

2017
*INTERIM
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.

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months period ended 30 September 2017 together with the comparative unaudited figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months period ended 30 September 2017

	Note	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	8,738	8,271	17,147	16,079
Cost of services rendered		(3,754)	(3,508)	(7,204)	(6,569)
Gross profit		4,984	4,763	9,943	9,510
Other income		79	—	160	—
Administrative expenses		(1,566)	(698)	(3,069)	(1,333)
Listing expenses		—	(707)	—	(707)
Profit before taxation		3,497	3,358	7,034	7,470
Income tax expenses	5	(739)	(572)	(1,380)	(1,230)
Profit for the period attributable to owners of the Company		2,758	2,786	5,654	6,240
Other comprehensive income for the period		—	—	—	—
Total comprehensive income for the period attributable to owners of the Company		2,758	2,786	5,654	6,240
Earnings per share Basic and diluted	7	0.66 cents	0.67 cents	1.35 cents	1.49 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,520	1,689
		1,520	1,689
CURRENT ASSETS			
Trade and other receivables	9	2,153	3,570
Amounts due from customers for contract work	10	2,417	1,232
Tax recoverable		—	77
Cash and cash equivalents	11	58,183	51,286
		62,753	56,165
CURRENT LIABILITIES			
Trade and other payables	12	389	2,161
Amounts due to customers for contract work	10	1,834	600
Tax payable		1,303	—
		3,526	2,761
NET CURRENT ASSETS		59,227	53,404
NON-CURRENT LIABILITIES			
Deferred tax liabilities		114	114
NET ASSETS		60,633	54,979
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	4,180	4,180
Reserves		56,453	50,799
TOTAL EQUITY		60,633	54,979

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 September 2017

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	4,180	33,785	5,000	12,014	54,979
Profit and total comprehensive income for the period	—	—	—	5,654	5,654
At 30 September 2017 (unaudited)	4,180	33,785	5,000	17,668	60,633

For the six months period ended 30 September 2016

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	—	—	5,000	4,613	9,613
Profit and total comprehensive income for the period	—	—	—	6,240	6,240
At 30 September 2016 (unaudited)	—	—	5,000	10,853	15,853

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 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 of the Cayman Islands and acts as an investment holding company. Its shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 12 December 2016. 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) 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 Ordinances. The unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 April 2017. The effect of the adoption of these standards, amendments and interpretation is not material on these unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial statements for the six months period ended 30 September 2017 comprises the Company and its subsidiaries.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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"). The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), rounded to the nearest thousand except for otherwise indicated. The Company's functional and the Group's presentation currency are both HK\$.

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

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

3. SEGMENT REPORTING

The Group manages its operation by business lines in a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment. The management reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Information about geographical areas

All of the activities of the Group are carried out in Hong Kong and all of the Group's revenue for the six months period ended 30 September 2017 and 2016 were derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

4. REVENUE

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

5. INCOME TAX EXPENSES

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax Provision for the period	1,380	1,230

The provision for Hong Kong Profits tax for 2017 is calculated at 16.5% (2016: 16.5%) of estimated assessable profits for the period.

6. DIVIDENDS

The directors of the Company recommend the payment of an interim dividend of HK\$3 cents per share, totalling HK\$12,540,000 (2016: Nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings: Earnings for the purposes of basic and diluted earnings per share: Profit for the period attributable to owners of the Company	1.35	1.49

Number of shares:

Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	418,000,000	418,000,000
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The calculation of the weighted average number of outstanding during the six months ended 30 September 2016 has been adjusted to 280,000,000 ordinary shares of the Company in issue on the assumption that the capitalisation issue has been effective on 1 April 2016.

No diluted earnings per share is presented for the six months ended 30 September 2017 and 2016 as there were no potential ordinary shares outstanding during the period.

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment	Furniture and fixtures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1 April 2016	859	301	127	1,287
Additions	691	—	992	1,683
Written off	(859)	(292)	(127)	(1,278)
	<hr/>			
At 31 March 2017 (audited) and 30 September 2017 (unaudited)	691	9	992	1,692
	<hr/>			
Accumulated depreciation				
At 1 April 2016	859	292	112	1,263
Charge for the year	—	2	11	13
Written off	(859)	(291)	(123)	(1,273)
	<hr/>			
At 31 March 2017	—	3	—	3
Charge for the period	69	1	99	169
	<hr/>			
At 30 September 2017	69	4	99	172
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Carrying amount				
At 30 September 2017	622	5	893	1,520
	<hr/>			
At 31 March 2017	691	6	992	1,689
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9. TRADE AND OTHER RECEIVABLES

a) Ageing analysis

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

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within 30 days	898	1,665
31–60 days	235	539
61–90 days	258	153
91–180 days	131	258
Over 180 days	354	499
	1,876	3,114

The Group does not allow any credit period to its customers.

b) Trade debtors that are not impaired

At 30 September 2017, included in the Group's trade receivables balances were debtors with aggregate carrying amount of HK\$1,876,000 (31 March 2017: HK\$3,114,000), 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:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Less than 30 days past due	898	1,665
More than 30 days but less than 90 days past due	493	692
More than 90 days but less than 180 days past due	131	258
More than 180 days past due	354	499
	1,876	3,114

9. TRADE AND OTHER RECEIVABLES (Continued)

b) Trade debtors that are not impaired (Continued)

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.

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

	30	31
	September	March
	2017	2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Contracts in progress at end of the reporting periods:		
Contracts costs incurred plus recognised profit less recognised losses	17,913	35,196
Less: Progress billings	(17,330)	(34,564)
	583	632

Analysed for reporting purpose as:

Amounts due from customers for contract work	2,417	1,232
Amounts due to customers for contract work	(1,834)	(600)
	583	632

11. CASH AND CASH EQUIVALENTS

	30	31
	September	March
	2017	2017
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Cash at bank	58,164	51,283
Cash on hand	19	3
	58,183	51,286
Cash and cash equivalents in the consolidated statement of financial position	58,183	51,286

12. TRADE AND OTHER PAYABLES

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Trade payables	—	63
Accrued expenses and other payables	389	2,098
	389	2,161

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

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Within 30 days	—	—
31–60 days	—	—
61–90 days	—	—
91–180 days	—	—
Over 180 days	—	63
	—	63

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

13. SHARE CAPITAL

	Number of Shares	HK\$
Authorised:		
At 31 March 2017, and 30 September 2017 ordinary shares of HK\$0.01 each	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 31 March 2017, and 30 September 2017 ordinary shares of HK\$0.01 each	<u>418,000,000</u>	<u>4,180,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of comprehensive architectural and structural engineering consultancy service. During the six months ended 30 September 2017, the Group was focusing on developing business opportunities from existing customers as well as referrals from them; at the same time, the Group was looking for increasing the types of architectural-related services to be provided to various customers.

The Company's shares were successfully listed on GEM on 12 December 2016. The proceeds raised have 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 its long-term development. These strategic directions aim to capture new business opportunities in the market and bring satisfactory long-term returns to our shareholders. Achievements of such targets are dependent 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 for comprehensive architectural and structural engineering consultancy service, including licensing consultancy, alternation and addition works and minor works consultancy, inspection and certification and other architectural related consultancy.

The total revenue for the six months ended 30 September 2017 was approximately HK\$17.1 million (2016: HK\$16.1 million) which represents a HK\$1.1 million or a 6.6% increase compared to the corresponding period in 2016. Such increase was mainly attributable to the increase in the number of projects with revenue recognition and the increase in the contract amount due to inflation.

The gross profit margin was lowered from approximately 59.1% in the six months ended 30 September 2016 to approximately 58.0% in the six months ended 30 September 2017. Such drop was due to the revenue contributed by projects with high gross profit margin was lowered in 2017 than the corresponding period in 2016.

Administrative expenses

The total administrative expenses for the six months ended 30 September 2017 was approximately HK\$3.1 million (2016: HK\$1.3 million) and represented an increase of approximately HK\$1.7 million or 1.3 times compared with 2016. Such increase was mainly due to the increase in legal and professional expenses and compliance fees of HK\$0.8 million incurred after listing as well as the directors remunerations of HK\$0.5 million with effect from the listing.

Income tax expenses

The income tax expenses for the six months ended 30 September 2017 was approximately HK\$1.4 million (2016: HK\$1.2 million) and such increase was consistent with the increase in estimated profits assessable under Hong Kong Profits tax.

Profit for the period

The Group recorded a net profit attributable to owners of the Company of approximately HK\$5.7 million for the six months ended 30 September 2017 (2016: HK\$6.2 million). Such decrease was mainly due to the increase in administrative expenses of HK\$1.7 million as discussed above under the section head "Administrative expenses".

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 September 2017, the Group financed its operations by cash flow from operating activities. As at 30 September 2017, the Group had net current assets of approximately HK\$59.2 million (31 March 2017: HK\$53.4 million), including cash of approximately HK\$58.2 million (31 March 2017: HK\$51.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 17.8 times as at 30 September 2017 (31 March 2017: 20.3 times). The decrease in the current ratio was mainly attributable to the increase in amounts due to customers for contract work and tax payable such that the total balance of current liabilities was increased.

The Group did not have any interest-bearing debt and hence the gearing ratio (which was calculated by dividing total debt by total equity) was not applicable to the Group.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$60.6 million as at 30 September 2017 (31 March 2017: HK\$55.0 million).

EMPLOYEE INFORMATION

As at 30 September 2017, the Group has 24 employees including directors. Total staff and directors' remuneration for the six months ended 30 September 2017 was approximately HK\$5.2 million (2016: HK\$5.2 million). The reason for remaining stable was due to the departure of a director in a subsidiary in current year which set off the increase of directors remunerations to independent non-executive directors upon listing. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and with 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 30 September 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.

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in the six months ended 30 September 2017 and up to the date of results announcement and interim report issuance of the Company.

EVENT AFTER THE REPORTING PERIOD

Up to the date of results announcement and interim 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 period ended 30 September 2017.

INTERIM DIVIDEND

The directors of the Company recommend the payment of an interim dividend of HK\$3 cents per share, totalling HK\$12,540,000.

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\$2.5 million has been used as general working capital of the Group, comprising (i) approximately HK\$0.9 million as Directors' remuneration and staff salaries payment including recruitment of additional professional staff as mentioned in the Prospectus, and (ii) approximately HK\$1.6 million as compliance and professional fee related to listing and general expenses. Also approximately HK\$0.4 million was used as salaries to newly recruited staff after listing to support the expansion of business. The remaining balance of HK\$22.2 million was kept in the Company's bank account. The Directors do not intend to change the intended usage of the proceeds as disclosed in the Prospectus.

OTHER INFORMATION

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 30 September 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

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

Long position in ordinary shares of Energetic Way Limited ("Energetic Way") *(Note 4)*

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

Notes:

1. 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.
2. The percentage is calculated on the basis of 418,000,000 shares of the Company in issue as at 30 September 2017.
3. The letter "L" denotes the entity's/person's long position in the shares.
4. 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 30 September 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 30 September 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 2)	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 30 September 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 30 September 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.

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.

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 the six months ended 30 September 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 six months ended 30 September 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).

COMPETING INTERESTS

As at 30 September 2017, none of the Directors, the substantial Shareholders and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE ADVISER'S INTERESTS

As at 30 September 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in 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 Company had made specific enquiries of all the Directors and the Directors have confirmed they had complied with the Required Standard of Dealings throughout the six months ended 30 September 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "CG Code").

Throughout the six months ended 30 September 2017, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code.

Pursuant to A.2.1 of the CG Code, 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 chief executive 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 chief executive, 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.

AUDIT COMMITTEE

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. 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 duty of the Audit Committee is to review and supervise the Company's financial reporting process, the internal control and risk management systems of the Group and the monitoring of continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2017 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board
KNK Holdings Limited
Poon Kai Kit Joe
Chairman

Hong Kong, 14 November 2017

As at the date of this report, the executive Directors are Mr. Poon Kai Kit Joe, Ms. Chan Ka Yee and Mr. Fok Yat Cheong and the independent non-executive Directors are Mr. Kong Kam Wang, Mr. Sung Hak Keung Andy and Mr. Wong Kai Tat.