, the aggregate revenue to the top five customers of the Group accounted for approximately 29% (2016: 26%) of the Group's total revenue.

As far as the Directors aware, neither the Director nor their associates nor any shareholder (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in that customer of the Group.

Due to the nature of the Group's business activities, the Group has no supplier.

### **RELATED PARTY TRANSACTIONS**

Details of the related party transactions entered into by the Group are set out in note 25 to the consolidated financial statements.

### **CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the Independent Non-executive Directors to be independent.

### INTEREST OF COMPLIANCE ADVISER

As at 31 March 2017, neither Ample Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to rule 6A.32 of GEM Listing Rules.

### EVENT AFTER THE REPORTING PERIOD

Up to the date of results announcement and annual report issuance of the Company, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 March 2017.

### FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

### CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out from pages 7 to 14 of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

### AUDITORS

The consolidated financial statements for the year ended 31 March 2017 have been audited by the Company's auditor, Crowe Horwath (HK) CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of Crowe Horwath (HK) CPA Limited as auditor of the Company will be proposed at the AGM.

On behalf of the board

**Poon Kai Kit Joe**

*Chairman*

Hong Kong, 29 June 2017



國富浩華 (香港) 會計師事務所有限公司  
**Crowe Horwath (HK) CPA Limited**  
Member Crowe Horwath International

9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KNK HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of KNK Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 37 to 79, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Revenue recognition on contract work and amounts due from/(to) customers for contract work

Refer to notes 5 and 16 to the consolidated financial statements and the accounting policies on pages 50 and 51.

### The Key Audit Matter

We identified the revenue recognition on contract work and amounts due from/to customers for contract work as a key audit matter as they are significant to the consolidated financial statements as a whole and significant management's estimations and judgments are involved in the determination of the total outcome of contract revenue and contract costs and the percentage of completion.

The Group recognises contract revenue and costs by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Accordingly, revenue recognition involves a significant degree of judgment, with estimates being made to assess the total contract costs and stage of completion of the contract and provide appropriately for loss making contracts.

Management reviews and revises the estimates of contract costs for the comprehensive architectural services as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised for the financial year.

### How the matter was addressed in our audit

Our procedures in relation to revenue recognition on contract work and amounts due from/(to) customers for contract work included:

- Evaluating the design, implementation and operating effectiveness of key internal controls which govern revenue recognition;
- Assessing the accuracy of the forecasted revenue by agreeing to the contract sum as set out in the contracts on a sample basis;
- Assessing the accuracy of the staff costs allocated to selected contracts with reference to the data extracted from the Group's timesheet recording system to evaluate the reasonableness of the total cost incurred for work performed to date used to determine the percentage of completion of individual contracts;
- Agreeing the contract costs, on a sample basis, incurred to date to the subcontractor invoices;
- Checking the accuracy of the amounts due from/to customers for contract work by agreeing the actual cost incurred and progress billing acknowledged by the customers for the year to the invoices on a sample basis;
- Performing comparisons between the percentage of completion and the percentage of progress billing on selected contracts to identify and investigate any significant differences; and
- Obtaining confirmations, on a sample basis, from major customers of the Group to confirm revenue recognised during the year and, for unreturned confirmations, performing alternative procedures by comparing details with contracts, bank-in-slips and other underlying project related documentation.

## Recoverability of trade receivables

Refer to notes 15 to the consolidated financial statements and the accounting policies on pages 46 and 47.

### The Key Audit Matter

We identified the recoverability of trade receivables as a key audit matter due to the use of judgment and estimates by the management of the Company in determining the allowance for doubtful debts or write offs of uncollectable bad debts.

In determining the allowance for doubtful debts and write offs of bad debts, the management of the Company has considered the collectability and aging analysis of individual trade receivables.

A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, taking into account the current creditworthiness, and the past collection history of each customer.

### How the matter was addressed in our audit

Our procedures in relation to recoverability of trade receivables included:

- Testing the aging analysis of trade receivables, on a sample basis, to the source documents;
- Checking subsequent settlement of trade receivables from contract customers to the source documents; and
- Discussing with the management and evaluating their assessment of the recoverability of trade receivables, in particular those aged over one year with no or minimal settlement of the balances during the year or subsequent to the end of the reporting period.

## INDEPENDENT AUDITOR'S REPORT

### **Information other than the consolidated financial statements and auditor's report thereon**

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the consolidated financial statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

### **Auditor's responsibilities for the audit of the consolidated financial statements** *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Sze Chor Chun, Yvonne.

### **Crowe Horwath (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 29 June 2017

### **Sze Chor Chun, Yvonne**

Practising Certificate Number P05049

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2017*

	Note	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Revenue	5	<b>33,178</b>	29,334
Cost of services rendered		<b>(12,524)</b>	(10,368)
<hr/>			
Gross profit		<b>20,654</b>	18,966
Other income	6	—	86
General and administrative expenses		<b>(5,295)</b>	(2,808)
Listing expenses		<b>(5,226)</b>	(7,658)
<hr/>			
Profit before taxation	7	<b>10,133</b>	8,586
Income tax	8	<b>(2,732)</b>	(2,662)
<hr/>			
Profit for the year attributable to owners of the Company		<b>7,401</b>	5,924
Other comprehensive income for the year		—	—
<hr/>			
Total comprehensive income for the year attributable to owners of the Company		<b>7,401</b>	5,924
<hr/>			
Earnings per share	12		
Basic		<b>HK2.30 cents</b>	HK2.12 cents
<hr/>			
Diluted		<b>HK2.30 cents</b>	HK2.12 cents
<hr/>			

The notes on pages 42 to 79 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	1,689	24
Deferred tax asset	19(b)	—	109
		<b>1,689</b>	133
<b>Current assets</b>			
Trade and other receivables	15	3,570	4,978
Amounts due from customers for contract work	16	1,232	1,101
Tax recoverable	19(a)	77	—
Cash and cash equivalents	17	51,286	7,130
		<b>56,165</b>	13,209
<b>Current liabilities</b>			
Trade and other payables	18	2,161	1,417
Amounts due to customers for contract work	16	600	1,550
Current taxation	19(a)	—	762
		<b>2,761</b>	3,729
<b>Non-current liabilities</b>			
Deferred tax liabilities	19(b)	114	—
		<b>54,979</b>	9,613
<b>Net assets</b>			
<b>Capital and reserves</b>			
Share capital	20(b)	4,180	—
Reserves		50,799	9,613
		<b>54,979</b>	9,613
<b>Total equity</b>			

The financial statements were approved and authorised for issue by the board of directors on 29 June 2017 and are signed on its behalf by:

\_\_\_\_\_  
**Mr. Poon Kai Kit Joe**  
*Director*

\_\_\_\_\_  
**Ms. Chan Ka Yee**  
*Director*

The notes on pages 42 to 79 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Notes	Attributable to owners of the Company				Total equity HK\$'000
		Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	
Balance at 1 April 2015		—	—	—	13,839	13,839
Profit and total comprehensive income for the year		—	—	—	5,924	5,924
Issue of new shares	20(b)(iii)	—	5,000	—	—	5,000
Effect of Reorganisation	20(b)(iii)	—	(5,000)	5,000	—	—
Dividends in respect of the current year	11	—	—	—	(15,150)	(15,150)
Balance at 31 March 2016		—	—	5,000	4,613	9,613
Balance at 1 April 2016		—	—	5,000	4,613	9,613
Profit and total comprehensive income or the year		—	—	—	7,401	7,401
Shares issued pursuant to capitalisation issue	20(b)(v)	2,800	(2,800)	—	—	—
Issue of shares by way of placing	20(b)(vi)	1,380	39,882	—	—	41,262
Transaction costs attributable to issue of new shares		—	(3,297)	—	—	(3,297)
Balance at 31 March 2017		4,180	33,785	5,000	12,014	54,979

The notes on pages 42 to 79 form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>Operating activities</b>			
Profit before taxation		10,133	8,586
Adjustments for:			
Listing expenses		5,226	7,658
Depreciation of property, plant and equipment		13	17
Gain on disposal of property, plant and equipment		—	(86)
Loss on written off on property, plant and equipment		5	—
		<b>15,377</b>	16,175
<b>Changes in working capital</b>			
Increase in amounts due from customers for contract work		(131)	(442)
Decrease/(increase) in trade and other receivables (Decrease)/increase in amounts due to customers for contract work		4,645	(288)
(Decrease)/increase in trade and other payables		(950)	1,012
		<b>(3,053)</b>	427
<b>Cash generated from operations</b>			
Hong Kong Profits Tax paid	19(a)	15,888	16,884
		<b>(3,348)</b>	(3,390)
<b>Net cash generated from operating activities</b>			
		<b>12,540</b>	13,494
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		—	(10)
Proceeds from disposal of property, plant and equipment		—	400
Repayment of advance to a director		—	7,235
Advance to a director		—	(9,794)
<b>Net cash used in investing activities</b>			
		—	(2,169)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>Financing activities</b>			
Dividends paid		—	(120)
Proceeds from issue of new shares		37,965	5,000
Payment for listing expenses		(6,349)	(9,451)
<b>Net cash generated from/(used in) financing activities</b>		<b>31,616</b>	<b>(4,571)</b>
<b>Net increase in cash and cash equivalents for the year</b>		<b>44,156</b>	<b>6,754</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>7,130</b>	<b>376</b>
<b>Cash and cash equivalents at end of the year</b>	17	<b>51,286</b>	<b>7,130</b>

The notes on pages 42 to 79 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 1. GENERAL INFORMATION

KNK Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability on 29 July 2015 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised of the Cayman Islands (the “Cayman Companies Law”) and acts as an investment holding company. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Unit E, 33/F., Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong respectively.

On 12 December 2016, the shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The principal activity of the Group is engaged in the provision of comprehensive architectural and structural engineering consultancy service under the business name of “K & K Chartered Architect & Associates”.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the “Group”).

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These financial statements are presented in Hong Kong dollars (“HK\$”), rounded to the nearest thousand except for per share data. HK\$ is the Company’s functional and the Group’s presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Basis of preparation of the financial statements (Continued)

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Reorganisation") which was completed on 21 September 2015, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 November 2016.

The Reorganisation have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA to present the results and cash flows of the companies comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout both years presented, or since the respective dates of incorporation, where it is a shorter period. The consolidated statement of financial position of the Group prior to completion of the Reorganisation have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at that date taking into account of their respective date of incorporation.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

### c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### c) Subsidiaries (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(f)(ii)).

### d) Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses (see note 2(f)(ii)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold land and building	Over the shorter of the term of the lease or 25 years
— Leasehold improvements	Over the term of the lease
— Office equipment	5 years
— Furniture and fixtures	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### d) Property, plant and equipment (Continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### e) Lease assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

#### ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### f) Impairment of assets

#### i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### f) Impairment of assets (Continued)

#### ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

#### — Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### — Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

#### — Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group is required to prepare a quarterly financial report in respect of each quarter of the financial year. At the end of the quarterly period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(f)(i) and (ii)).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(f)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(f)(i)).

### h) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition.

### j) Employee benefits

#### i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred.

#### ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of these benefits and when it recognises restructuring costs involving the payment of termination benefits.

### k) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### k) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the asset and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### k) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss.

Revenue from provision for comprehensive architectural and structural engineering consultancy service is recognised on the percentage of completion method, measured based on the proportion that contract costs incurred from work performed to date relative to the estimated total contract costs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### n) Contracts of comprehensive architectural and structural engineering consultancy service

Where the outcome of a contract of comprehensive architectural and structural engineering consultancy service can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments (if any) are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract of comprehensive architectural and structural engineering consultancy service cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probably will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as "Amounts due from customers for contract work". For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as "Amounts due to customers for contract work". Amounts received before the related work is performed are included in the statement of financial position as a liability and are shown as "Advances received from customers" under "Trade and other payables". Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under "Trade and other receivables".

### o) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

### p) Related parties

- a) A person, or a close member of that person's family, is related to the Group if that person:
  - i) has control or joint control over the Group;
  - ii) has significant influence over the Group; or
  - iii) is a member of the key management personnel of the Group or the Group's parent.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### p) Related parties (Continued)

- b) An entity is related to the Group if any of the following conditions applies:
- i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii) Both entities are joint ventures of the same third party.
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - vi) The entity is controlled or jointly controlled by a person identified in (a).
  - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### q) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision maker (that is, the directors of the Company) for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

#### Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception for the first time in the current year. The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The application of these amendments has had no impact on the Group’s consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

#### Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The Group has applied the amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations for the first time in the current year. The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (for example, HKAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and HKAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The application of these amendments has had no impact on the Group’s consolidated financial statements as the Group did not have any such transactions in the current year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

In addition, the amendments clarify that an entity’s share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

### Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The Group has applied the amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation for the first time in the current year. The amendments to HKAS 16 Property, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 Intangible Assets introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

In addition, the amendments also clarify that in choosing an appropriate amortisation method an entity could determine the predominant limiting factor that is inherent in the intangible asset.

As the Group already uses the straight-line method for depreciation for its property, plant and equipment and the Group does not hold any intangible assets, the application of these amendments has had no impact on the Group’s consolidated financial statements.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The Group has applied the amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants for the first time in the current year. The amendments to HKAS 16 Property, Plant and Equipment and HKAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The application of these amendments has had no impact on the Group’s consolidated financial statements as the Group is not engaged in agricultural activities.

#### Annual Improvements to HKFRSs 2012–2014 Cycle

The Group has applied the Annual Improvements to HKFRSs 2012–2014 Cycle for the first time in the current year which include a number of amendments to various HKFRSs as summarised below.

The amendments to HKFRS 5 clarify when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract constitutes continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the Group’s consolidated financial statements for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 4. ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. Management bases the assumptions and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reporting results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set out in note 2 above. Management believes the following significant accounting policies involve the most significant judgments and estimates used in the preparation of the consolidated financial statements.

### a) Revenue recognition of contract work

The Group recognises contract revenue and profit from contracts of comprehensive architectural and structural engineering consultancy service according to the management's estimation of the total outcome of the projects as well as the percentage of completion of contract work. Estimated contract revenue is determined in accordance with the terms set out in the relevant contract. Contract cost, which mainly comprise sub-contracting charges and staff costs, are estimated by the management on the basis of quotations from time to time provided by the sub-contractors involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for each contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

### b) Estimated impairment of trade and other receivables

Management estimates the recoverability of trade and other receivables based on objective evidence. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

At 31 March 2017, the carrying amount of trade and other receivables (excluding deposits and prepayments) was approximately HK\$3,114,000 (net of allowance for doubtful debts of HK\$Nil) (2016: HK\$2,735,000, net of allowance for doubtful debts of HK\$Nil).

## 4. ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### c) Impairment of property, plant and equipment

If circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable, the assets may be considered “impaired”, and an impairment loss may be recognised to reduce the carrying amount to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in note 2(f)(ii). The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

At 31 March 2017, the carrying amount of property, plant and equipment of the Group was HK\$1,689,000 (2016: HK\$24,000).

### d) Income tax and deferred taxation

The Group is subject to income tax in Hong Kong. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional tax will be due. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences may impact the income tax and deferred tax provisions in the reporting period in which such determinations are made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax charges in the periods in which such estimate is changed.

## 5. REVENUE AND SEGMENT INFORMATION

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

The Group's operation is mainly derived from provision of comprehensive architectural and structural engineering consultancy service. For the purpose of resources allocation and performance assessment, the chief operating decision maker (that is, the directors of the Company) reviews the overall results and financial position of the Group as a whole prepared in accordance with accounting policies which conform to HKFRSs. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Geographical information

All of the Group's external revenue during the year are derived from services rendered in Hong Kong, the place of domicile of the Group's operating entities. Since all of the non-current assets employed by the Group are located in Hong Kong, no geographical information is presented accordingly.

### Information about major customers

There was no customer with whom revenue amounted to 10% or more of the Group's total revenue during the years ended 31 March 2017 and 2016.

## 6. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Gain on disposal of property, plant and equipment	—	86

On 29 June 2015, the Group entered into a sale and purchase agreement with an independent third party for disposal of its leasehold land and building at a consideration of HK\$400,000. The gain on disposal was approximately HK\$86,000 and the disposal was completed on 30 June 2015.

## 7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2017 HK\$'000	2016 HK\$'000
<b>a) Staff cost (including directors' remuneration)</b>		
Salaries, wages and other benefits	10,072	8,095
Contributions to defined contribution retirement plan	244	180
Total staff costs	10,316	8,275
Less: Amount included in cost of services rendered	(8,150)	(6,639)
Total staff costs included in general and administrative expenses	2,166	1,636
<b>b) Other items</b>		
Auditor's remuneration	400	200
Depreciation of property, plant and equipment	13	17
Operating lease charges for office premise	600	420
Loss on written off on property, plant and equipment	5	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 8. INCOME TAX

- a) Income tax recognised in profit or loss

	2017 HK\$'000	2016 HK\$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year (note 19(a))	2,509	2,656
<b>Deferred taxation</b>		
Origination and reversal of temporary differences (note 19(b))	223	6
<b>Income tax expenses</b>	<b>2,732</b>	2,662

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2016-2017 subject to a maximum reduction of HK\$20,000 (2016: HK\$20,000) for each business.

The Company and its subsidiary which were incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their countries of incorporation.

- b) Reconciliation between income tax expenses and accounting profit at applicable tax rate is as follows:

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	<b>10,133</b>	8,586
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions	1,672	1,417
Tax effect of non-deductible expenses	1,080	1,279
Tax effect of non-taxable income	—	(14)
Statutory tax concession	(20)	(20)
Actual tax expenses	<b>2,732</b>	2,662

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Year ended 31 March 2017					
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000 (note (ii))	Contributions to defined contribution retirement plan HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Mr. Poon Kai Kit Joe (note (i))	—	1,800	300	18	2,118
Ms. Chan Ka Yee	72	—	—	—	72
Mr. Fok Yat Cheong	72	—	—	—	72
<b>Independent non-executive directors</b>					
Mr. Kong Kam Wang (note (ii))	52	—	—	—	52
Mr. Sung Hak Keung Andy (note (ii))	52	—	—	—	52
Mr. Wong Kai Tat (note (ii))	52	—	—	—	52
	<b>300</b>	<b>1,800</b>	<b>300</b>	<b>18</b>	<b>2,418</b>
Year ended 31 March 2016					
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000 (note (iii))	Contributions to defined contribution retirement plan HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Mr. Poon Kai Kit Joe (note (i))	—	580	1,949	18	2,547
Ms. Chan Ka Yee	—	50	—	2	52
Mr. Fok Yat Cheong	—	—	—	—	—
	—	630	1,949	20	2,599

Notes:

- i) Mr. Poon Kai Kit Joe is the Chairman of the board of directors of the Company.
- ii) Mr. Kong Kam Wang, Mr. Sung Hak Keung, Andy and Mr. Wong Kai Tat were appointed as independent non-executive directors on 21 November 2016.
- iii) Discretionary bonus is determined by the directors of the Company by reference to the individual performance and contribution to the Group.

No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No director waived or agreed to waive any emoluments during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year included one (2016: one) director of the Company, whose emoluments are disclosed in note 9. Details of the emoluments paid to the remaining four (2016: four) highest paid individuals during the year, are as follows:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Salaries, allowance and benefits in kind	<b>2,201</b>	2,140
Discretionary bonus (note)	<b>1,154</b>	570
Contributions to defined contribution retirement plan	<b>90</b>	53
	<b>3,445</b>	2,763

Note: Discretionary bonus is determined by the directors of the Company by reference to the individual performance and contribution to the Group.

The emoluments of the above four (2016: four) individuals with the highest emoluments are within the following bands:

	<b>2017</b>	2016
	<b>Number of individuals</b>	Number of individuals
Nil to HK\$1,000,000	<b>3</b>	4
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	—
	<b>4</b>	4

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

## 11. DIVIDENDS

Dividends payable to owners of the Company attributable to the year:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interim dividend declared and paid of HK\$nil (2016: HK\$151,500) per ordinary share	<b>—</b>	15,150
	<b>—</b>	15,150

The directors of the Company do not recommend the payment of a final dividend for both years ended 31 March 2016 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 12. EARNINGS PER SHARE

### a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year ended 31 March 2017 of HK\$7,401,000 (2016: HK\$5,924,000) and the weighted average number of ordinary shares of the Company in issue during the year. The weighted average number of ordinary shares in issue during the years ended 31 March 2016 and 2017 is calculated based on the assumption that 280,000,000 shares were in issue throughout the entire years, taking into consideration the effect of Reorganisation and the capitalisation issue.

#### Weighted average number of ordinary shares

	<b>2017</b>	2016
	<b>Number of</b>	Number of
	<b>shares</b>	shares
Reorganisation and capitalisation issue (note 20(b)(i), (iii) and (v))	<b>280,000,000</b>	280,000,000
Effect of shares issue under placing (note 20(b)(vi))	<b>41,589,041</b>	—
	<hr/>	<hr/>
Weighted average number of ordinary shares	<b>321,589,041</b>	280,000,000

### b) Diluted earnings per share

For both the years ended 31 March 2017 and 2016, diluted earnings per share equals to basic earnings per share as there was no potential dilutive ordinary share in issue.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK\$'000 (note)	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 April 2015	353	859	291	127	1,630
Additions	—	—	10	—	10
Disposals	(353)	—	—	—	(353)
At 31 March 2016 and 1 April 2016	—	859	301	127	1,287
Additions	—	691	—	992	1,683
Written off	—	(859)	(292)	(127)	(1,278)
At 31 March 2017	—	691	9	992	1,692
<b>Accumulated depreciation</b>					
At 1 April 2015	35	859	291	100	1,285
Charge for the year	4	—	1	12	17
Written back on disposals	(39)	—	—	—	(39)
At 31 March 2016 and 1 April 2016	—	859	292	112	1,263
Charge for the year	—	—	2	11	13
Written off	—	(859)	(291)	(123)	(1,273)
At 31 March 2017	—	—	3	—	3
<b>Carrying amount</b>					
At 31 March 2017	—	691	6	992	1,689
At 31 March 2016	—	—	9	15	24

Note: The leasehold land and building represents a car park situated in Hong Kong with medium term lease. On 29 June 2015, the Group entered into a sale and purchase agreement with an independent third party for disposal of its leasehold land and building at a consideration of HK\$400,000. Details of which are disclosed in note 6.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 14. SUBSIDIARIES

The following is a list of subsidiaries at 31 March 2017:

Name of the company	Place and date of incorporation	Place of operation	Particular of issued and paid-up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Energetic Tree Limited ("Energetic Tree")	British Virgin Islands 12 June 2015	note (i)	100 ordinary shares of US\$1	100%	100%	—	Investment holding
K & K Chartered Architect & Associates Limited (formerly known as "Prompt Shine Investment Limited") ("KKCAAL")	Hong Kong 22 April 1993	Hong Kong	2 ordinary shares	100%	—	100%	Provision of comprehensive architectural and structural engineering consultancy service

Note:

(i) Energetic Tree is an investment holding company which has no specific principal place of operation.

## 15. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables (note (a))	3,114	2,735
Less: Allowance for doubtful debts	—	—
	<b>3,114</b>	2,735
Amount due from a director (note (d))	—	—
Loans and receivables	3,114	2,735
Deposits and prepayments	456	2,243
	<b>3,570</b>	4,978

Deposits and prepayments expected to be recovered after more than one year is HK\$242,000 (2016: HK\$Nil). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

## 15. TRADE AND OTHER RECEIVABLES (Continued)

### a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables based on invoice date is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 30 days	1,665	1,638
31–60 days	539	177
61–90 days	153	419
91–180 days	258	250
Over 180 days	499	251
	3,114	2,735

The Group does not allow any credit period to its customers. Further details on the Group's credit policy are set out in note 22(a).

### b) Trade debtors that are not impaired

At 31 March 2017, included in the Group's trade receivables balances were debtors with aggregate carrying amount of HK\$3,114,000 (2016: HK\$2,735,000), which were past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts.

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017 HK\$'000	2016 HK\$'000
Less than 30 days past due	1,665	1,638
More than 30 days but less than 90 days past due	692	596
More than 90 days but less than 180 days past due	258	250
More than 180 days past due	499	251
	3,114	2,735

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no allowance for doubtful debts is considered necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully receivable. The Group does not hold any collateral over these balances.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 15. TRADE AND OTHER RECEIVABLES (Continued)

### c) Impairment of trade debtors

In order to manage the credit risk associated with trade receivables effectively, credit limits of customers are evaluated periodically and these can only be exceeded with the approval from management. For the new customers, the Group conducts research on the creditworthiness of the new customers and assesses their credit quality so as to set out their individual credit limit.

Impairment loss in respect of trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(f)(i)). No impairment loss on trade debtors was recognised during the years ended 31 March 2017 and 2016.

Reversal of impairment loss on trade receivables represents the recovery of debts due from these debtors previously considered to be impaired. An allowance for these receivable amounts that had been made in previous reporting periods was reversed back accordingly.

### d) Particulars of amount due from a director disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulations (Cap. 622G), is as follows:

Name of director	Balance at	Balance at	Balance at	Maximum outstanding balance	
	31/3/2017	31/3/2016 and 1/4/2016	1/4/2015	during the year	
	HK\$'000	HK\$'000	HK\$'000	2017	2016
				HK\$'000	HK\$'000
Mr. Poon Kai Kit Joe	—	—	12,471	—	15,147

The balance was non-trade in nature, unsecured, interest free and repayable on demand. During the year ended 31 March 2016, the amount due from a director was fully settled.

## 16. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2017	2016
	HK\$'000	HK\$'000
<b>Contracts in progress at end of the reporting periods:</b>		
Contracts costs incurred plus recognised profit		
less recognised losses	35,196	26,042
Less: Progress billings	(34,564)	(26,491)
	<b>632</b>	<b>(449)</b>
<i>Analysed for reporting purpose as:</i>		
Amounts due from customers for contract work	1,232	1,101
Amounts due to customers for contract work	(600)	(1,550)
	<b>632</b>	<b>(449)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 17. CASH AND CASH EQUIVALENTS

	2017 HK\$'000	2016 HK\$'000
Cash at bank	51,283	7,121
Cash on hand	3	9
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	<b>51,286</b>	7,130

## 18. TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	63	253
Accrued expenses and other payables	2,098	1,139
Advance received from a customer	—	25
	<hr/>	<hr/>
	<b>2,161</b>	1,417

As of the end of the reporting period, the ageing analysis of trade payables based on invoice date were as follows:

	2017 HK\$'000	2016 HK\$'000
Within 30 days	—	87
31–60 days	—	72
61–90 days	—	48
91–180 days	—	36
Over 180 days	63	10
	<hr/>	<hr/>
	<b>63</b>	253

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 19. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- a) Tax recoverable/(current taxation) in the consolidated statement of financial position represents:

	<b>At 31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Tax recoverable/(current taxation)	<b>77</b>	(762)

The movements of tax recoverable/(current taxation) in the consolidated statement of financial position during the year are as follows:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
At beginning of the year	<b>(762)</b>	(1,496)
Provision for the year (note 8(a))	<b>(2,509)</b>	(2,656)
Tax paid during the year	<b>3,348</b>	3,390
At end of the year	<b>77</b>	(762)

- b) The components of deferred tax asset/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	<b>Depreciation in excess of the related depreciation allowances</b>
	HK\$'000
At 1 April 2015	115
Charged to profit or loss for the year (note 8(a))	(6)
At 31 March 2016 and 1 April 2016	109
Charged to profit or loss for the year (note 8(a))	(223)
At 31 March 2017	(114)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 20. CAPITAL AND RESERVES

- a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

### The Company

	Notes	Share capital HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 29 July 2015 (date of incorporation)		—	—	—	—
Profit and total comprehensive income for the year		—	—	15,157	15,157
Issue of new shares	20(b)(iii)	—	—	—	—
Effect of Reorganisation	20(b)(iii)	—	—	—	—
Dividends in respect of the current year	11	—	—	(15,150)	(15,150)
Balance at 31 March 2016		—	—	7	7
Balance of 1 April 2016		—	—	7	7
Loss and total comprehensive expense for the year		—	—	(6,536)	(6,536)
Shares issued pursuant to capitalisation issue	20(b)(v)	2,800	(2,800)	—	—
Issue of shares by way of placing	20(b)(vi)	1,380	39,882	—	41,262
Transaction costs attributable to issue of new shares		—	(3,297)	—	(3,297)
Balance at 31 March 2017		4,180	33,785	(6,529)	31,436

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 20. CAPITAL AND RESERVES (Continued)

### b) Share capital

	2017		2016	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each				
At beginning of the year/At 29 July 2015 (note (i))	30,000	300	30,000	300
Increase during the year (note (iv))	1,970,000	19,700	—	—
At end of the year/period	<b>2,000,000</b>	<b>20,000</b>	30,000	300
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each				
At beginning of the year/At 29 July 2015 (note (i))	—	—	—	—
Effect of Reorganisation (note (iii))	—	—	—	—
Issue of shares by way of placing (note (vi))	138,000	1,380	—	—
Shares issued pursuant to capitalisation issue (note (v))	280,000	2,800	—	—
At end of the year/period	<b>418,000</b>	<b>4,180</b>	—	—

The owners of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes:

- i) The Company was incorporated in the Cayman Islands on 29 July 2015 with an authorised share capital of HK\$300,000 divided into 30,000,000 ordinary shares of HK\$0.10 each. At the date of incorporation, 1 share of which was allotted and issued as fully paid to the initial subscriber and then transfer to Energetic Way Limited ("Energetic Way").
- ii) Energetic Tree was incorporated on 12 June 2015. On 6 July 2015, Energetic Tree allotted and issued 1 ordinary share of US\$1 each credited as fully paid to Energetic Way which is a limited liability company incorporated in the British Virgin Islands and is owned by Mr. Poon Kai Kit Joe, an executive director, the Chairman of the Board, a 50% shareholder of Energetic Way and Ms. Chan Ka Yee, an executive director, a 50% shareholder of Energetic Way (collectively the "Controlling Shareholders") equally.

## 20. CAPITAL AND RESERVES (Continued)

### b) Share capital (Continued)

Notes: (Continued)

#### iii) Issue of shares on Reorganisation

On 29 July 2015, as part of the Reorganisation, the Controlling Shareholders transferred their respective share in KKCAAL to Energetic Tree, and Energetic Tree allotted and issued 69 new ordinary shares of US\$1 each credited as fully paid to Energetic Way. As a result, KKCAAL became the direct wholly-owned subsidiary of Energetic Tree, which was in turn held by Energetic Way.

On 3 August 2015, Energetic Tree, Alpha Advantage International Limited ("Alpha Advantage") and Energetic Way (collectively referred to as the "Parties") entered into a share subscription agreement and pursuant to which Alpha Advantage agreed to subscribe 30 new ordinary shares of Energetic Tree of US\$1 each, which represented 30% of the enlarged issued share capital of Energetic Tree, at a cash consideration of HK\$5,000,000. The share subscription was completed on the same date.

Following the entering into of the share subscription agreement, Alpha Advantage entered into a supplemental deed to the share subscription agreement to waive the right as mentioned in the share subscription agreement for nil consideration. As a result, Alpha Advantage is not entitled to any special rights or privileges in connection with its investment in Energetic Tree.

On 21 September 2015, Energetic Way and Alpha Advantage transferred 70% and 30% of the issued share capital of Energetic Tree to the Company respectively and the Company allotted and issued 69 ordinary shares and 30 ordinary shares, all credited as fully paid, to Energetic Way and Alpha Advantage respectively as the consideration of the share swap between Energetic Way, Alpha Advantage and the Company. As a result, Energetic Tree became the direct wholly-owned subsidiary of the Company, which was in turn owned by Energetic Way and Alpha Advantage as to 70% and 30% respectively.

The Reorganisation has been completed on 21 September 2015 and the balance of share capital as at 31 March 2016 represents the issued share capital of the Company. Details of the movements in the share capital of the Company are set out in note 20(b).

- iv) Pursuant to the written resolutions passed by the shareholders of the Company on 21 November 2016, the authorised share capital of the Company was increased from HK\$300,000 to HK\$20,000,000 by the creation of additional 1,970,000,000 ordinary shares of HK\$0.01 each.
- v) Pursuant to the written resolutions passed by the shareholders of the Company on 21 November 2016 and upon the crediting of the Company's share premium account as a result of the issue of the ordinary shares pursuant to the placing, the directors of the Company were authorised to capitalise an amount of approximately HK\$2,799,999 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 279,999,900 ordinary shares of the Company for allotment and issue to the shareholders as of 21 November 2016, on a pro-rata basis.
- vi) On 12 December 2016, the Company issued 138,000,000 shares with a par value of HK\$0.01 each, at a price of HK\$0.325 per share by way of placing. Net proceeds from placing amounted to HK\$41,262,000 (after deducting the issuance costs of HK\$3,588,000), out of which HK\$1,380,000 and HK\$39,882,000 were recorded in share capital and share premium respectively.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 20. CAPITAL AND RESERVES (Continued)

### c) Nature and purpose of reserves

#### i) Share premium

Under the Cayman Companies Law, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### ii) Other reserve

Other reserve represented the sum of (i) the difference between the issued share capital of KKCAAL (which were transferred from the Controlling Shareholders to Energetic Tree pursuant to the Reorganisation) and the newly issued share capital of Energetic Tree to Energetic Way, the Company's ultimate holding company; and (ii) the difference between the issued share capital and share premium of Energetic Tree and the newly issued share capital of the Company to Energetic Way and Alpha Advantage as a result of the share swap as detailed in note 20(b)(iii).

#### iii) Distributability of reserves

As at 31 March 2017, the Company's reserves available for distribution, calculated in accordance with the Cayman Companies Law, amounted to approximately HK\$27,256,000 (2016: HK\$7,000).

### d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group mainly consists of equity attributable to owners of the Company, comprising share capital and reserves.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder's returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to capital structure in light of changes in economic conditions.

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to satisfy its debt obligations.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 20. CAPITAL AND RESERVES (Continued)

### d) Capital management (Continued)

As at 31 March 2017, the Group has no outstanding borrowings. The Group's capital structure is as follows:

	2017 HK\$'000	2016 HK\$'000
Total equity	<b>54,979</b>	9,613

As part of this review, the Group's directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Company's directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

Neither the Company nor any of its subsidiaries is subject to any externally imposed capital requirements.

## 21. FINANCIAL INSTRUMENTS BY CATEGORIES

	2017 HK\$'000	2016 HK\$'000
<b>Financial assets</b>		
Loans and receivables:		
— Trade and other receivables	3,114	2,735
— Cash and cash equivalents	<b>51,286</b>	7,130
	<b>54,400</b>	9,865
<b>Financial liabilities</b>		
Amortised cost:		
— Trade and other payables	<b>1,746</b>	278

## 22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group has exposure to credit risk, liquidity risk, interest rate risk and currency risk arising from financial instruments. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### a) Credit risk

- i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(Continued)

#### a) Credit risk (Continued)

- ii) The Group's credit risk is primarily attributable to trade receivables. In order to minimise the credit risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Ongoing credit evaluation is performed on the financial condition of debtors. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtors operate. The Group does not allow any credit period to its debtors.
- iii) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the debtors operate and therefore significant concentration of credit risk primarily arise when the Group has significant exposure to individual debtors. For the year ended 31 March 2017, the aggregate revenue to the top five customers of the Group accounted for approximately 29% (2016: 26%) of the Group's total revenue. Trade receivables from them as at 31 March 2017 amounted to approximately HK\$300,000 (2016: HK\$2,500), representing 9.6% (2016: 0.1%) of the Group's total trade receivables as at 31 March 2017. The directors of the Company considered that the Group's credit risk on trade receivables is limited because these customers are certain reputable organisations which have a good track record with the Group and have no default of payment in the past.
- iv) Cash are deposited with banks with sound credit rating. Given its high credit rating, management does not expect the bank will fail to meet its obligation and the concentration of credit risk can be mitigated.
- v) The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

#### b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the senior management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants (if any), to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The contractual undiscounted cash flows of trade and other payables are required to be settled within one year or on demand, and the total contractual undiscounted cash flows of these financial liabilities are not materially different from their carrying amounts as at 31 March 2017 and 2016.

#### c) Interest rate risk

As at 31 March 2017 and 2016, the Group has no significant interest-bearing assets and liabilities which exposed the Group to interest rate risk.

## 22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(Continued)

### d) Foreign currency exchange risk

As at 31 March 2017 and 2016, the Group has no material financial instruments that were denominated in a currency other than the functional currency in which they measured. As a result, no material foreign currency exchange risk is expected.

### e) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2017 and 2016.

## 23. DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

## 24. OPERATING LEASE COMMITMENTS

### The Group as lessee

Operating lease commitments for total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	839	105
After one year but within five years	1,467	—
	2,306	105

Operating lease payments represent rentals payable by the Group for its office. Lease and rental are negotiated and fixed for a period of one to three years. None of the lease includes contingent rental.

### The Group as lessor

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	294	—
After one year but within five years	514	—
	808	—

The Group sublet its office under operating leases. Lease and rental are negotiated and fixed for a period of three years. None of the leases includes contingent rentals.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 25. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group also entered into the following material related party transactions with its related parties.

### a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees of the Group as disclosed on note 10, are as follows:

	Year ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Short-term employee benefits	4,920	4,643
Post-employment benefits	104	83
	<b>5,024</b>	<b>4,726</b>

### b) Other related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group also entered into the following material related party transactions with related parties during the year:

Name of related party	Relationship	Nature of transaction	2017 HK\$'000	2016 HK\$'000
Mr. Chan Tsz Chun (trading as "T & C Catering Project Consultants Company")	A brother of Ms. Chan Ka Yee, a director of the Company and one of the Controlling Shareholders	Subcontracting charges paid by the Group	474	587
		Consultancy fee received by the Group	(358)	(223)
Alpha Advantage	A substantial shareholder of the Company	Dividend paid by the Company	—	4,545 (note (i))
Energetic Way	Immediate and ultimate holding company	Dividend paid by the Company	—	10,605 (note (ii))

## 25. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### b) Other related party transactions (Continued)

Notes:

- i) Alpha Advantage is entitled to the interim dividend of HK\$4,545,000 from the Company. On 30 March 2016, Alpha Advantage entered into a deed of gift with Energetic Way and agreed to assign its dividend entitlement of HK\$4,545,000 from the Company to Energetic Way by way of gift.
- ii) Energetic Way is entitled to the interim dividend of HK\$10,605,000 from the Company and as a result of the assignment of dividend entitlement of HK\$4,545,000 from Alpha Advantage as detailed in note (i) above, Energetic Way is entitled to the whole sum of interim dividend amounting to HK\$15,150,000 from the Company. On 30 March 2016, Energetic Way declared interim dividend of HK\$15,150,000 to its shareholders comprising Mr. Poon Kai Kit Joe and Ms. Chan Ka Yee. On the same date, Ms. Chan Ka Yee entered into a deed of gift with Mr. Poon Kai Kit Joe and agreed to assign her entire dividend entitlement of HK\$7,575,000 from Energetic Way to Mr. Poon Kai Kit Joe by way of gift. As a result, Mr. Poon Kai Kit Joe is entitled to the whole sum of interim dividend amounting to HK\$15,150,000 from Energetic Way.

The directors of the Group are of the opinion that the above transactions were entered into under the normal course of business and in accordance with the terms of the agreements governing these transactions.

- c) On 21 November 2016, the Company entered into a master subcontracting agreement and a master service agreement with Mr. Chan Tsz Chun (trading as "T & C Catering Project Consultants Company"), a brother of Ms. Chan Ka Yee, a director of the Company and one of the Controlling Shareholders for the period from 21 November 2016 to 31 March 2019 with annual caps of HK\$500,000 and HK\$500,000 respectively.

## 26. MAJOR NON-CASH TRANSACTIONS

On 30 March 2016, the Company declared interim dividend of HK\$151,500 per ordinary share amounting to HK\$15,150,000 to its shareholders including Energetic Way and Alpha Advantage. The interim dividend of HK\$15,150,000 were settled by the Company in the following manner:

- i) HK\$15,030,000 by way of distribution in specie of all right, title and interest of the Group in and to the account receivable in the sum of HK\$15,030,000 due from Mr. Poon Kai Kit Joe; and
- ii) HK\$120,000 by way of a negotiable promissory note issued by the Group in favour of Energetic Way.

As disclosed in note 25(b), as a result of the assignments of dividend entitlement between Alpha Advantage and Energetic Way, and Mr. Poon Kai Kit Joe and Ms. Chan Ka Yee, Mr. Poon Kai Kit Joe is entitled to the whole sum of interim dividend amounting to HK\$15,150,000 from Energetic Way which shall be settled by the Company in the manner as described in (i) and (ii) above.

Accordingly, the Group's amount due from Mr. Poon Kai Kit Joe of HK\$15,030,000 was fully released through the way of distribution in specie and the balance of HK\$120,000 was settled by the Company through the issuance of a negotiable promissory note which was subsequently settled by cash to Mr. Poon Kai Kit Joe on 31 March 2016.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 27. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2017, the directors consider the immediate and ultimate holding company of the Company to be Energetic Way Limited, a company incorporated in the British Virgin Islands. Energetic Way Limited does not produce financial statements available for public use.

## 28. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>			
Investment in a subsidiary		—	—
<b>Current assets</b>			
Amount due from a subsidiary		—	7
Cash and cash equivalents		34,763	—
		<b>34,763</b>	7
<b>Current liabilities</b>			
Other payables		210	—
Amount due to a subsidiary		3,117	—
		<b>3,327</b>	—
<b>NET ASSETS</b>			
		<b>31,436</b>	7
<b>EQUITY</b>			
Share capital	20(a)	4,180	—
Reserves	20(b)	27,256	7
<b>TOTAL EQUITY</b>			
		<b>31,436</b>	7

Approved and authorised for issue by the board of directors on 29 June 2017.

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**Mr. Poon Kai Kit Joe**  
Director

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**Ms. Chan Ka Yee**  
Director

## 29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related amendments <sup>1</sup>
HKFRS 16	Leases <sup>4</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

### HKFRS 15 “Revenue from Contracts with Customers”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promise goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosure are required by HKFRS 15.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. As the Group has not completed its assessment, impacts may be identified in due course and will be taken into consideration whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.



# FINANCIAL SUMMARY

## RESULTS

	Year ended 31 March			2017 HK\$'000
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	
REVENUE	20,413	26,374	29,334	<b>33,178</b>
Cost of services rendered	(9,891)	(8,153)	(10,368)	<b>(12,524)</b>
Other income	—	—	86	—
General and administrative expenses	(2,928)	(2,297)	(2,808)	<b>(5,295)</b>
Listing expenses	—	—	(7,658)	<b>(5,226)</b>
PROFIT BEFORE TAXATION	7,594	15,924	8,586	<b>10,133</b>
Income tax expenses	(1,244)	(2,608)	(2,662)	<b>(2,732)</b>
PROFIT FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY	6,350	13,316	5,924	<b>7,401</b>
Other comprehensive income for the year	—	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, ATTRIBUTABLE TO OWNERS OF THE COMPANY	6,350	13,316	5,924	<b>7,401</b>
EARNINGS PER SHARE				
Basic and diluted	2.27 cents	4.76 cents	2.12 cents	<b>2.30 cents</b>

## ASSETS AND LIABILITIES

	As at 31 March			2017 HK\$'000
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	
Total assets	3,162	16,543	13,342	<b>57,854</b>
Total liabilities	(2,639)	(2,704)	(3,729)	<b>(2,875)</b>
Net assets	523	13,839	9,613	<b>54,979</b>