

鄺文記集團有限公司

KWONG MAN KEE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8023



INTERIM REPORT

2017/18

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the “Directors”) of Kwong Man Kee Group Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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.

HIGHLIGHTS

- The revenue of our Group was approximately HK\$25.2 million for the six months ended 30 September 2017 (as decreased from approximately HK\$37.6 million for the same period ended 30 September 2016). Such decrease was mainly caused by the delay in some car park flooring projects due to the schedule of the property developers.
- The loss attributable to owners of our Company was approximately HK\$0.2 million for the six months ended 30 September 2017, as compared to the net profit of approximately HK\$1.2 million recorded for the same period ended 30 September 2016.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (for the same period ended 30 September 2016: nil).

FINANCIAL RESULTS

The board of directors (the "Board") of our Company is pleased to announce the unaudited condensed consolidated financial results of our Group for the six months ended 30 September 2017, together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Note	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Revenue	6	16,344,148	24,041,619	25,235,845	37,608,366
Cost of sales	20	(11,497,919)	(14,700,173)	(17,044,263)	(20,588,580)
Gross profit		4,846,229	9,341,446	8,191,582	17,019,786
Other gains		-	-	90,839	-
General and administrative expenses	20	(4,283,548)	(5,764,270)	(8,434,341)	(15,378,450)
Operating profit/(loss)		562,681	3,577,176	(151,920)	1,641,336
Finance cost, net	19	(71,278)	(1,334)	(95,262)	(1,334)
Profit/(loss) before income tax		491,403	3,575,842	(247,182)	1,640,002
Income tax expenses		(203,991)	(990,626)	-	(455,974)
Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the Company		287,412	2,585,216	(247,182)	1,184,028
Dividend		-	-	-	3,500,000
Earnings/(loss) per share, basic and diluted, attributable to owners of the Company (HK cents per share)	9	0.05	0.43	(0.04)	0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	<i>Note</i>	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	33,702,013	3,695,324
Prepayments for non-current assets	12	–	8,544,300
		33,702,013	12,239,624
Current assets			
Inventories		6,638,772	1,859,875
Trade and retention receivables	11	29,363,580	33,485,473
Prepayments and other receivables	12	2,283,145	975,507
Amounts due from customers for contract work	13	1,719,231	414,716
Current income tax recoverable		2,057,704	1,010,510
Cash and cash equivalents	14	28,346,585	35,085,289
		70,409,017	72,831,370
Total assets		104,111,030	85,070,994
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	6,000,000	6,000,000
Reserves		61,283,063	61,283,063
Retained earnings		8,573,102	8,820,284
Total equity		75,856,165	76,103,347

	<i>Note</i>	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		29,503	29,503
		29,503	29,503
Current liabilities			
Bank borrowings	18	11,769,678	–
Trade payables	16	8,993,426	7,818,371
Accruals and other payables	17	5,306,662	845,545
Amounts due to customers for contract work	13	2,155,596	274,228
		28,225,362	8,938,144
Total liabilities		28,254,865	8,967,647
Total equity and liabilities		104,111,030	85,070,994

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited					
	Attributable to owners of the Company					
	Share capital <i>HK\$</i>	Share Premium <i>HK\$</i>	Capital reserves <i>HK\$</i>	Shareholders contribution <i>HK\$</i>	Retained earnings <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1 April 2017	6,000,000	52,482,955	108	8,800,000	8,820,284	76,103,347
Loss and total comprehensive loss for the period	-	-	-	-	(247,182)	(247,182)
Balance at 30 September 2017	<u>6,000,000</u>	<u>52,482,955</u>	<u>108</u>	<u>8,800,000</u>	<u>8,573,102</u>	<u>75,856,165</u>
Balance at 1 April 2016	77,500	-	(77,392)	8,800,000	15,158,377	23,958,485
Profit and total comprehensive income for the period	-	-	-	-	1,184,028	1,184,028
Additional paid in Capital	100	-	-	-	-	100
Capital reserve arising on reorganization	(77,500)	-	77,400	-	-	(100)
Dividend	-	-	-	-	(3,500,000)	(3,500,000)
Balance at 30 September 2016	<u>100</u>	<u>-</u>	<u>8</u>	<u>8,800,000</u>	<u>12,842,405</u>	<u>21,642,513</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Six months ended 30 September	
	<i>Note</i>	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Net cash generated from/(used in) operating activities		3,478,236	(6,936,026)
Cash flows from investing activities			
Purchases of property, plant and equipment	10	(22,077,457)	(406,744)
Proceeds from disposal of property, plant and equipment		90,839	–
Net cash used in investing activities		(21,986,618)	(406,744)
Cash flows from financing activities			
Proceed from bank borrowings	18	11,992,000	–
Repayment of bank borrowings	18	(222,322)	–
Prepayment for listing expenses		–	(1,351,000)
Increase in pledged deposit		–	(10,000,000)
Net cash generated from/(used in) financing activities		11,769,678	(11,351,000)
Net decrease in cash and cash equivalents		(6,738,704)	(18,693,770)
Cash and cash equivalents at beginning of period		35,085,289	14,172,321
Cash and cash equivalents/(bank overdraft) at end of period		28,346,585	(4,521,449)

Analysis of the balance of cash and cash equivalents/(bank overdraft):

	At 30 September 2017 HK\$	At 30 September 2016 HK\$
Cash and cash equivalents	28,346,585	5,437,635
Bank overdraft	–	(9,959,084)
	28,346,585	(4,521,449)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2017 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules. The condensed consolidated interim financial information should be read in conjunction with the Company’s consolidated financial statements for the year ended 31 March 2017, which have been prepared in accordance with HKFRSs issued by the HKICPA.

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The following are new standards and amendments to standards that have been issued but not yet effective for the financial year beginning 1 April 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 40 (Amendment)	Transfer of investment property	1 April 2018
HKFRS 2 (Amendment)	Classification and measurement of share based payment transactions	1 April 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 April 2018
HKFRS 9	Financial instruments	1 April 2018
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 15	Revenue from contracts with customers	1 April 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 April 2018
HKFRS 16	Leases	1 April 2019
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration	1 April 2018
HK(IFRIC) – Int 23	Uncertainty over income tax treatments	1 April 2019
Annual improvements project	2014-2016 projects	1 April 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Impact of standards issued but not yet applied by the Group

(a) *HKFRS 9, "Financial instruments"*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL, replacing the incurred loss model in HKAS 39, and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to the change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The standard is effective for annual periods beginning on or after 1 April 2018 and early adoption is permitted.

The Group does not plan to early adopt HKFRS 9. Management is in the process of assessing the impact of the adoption of HKFRS 9. Based on management's initial assessment, the adoption of HKFRS 9 is not expected to have a material impact to the Group's interim financial information.

(b) *HKFRS 15, "Revenue from contracts with customers"*

HKFRS 15 replaces the current revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much to recognise through a 5-step approach:

- (1) identify the contract(s) with customer;
- (2) identify separate performance obligations in a contract;

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Impact of standards issued but not yet applied by the Group (continued)

- (b) *HKFRS 15, "Revenue from contracts with customers" (continued)*
- (3) determine the transaction price;
 - (4) allocate the transaction price to performance obligations;
 - (5) recognise revenue when the performance obligation is satisfied.

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

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

Management is currently assessing the impact of applying HKFRS 15 on the Group's financial statements by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, which could affect the timing of the revenue recognition. The adoption of HKFRS 15 will have an impact on the Group's revenue recognition of construction contracts and the Group expects that it may have impact on the amounts and disclosures made in the Group's financial statements and is not yet in a position to provide quantified information. The new standard is not expected to apply until the financial year ended 31 March 2019.

- (c) *HKFRS 16, "Leases"*

HKFRS 16 replaces the current standards related to leases: HKAS 17 "Leases" and related interpretations. Under HKAS 17, lessees were required to make a distinction between a finance lease (on the condensed consolidated statements of financial position) and an operating lease (off balance sheet). HKFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The new standard will impact both the condensed consolidated statements of financial position and related ratios (capital adequacy ratio and leverage ratio).

The standard is effective for annual periods beginning on or after 1 April 2019 and early adoption is permitted.

The Group does not plan to early adopt HKFRS 16. The directors of the Group do not expect the adoption of HKFRS 16 would result in a significant impact on the Group's results, but it is expected that a significant portion of the lease commitment will be recognised in the condensed consolidated statements of financial position as right-of-use assets and lease liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Impact of standards issued but not yet applied by the Group (continued)

(c) *HKFRS 16, "Leases" (continued)*

Apart from the aforementioned HKFRS 9, HKFRS 15 and HKFRS 16, the Group is in the process of making an assessment of the impact of these new standards and amendments to standards upon initial application but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have any significant impact on its results of operations and financial position.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The preparation of the condensed consolidated interim financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty as disclosed in note 4 of this interim report.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimates may have an impact on the profit recognised in each period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Provision for trade and retention receivables

Management determines the provision for impairment of trade and retention receivables based on the credit history of customers and the current market condition by business segment. Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

(c) Income taxes

The Group is subject to income taxes in Hong Kong and Macau. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, credit risk and liquidity risk.)

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2017. There have been no changes in the risk management policies since year end.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.1 Financial risk factors (continued)

(b) *Credit risk*

Credit risk mainly arises from trade receivables, retention receivables, deposits, other receivables and cash and cash equivalents. The carrying amounts of these balances except cash on hand in the condensed consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

The majority of the Group's bank balances are placed in banks and financial institutions which are independently rated with high credit ratings. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. The Group's historical experience in collection of receivables falls within recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from external parties.

The Group's primary cash requirements have been for payments for trade payables, other creditors, accrued liabilities and bank borrowings. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances to meet its liquidity requirements in the short and long-term.

As at 30 September 2017 and 31 March 2017, all of the Group's financial liabilities, including bank borrowings containing a repayment on demand clause which can be exercised at the bank's sole discretion, were due within 12 months and equal their carrying amounts as the impact of discounting is not significant.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	Within 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$
As at 30 September 2017				
Bank borrowings	677,727	694,173	2,185,232	8,212,546
Future interest	275,050	258,604	673,099	997,631
	<u>952,777</u>	<u>952,777</u>	<u>2,858,331</u>	<u>9,210,177</u>
As at 31 March 2017				
Bank borrowings	-	-	-	-

5.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)**5.2 Capital risk management (continued)**

Total capital of the Group is calculated as total equity plus total borrowings, if any. The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated by debt divided by total capital. The gearing ratio at 30 September 2017 and 31 March 2017 were as follows:

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Total borrowings	10,944,649	–
Total equity	75,856,165	76,103,347
Total capital	86,800,814	76,103,347
Gearing ratio	13%	N/A

5.3 Fair value estimation

The carrying values of trade receivables, retention receivables, deposits, other receivables, amounts due from/to the customers for contract work, trade payables, accruals and other payables and bank borrowings are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

6 REVENUE AND SEGMENT INFORMATION

	Unaudited			
	Three months ended		Six months ended	
	30 September	2016	30 September	2016
	2017		2017	
	HK\$	HK\$	HK\$	HK\$
Flooring	16,341,585	23,433,188	24,094,662	36,910,245
Ancillary services	2,563	608,431	1,141,183	698,121
	16,344,148	24,041,619	25,235,845	37,608,366

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

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

The Group operates in Hong Kong and started its business in Macau in August 2017. Revenue was earned from customers located in both Hong Kong and Macau of HK\$22.0 million and HK\$3.2 million, respectively, for the six months ended 30 September 2017 (for the same period ended 30 September 2016: HK\$37.6 million and Nil, respectively).

7 INCOME TAX EXPENSE

Hong Kong profit tax has not been provided for as the Company has no assessable profit for the period ended 30 September 2017, while Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the period ended 30 September 2016.

The amount of income tax expenses charged to the condensed consolidated statement of profit or loss represents:

	Six months ended	
	30 September	2016
	2017	2016
	HK\$	HK\$
Current income tax:		
– Hong Kong profits tax	–	400,531
Deferred income tax	–	55,443
Income tax expense	–	455,974

8 DIVIDEND

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

9 (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 September	
	2017	2016
	HK\$	HK\$
	(Unaudited)	(Unaudited)
(Loss)/earnings attributable to owners of the Company	(247,182)	1,184,028
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	600,000,000	600,000,000
(Loss)/earnings per share (HK cents per share)	(0.04)	0.19

No adjustment has been made to the basic (loss)/earnings per share presented for the six months ended 30 September 2017 and 2016 as the Group has no potentially diluted ordinary shares in issue during those periods.

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture and equipment	Leasehold improvements	Motor vehicles	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Six months ended					
30 September 2017					
Opening net book amount	2,956,802	626,256	112,266	–	3,695,324
Additions	30,130,000	261,807	–	229,950	30,621,757
Depreciation	(300,639)	(194,666)	(13,819)	(12,775)	(521,899)
Write-off	–	–	(93,169)	–	(93,169)
	<u>–</u>	<u>–</u>	<u>(93,169)</u>	<u>–</u>	<u>(93,169)</u>
Closing net book amount	<u>32,786,163</u>	<u>693,397</u>	<u>5,278</u>	<u>217,175</u>	<u>33,702,013</u>
Six months ended					
30 September 2016					
Opening net book amount	–	328,965	–	143,557	472,522
Additions	–	303,264	155,830	–	459,094
Depreciation	–	(117,479)	(17,592)	(71,779)	(206,850)
	<u>–</u>	<u>(117,479)</u>	<u>(17,592)</u>	<u>(71,779)</u>	<u>(206,850)</u>
Closing net book amount	<u>–</u>	<u>514,750</u>	<u>138,238</u>	<u>71,778</u>	<u>724,766</u>

11 TRADE AND RETENTION RECEIVABLES

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Trade receivables	25,238,564	29,357,481
Less: provision for impairment	(1,535,066)	(1,535,066)
	<u>23,703,498</u>	<u>27,822,415</u>
Trade receivables, net	5,660,082	5,663,058
Retention receivables	29,363,580	33,485,473
	<u>29,363,580</u>	<u>33,485,473</u>

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

11 TRADE AND RETENTION RECEIVABLES (CONTINUED)

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

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
0 – 30 days	6,633,093	11,821,755
31 – 60 days	3,697,213	2,393,028
61 – 90 days	1,523,279	933,090
>90 days	13,384,979	14,209,608
	25,238,564	29,357,481

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

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Within 1 year	2,064,242	2,650,640
Between 1 to 5 years	3,595,840	3,012,418
	5,660,082	5,663,058

During the six months ended 30 September 2016 and 30 September 2017, no trade receivables were written off as uncollectible. As of 31 March 2017 and 30 September 2017, the remaining trade receivables were not impaired.

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

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

12 PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Prepayments	1,876,802	9,270,910
Other receivables	406,343	248,897
	2,283,145	9,519,807
Less: Non-current portion – Prepayments for non-current assets	–	(8,544,300)
	2,283,145	975,507

13 CONTRACTING WORK IN PROGRESS

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Contract costs incurred plus attributable profits less foreseeable losses to date	20,262,794	5,886,529
Progress billing to date	(20,699,159)	(5,746,041)
	(436,365)	140,488

14 CASH AND CASH EQUIVALENTS

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Cash at bank and on hand	28,346,585	35,085,289
Maximum exposure to credit risk	28,336,485	35,080,189

All of the Group's cash and cash equivalent are dominated in HK\$.

15 SHARE CAPITAL

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Authorised: 2,000,000,000 shares at HK\$0.01 each	20,000,000	20,000,000
Issued and fully paid: 600,000,000 Shares at HK\$0.01 each	6,000,000	6,000,000

16 TRADE PAYABLES

The ageing analysis of trade payable based on invoice dates is as follows:

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
0 – 30 days	6,927,636	5,431,684
31 – 60 days	116,435	301,550
61 – 90 days	1,242,396	1,850,973
>90 days	706,959	234,164
	8,993,426	7,818,371

Trade payables are denominated in HK\$.

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

17 ACCRUALS AND OTHER PAYABLES

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Accrued expenses	1,921,614	687,738
Customer deposits	3,385,048	157,807
	5,306,662	845,545

Accruals and other payables are denominated in HK\$.

The carrying amounts of accruals and other payables, net of accrued salary, approximate their fair values.

18 BANK BORROWINGS

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Bank borrowings subject to a repayment on demand clause, secured	11,769,678	–

On 30 May 2017, a loan amounting to HK\$11,992,000 has been granted to the Group. The interest rate is 2.4%.

Movements in borrowings is analysed as follows:

	HK\$ (Unaudited)
Six months ended 30 September 2017	
Opening amount as at 1 April 2017	–
Proceeds from bank borrowings	11,992,000
Repayment of borrowings	(222,322)
	11,769,678

19 FINANCE COST, NET

	Six months ended 30 September	
	2017	2016
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Finance income		
– interest income on bank deposits	8	–
Finance cost		
– bank loans	(95,270)	(1,334)
Finance cost, net	(95,262)	(1,334)

20 EXPENSES BY NATURE

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

	Unaudited			
	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$	HK\$	HK\$	HK\$
Cost of flooring materials used	4,442,080	9,750,090	7,267,798	13,883,091
Subcontractor cost	6,240,552	4,604,057	8,444,504	5,860,146
Employee benefit expenses	2,636,667	2,356,897	5,252,250	4,417,280
Auditor's remuneration	275,000	175,000	450,000	350,000
Provision for inventory obsolescence	–	40,262	–	40,262
Listing expenses	–	1,518,624	–	9,251,046

21 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Property, plant and equipment	2,199,201	23,984,000

(b) Operating lease commitments – Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Within 1 year	304,500	310,400
Later than 1 year and no later than 5 years	129,000	20,000
	433,500	330,400

22 RELATED PARTY TRANSACTIONS

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

Related parties	Relationship with the Group
Mr. Kwong Chi Man ("Mr. Kwong")	Controlling Shareholder and executive director of the Company
Ms. Li Chuen Chun ("Mrs. Kwong")	Spouse of Mr. Kwong
Ms. Kwong Wing Yan ("Ms. Kwong")	Daughter of Mr. Kwong
Ms. Li Mei Ying ("Ms. Li")	Sister-in-law of Mr. Kwong
Mr. Yip Kong Lok, Jason ("Mr. Yip")	Senior management

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

	30 September 2017 HK\$ (Unaudited)	30 September 2016 HK\$ (Unaudited)
Rental expenses paid in relation to rental contract entered into with:		
Mr. Kwong	–	40,000
Mrs. Kwong and Ms. Kwong	60,000	100,000
Ms. Li	–	6,200
Mr. Kwong and Mr. Yip	24,000	–

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

The Board and our management are actively developing the renovation market by recruiting reputable experts who are well-known in the renovation market and have access to a network of property developers and owners' corporations. The Board believes that the listing status of our Group would increase the confidence of our potential customers.

Our Group's first contract in Macau commenced in August 2017 and we secured another project in Macau which will commence before the end of 2017. During the six months ended 30 September 2017, our revenue was earned from customers located in both Hong Kong and Macau.

Financial Review

Revenue and Gross Profit

Our revenue, which is principally generated from the provision of car park flooring services for construction projects, was approximately HK\$25.2 million for the six months ended 30 September 2017 (as decreased from approximately HK\$37.6 million for the same period ended 30 September 2016). The decrease in our revenue was mainly caused by the delay in some car park flooring projects due to the schedule of the property developers.

The gross profit margin of our Group decreased from 45% for the six months ended 30 September 2016 to 32% for the same period ended 30 September 2017. Such decline was primarily caused by intensified competition in the car park flooring industry when our Group secured certain projects with lower profit margin in order to maintain the market share.

General and administrative expenses

General and administrative expenses of our Group decreased by approximately HK\$6.9 million from approximately HK\$15.4 million for the six months ended 30 September 2016 to approximately HK\$8.4 million for the six months ended 30 September 2017. General and administrative expenses consist primarily of staff cost, depreciation, rental expenses, listing expenses and other general administrative expenses. The decrease was mainly due to non-recurring listing expenses which accounted for the period ended 30 September 2016.

Loss attributable to owners of our Company

The loss attributable to owners of our Company was approximately HK\$0.2 million for the six months ended 30 September 2017, as compared to the net profit of approximately HK\$1.2 million recorded for the same period ended 30 September 2016.

Bank borrowings

Bank borrowings of our Group as at 30 September 2017 was approximately HK\$11.7 million (as at 30 September 2016: nil). The borrowings were secured by our property acquired on 31 May 2017 with carrying amount of approximately HK\$29.9 million.

Treasury policy

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

Commitments and Contingent Liability

Our Company entered into a purchase agreement acquiring a cap park space amounting to HK\$1.95 million for own use during the reporting period. The purchase was completed on 31 October 2017. Apart from this transaction, our Group did not have significant lease commitments or contingent liabilities as at 30 September 2017.

Events after the reporting period

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

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (for the same period ended 30 September 2016: nil).

CORPORATE GOVERNANCE PRACTICE AND COMPLIANCE

Our Company has complied with the principles and applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules for the six months ended 30 September 2017, except the deviation from CG Code provision A.2.1.

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

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

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the “Code of Conduct”). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the six months ended 30 September 2017.

SHARE OPTION SCHEME

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

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

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares for the six months ended 30 September 2017.

DISCLOSURE OF INTERESTS

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

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

Long Position in the Shares

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

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

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

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

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

Long Position in the Shares

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

Notes:

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

INTERESTS OF COMPLIANCE ADVISER

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

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 24 September 2016 with its written terms of reference in accordance with the GEM Listing Rules and the CG Code. The Audit Committee has reviewed the unaudited consolidated financial results of our Group for the six months ended 30 September 2017. The Audit Committee is of the opinion that such financial results comply with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
Kwong Man Kee Group Limited
Kwong Chi Man
Chairman and Executive director

Hong Kong, 10 November 2017

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

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and our Company’s website at www.kmk.com.hk.