

KNK Holdings Limited

中國卓銀國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8039

2021/2022

Interim Report

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

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This report, for which the directors (the “Directors”) of KNK Holdings 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 GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this 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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The board of Directors (the “Board”) announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2021 (“Period”) together with the comparative unaudited figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Note	Three months ended		Six months ended	
		30 September		30 September	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	5	12,342	9,934	20,372	17,994
Cost of services		(7,112)	(9,738)	(13,340)	(17,390)
Gross profit		5,230	196	7,032	604
Other income		-	74	-	763
Administrative expenses		(2,399)	(3,667)	(4,468)	(6,522)
Finance costs		(207)	(559)	(396)	(559)
Profit (loss) before tax		2,624	(3,956)	2,168	(5,714)
Income tax expenses	6	(45)	-	(45)	-
Profit (loss) and total comprehensive income (loss) for the period attributable to owners of the Company		2,579	(3,956)	2,123	(5,714)
Profit (loss) per share					
Basic (HK cents)	8	0.57	(0.95)	0.49	(1.37)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Note	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	215	198
Right-of-use assets	9	1,216	122
Interests in an associate	10	4,736	4,736
		6,167	5,056
CURRENT ASSETS			
Trade and other receivables	11	8,234	4,314
Loan receivables		900	1,250
Bank balances and cash		5,054	2,577
		14,188	8,141
CURRENT LIABILITIES			
Trade and other payables	12	3,415	1,296
Other borrowings	13	5,500	5,500
Term loan	14	–	8,234
Lease liabilities		683	208
Tax payable		216	122
		9,814	15,360
NET CURRENT ASSETS (LIABILITIES)		4,374	(7,219)
TOTAL ASSETS LESS CURRENT LIABILITIES		10,541	(2,163)
NON-CURRENT LIABILITIES			
Lease liabilities		535	–
NET ASSETS		10,006	(2,163)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	15	4,930	4,180
Reserves		5,076	(6,343)
TOTAL EQUITY		10,006	(2,163)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company				Total HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	
At 1 April 2021 (audited)	4,180	33,785	5,000	(45,128)	(2,163)
Profit and total comprehensive income for the period	-	-	-	2,123	2,123
Issue of shares by placing	750	9,525	-	-	10,275
Share issue expenses	-	(229)	-	-	(229)
At 30 September 2021 (unaudited)	4,930	43,081	5,000	(43,005)	10,006

For the six months period ended 30 September 2020

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	
At 1 April 2020 (audited)	4,180	33,785	5,000	(31,987)	10,978
Loss and total comprehensive loss for the period	-	-	-	(5,714)	(5,714)
At 30 September 2020 (unaudited)	4,180	33,785	5,000	(37,701)	5,264

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from (used in) operating activities	1,158	(4,794)
Net cash used in investing activities	(67)	–
Net cash generated from (used in) financing activities	1,386	(4,638)
Net increase (decrease) in cash and cash equivalents	2,477	(9,432)
Cash and cash equivalents as at the beginning of the period	2,577	11,149
Cash and cash equivalents as at the end of the period	5,054	1,717

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. GENERAL INFORMATION

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 GEM on 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 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2021.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current period has no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. ESTIMATES

The preparation of unaudited condensed consolidated interim financial information 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. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group as at and for the year ended 31 March 2021.

4. 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 2021 and 2020 were derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

5. REVENUE

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 architectural related consultancy.

6. INCOME TAX EXPENSES

	For the three months ended 30 September		For the six months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax				
Provision for the period	45	–	45	–

The provision for Hong Kong Profits tax for 2021 is calculated at 8.25% for the first HK\$2,000,000 and 16.5% on the remaining balance (2020: 8.25% for the first HK\$2,000,000 and 16.5% on the remaining balance) of estimated assessable profits for the period. Since there was no estimated assessable profits for the six months ended 30 September 2020, no provision was made.

7. DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 September 2021 (2020: HK\$ nil).

8. PROFIT (LOSS) PER SHARE

The calculation of the basic and diluted profit (loss) per share attributable to owners of the Company is based on the following data:

For the three months ended 30 September		For the six months ended 30 September	
2021	2020	2021	2020
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

Profit (loss):

Profit (loss) for the purposes of basic and diluted earnings per share:

Profit (loss) attributable to owners of the Company

2,579	(3,956)	2,123	(5,714)
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Number of shares:

Weighted average number of ordinary shares ('000)

452,000	418,000	435,000	418,000
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Diluted profit (loss) per share is the same as basic profit (loss) per share as there were no potential ordinary shares during the six months ended 30 September 2021 and 2020.

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2021, apart from addition of items of property, plant and equipment with aggregate cost of approximately HK\$67,000 (2020: HK\$ nil), there was no addition to nor disposal of items of property, plant and equipment.

Right-of-use assets

The Group leases an office premises for its daily operations. During the six months ended 30 September 2021, the Group extended the lease agreement to 24 months.

10. INTERESTS IN AN ASSOCIATE

The following list contains particulars of an associate, which is unlisted corporate entity whose quoted market price is not available:

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			30 September 2021	31 March 2021	
Kin On Engineering (International) Limited	Hong Kong	16,000,000 ordinary shares	49%	49%	Interior design, renovation and building work and such other work related to implementation of architecture and structural engineering consultancy services

The above associate is accounted for using the equity method in the consolidated financial statements.

11. TRADE AND OTHER RECEIVABLES

		30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade receivables			
Trade receivables from third parties	11a	5,428	3,756
Contract assets	11b	2,600	1,714
Less: Loss allowance		–	(1,714)
		2,600	–
		8,028	3,756
Other receivables			
Deposits and prepayments		34	386
Amount due from an associate		160	160
Amount due from ultimate holding company		12	12
		206	558
		8,234	4,314

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11a) Trade receivable

The Group does not allow any credit period to its customers. As of the end of the reporting period, the ageing analysis of trade receivables based on invoice date and net of loss allowance is as follows:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Within 30 days	2,548	1,132
31-60 days	722	380
61-90 days	182	315
91-180 days	410	731
Over 180 days	1,566	1,198
	5,428	3,756

11b) Contract assets

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
At the beginning of the period	-	2,003
Addition	2,600	-
Loss allowance	-	(1,714)
Transferred to trade receivables	-	(289)
At the end of the reporting period	2,600	-

At 30 September 2021, the contract assets are expected to be recovered within 1 year.

The Group has rights to considerations from customers for comprehensive architectural and structural engineering consultancy contract. Contract assets arise when the Group has right to consideration for completion of contracts and not yet billed under the relevant contracts, and their right is conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade debtors when such right becomes unconditional other than the passage of time.

12. TRADE AND OTHER PAYABLES

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade payables		
Contract liabilities	2,776	276
Other payables		
Accrued charges and other creditors	639	795
Interest payables	-	225
	639	1,020
	3,415	1,296

13. OTHER BORROWINGS

During the year ended 31 March 2020, the Group received an advance of HK\$5.5 million ("Alleged Debt"). The proceeds of the Group's Alleged Debt was received through a subsidiary of the Company, namely Golden Legend Capital Limited. The current management has been unable to reach certain former directors of the Company who are also the directors ("Former Directors") of the subsidiary, to obtain loan agreements and representations in relation to the Alleged Debt.

On 20 July 2020, a statutory demand served on the Company by a purported creditor to demand the Company to pay for the Alleged Debt with accrued interest in an aggregate amount of approximately HK\$5.8 million within 3 weeks after service of the statutory demand. If no payment was made by the expiry of the 3-week period, the creditor might present a winding-up petition against the Company. On 23 September 2020, the Company received a writ of summons issued in the Court of First Instance of the High Court of Hong Kong by the same purported creditor. Pursuant to the writ, the plaintiff claims against the Company for the Alleged Debt with accrued interest.

The Company received the statement of claim in relation to the Writ on 8 December 2020 in which the Plaintiff claimed against the Company, inter alia, approximately HK\$5.8 million, being the principal and interest of the Alleged Debt. The Company's lawyer is contesting the claim in the legal proceedings for the time being.

13. OTHER BORROWINGS (CONTINUED)

On the other hand, since the current management has been unable to reach the Former Directors, on 31 July 2020 the Company issued and filed the writ of summons, together with the statement of claim dated 30 July 2020, against the Former Directors for breach of the directors' duties in the High Court of Hong Kong. Application was made to the said court to serve the writ out of jurisdiction on the Former Directors in the People Republic of China. As advised by the legal advisers of the Company in respect of this litigation in June 2021, service of the writ to them through the PRC Judiciary was unsuccessful. The Company is considering the legal adviser's advice on application for substituted service of the writ to them.

For details, please refer to the announcements of the Company dated 24 January 2020, 31 July 2020, 31 August 2020 and 8 October 2020.

14. TERM LOAN

The Company entered into unsecured loan agreements with on-demand loan facility limit which are unsecured, interest-bearing at 12% per annum and repayable within 12 months.

During the six months ended 30 September 2021, the loan has been fully settled.

15. SHARE CAPITAL

	Number of Shares '000	HK\$'000
Authorised:		
At 1 April 2020, 31 March 2021, and 30 September 2021 ordinary shares of HK\$0.01 each	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2020 and 31 March 2021	418,000	4,180
Issue of shares by placing (<i>Note</i>)	75,000	750
At 30 September 2021	493,000	4,930

Note: On 20 August 2021, 75,000,000 ordinary shares were issued by the Company pursuant to a placing agreement dated 2 August 2021 at a placing price of HK\$0.137 per share, giving gross proceeds of HK\$10,275,000.

16. EVENT AFTER THE REPORTING PERIOD

There were no significant events since 30 September 2021 and up to the date of this report.

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 2021, the Group continued to focus 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 revenue of the Group was approximately HK\$20.4 million for the six months ended 30 September 2021 (2020: approximately HK\$18.0 million, which represented 13.3% increase compared to the corresponding period in 2020). The profit for the six months ended 30 September 2021 was approximately HK\$2.1 million whereas there was a loss of HK\$5.7 million for the six months ended 30 September 2020. The reasons of such changes can be found under the Financial Review section below.

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

In view of the current economic environment, in particular the impact of COVID-19 is still uncertain, the Group will seek to minimise risk exposure by bargaining better terms from sub-contractors, minimising expenses, securing projects and closely monitoring recoverability of the receivables to keep the operations of the Group as usual.

FINANCIAL REVIEW

REVENUE

The Group's revenue is generated from the contract revenue from provision for 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 total revenue for the Period was approximately HK\$20.4 million (2020: approximately HK\$18.0 million) which represented HK\$2.4 million or 13.3% increase as compared to the corresponding period in 2020. Such change was mainly attributable to the revenue contribution from projects with a relatively large contract sum.

The gross profit margin improved from approximately 3.4% for the six months ended 30 September 2020 to approximately 34.5% in the Period. Such increase was mainly due to the revenue contribution from projects with higher profit margin during the six months ended 30 September 2021 compared to the corresponding period in 2020.

ADMINISTRATIVE EXPENSES

The total administrative expenses for the Period was approximately HK\$4.5 million (2020: approximately HK\$6.5 million) and there was a decrease of HK\$2.0 million or 30.8%. Such decrease was mainly due to decrease in legal and professional fees on handling various compliance and legal issues.

INCOME TAX EXPENSES

The income tax expenses for the Period was HK\$45,000 (2020: HK\$ nil) at the rate of 8.25% for the first HK\$2,000,000 and 16.5% on the remaining balance of estimated assessable profits for the Period.

PROFIT (LOSS) FOR THE PERIOD

The Group recorded a net profit attributable to owners of the Company of approximately HK\$2.1 million for the Period (2020: loss of approximately HK\$5.7 million). Such turnaround in the operating results from loss to profit was mainly due to the improvement of profit margin and decrease in legal and professional fee for the six months ended 30 September 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the Group financed its operations by cash flow from operating activities and equity financing by placing. As at 30 September 2021, the Group had net current assets of approximately HK\$4.4 million (31 March 2021: net current liabilities of HK\$7.2 million), including bank and cash balances of approximately HK\$5.1 million (31 March 2021: HK\$2.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.4 times as at 30 September 2021 (31 March 2021: 0.5 times). Such increase was mainly due to the increase of bank and cash balances generated from operating activities and equity financing by placing.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$10.0 million as at 30 September 2021 (31 March 2021: approximately HK\$2.2 million deficit).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group had 26 (2020: 28) employees. Total staff and directors' remuneration for the Period was approximately HK\$9.0 million (2020: HK\$9.0 million). 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. The Group's 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 2021 (2020: 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 2021 and up to the date hereof.

EVENT AFTER THE REPORTING PERIOD

There was no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors after the period ended 30 September 2021 and up to the date hereof.

LITIGATIONS

References are made to the announcements of the Company dated 13 July 2020, 21 July 2020, 31 August 2020 and 8 October 2020 in relation to, amongst others, the Alleged Bond and the Alleged Debt. The Company received the statement of claim in relation to the Writ on 8 December 2020 in which the Plaintiff claimed against the Company, inter alia, HK\$5,830,000 being the principal and interest of the Alleged Debt. The Company's lawyer is contesting the claim in the legal proceedings for the time being.

Reference is also made to the announcement of the Company dated 31 August 2020 in relation to the claim against three ex-directors, namely Mr. Sun Xiao Li, Mr. Gu Jintai and Ms. Shi Lijie for breach of fiduciary duties. The writ was lodged at the Hong Kong Judiciary on 9 November 2020 for service out of jurisdiction through the PRC Judiciary on them at their last known PRC addresses. As advised by the legal advisers of the Company in respect of this litigation in June 2021, service of the writ to them through the PRC Judiciary was unsuccessful. The Company is considering the legal adviser's advice on application for substituted service of the writ to them.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS

Placing of new shares under general mandate

On 20 August 2021, the Company raised net proceeds of approximately HK\$10.02 million from its placing of 75,000,000 Shares to not less than six independent placees at the placing price of HK\$0.137 each per placing share.

As at 30 September 2021, the net proceeds from placing had been utilized as follows:

	Actual proceed allocated HK\$ million	Amount utilized up to 30 September 2021 HK\$ million	Balance as at 30 September 2021 HK\$ million	Expected timeline for using unutilized amount
Repayment of outstanding debts	8.61	8.61	–	–
General working capital	1.41	1.05	0.36	On or before 31 March 2022

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SECURITIES

As at 30 September 2021, none of the Directors and chief executives of the Company (the "Chief Executives") had any interest or short positions in the ordinary shares 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 5.48 to 5.67 of the GEM Listing Rules (the "Model Code").

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN SECURITIES

So far as is known to the Directors and the Chief Executives, as at 30 September 2021, 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:

Long position in the Shares

Name	Capacity/ Nature of interests	Number of Shares interested	% of issued voting Shares
Energetic Way Limited <i>(Note)</i>	Beneficial owner	194,800,000	39.51%
Mr. Poon Kai Kit, Joe <i>("Mr. Poon") (Note)</i>	Interest of a controlled corporation	194,800,000	39.51%
Ms. Chan Ka Yee <i>("Ms. Chan") (Note)</i>	Interest of a controlled corporation	194,800,000	39.51%
Mr. Ke Yuexian	Beneficial owner	69,168,000	14.03%

Note:

Energetic Way Limited was owned as to 50% by Mr. Poon and 50% by Ms. Chan, spouse of Mr. Poon. Mr. Poon was the ex-director and ex-authorized representative of the Company. Under the SFO, Mr. Poon and Ms. Chan were deemed to have interest in all of these Shares by virtue of having controlling interest in Energetic Way Limited.

Save as disclosed above, as at 30 September 2021, 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.

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 in Securities" and "Share Option Scheme" in this report, at no time during the Period 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 Period 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) of the Company and its associated corporations (within the meaning of the SFO).

COMPETING INTERESTS

As at 30 September 2021, none of the Directors 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 WITH THE CORPORATE GOVERNANCE

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 under Appendix 15 of the GEM Listing Rules (the "CG Code").

The Company had complied throughout the six months ended 30 September 2021 with all the code provisions as set out in the CG Code except for the followings:

- (a) There is deviation from code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. No chairman nor chief executive are appointed by the Company. The executive Director, being Mr. Chung Yuk Lun, provides the Board with strong and consistent leadership to ensure that the Board works effectively and acts in the interest of the Company. At the same time, he is responsible for formulation of corporate strategy and business development. The daily operation and management of the Company is monitored by the executive Director as well as the senior management. All Directors (including the independent non-executive Directors), being experienced individuals, are encouraged to make active contributions to the Board's affairs and promoting a culture of openness and debate. Based on the above, the Board is of the view that although no chairman nor chief executive are appointed, the balance of power and authority of the Board is ensured and believes the current structure (with proper delegation authorities to the management and effective supervision by the Board and its committees) functions effectively and that no change to current structure is required.

- (b) There is deviation from rule 5.05(1) and rule 5.28 of the GEM Listing Rules after the retirement of Mr. Lee Pui Chung as an independent non-executive Director on 23 August 2021. The Company fails to meet the requirements of (i) having at least three independent non-executive Directors on the Board under rule 5.05(1) of the GEM Listing Rules; and (ii) having a minimum of three non-executive directors in the Audit Committee of the Company ("Audit Committee") under rule 5.28 of the GEM Listing Rules.

The Company has complied with rule 5.05(1) and rule 5.28 of the GEM Listing Rules after the appointment of Ms. Mabel Lee as an independent non-executive Director and a member of Audit Committee on 10 November 2021.

- (c) There is deviation from rule 5.24 of the GEM Listing Rules after the resignation of Mr. Poon as an authorised representative on 25 August 2021. According to Rule 5.24 of the GEM Listing Rules, the Company must at all time retain two authorised representatives. Given the fact that there is only one authorised representative for the time being, the Company has not complied with Rule 5.24 of the GEM Listing Rules.

In order to ensure compliance with the GEM Listing Rules, the Company will make its best endeavour to identify suitable candidate to fill the casual vacancy for the position of authorised representative as soon as possible. Further announcement(s) will be made by the Company as and when appropriate.

Model Code for Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in the Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for dealing in securities of the Company by the Directors. The Company had made specific enquiries to the Directors, and all of them had confirmed they had complied with the required standard of dealings as set out in the Model Code throughout the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information since the date of the 2021 Annual Report of the Company, which are required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules are set out below:

Change of Directors and positions held with board committees of the Company

Name/Positions	Appointment Date	Resignation Date
Mr. Lee Pui Chung		
– Independent Non-executive Director	–	23 August 2021
– Chairman of Audit Committee	–	23 August 2021
Mr. Poon Kai Jit, Joe		
– Executive Director	–	25 August 2021
– Authorised Representative	–	25 August 2021
Ms. Mabel Lee		
– Independent Non-executive Director	10 November 2021	–
– Chairman of Remuneration Committee	10 November 2021	–
– Member of Audit Committee	10 November 2021	–
– Member of Nomination Committee	10 November 2021	–
Ms. Lai Pik Chi, Peggy		
– Chairman of Remuneration Committee	–	10 November 2021
– Member of Audit Committee	–	10 November 2021
– Member of Remuneration Committee	10 November 2021	–
– Chairman of Audit Committee	10 November 2021	–
Mr. Chung Yuk Lun		
– Member of Nomination Committee	–	10 November 2021
– Member of Remuneration Committee	–	10 November 2021

Mr. Chung Yuk Lun had resigned as the executive director of CT Environmental Group Limited (stock code: 1363) with effect from 9 August 2021.

REVIEW OF UNAUDITED INTERIM RESULTS

The condensed consolidated financial results of the Group for the Period has not been reviewed nor audited by the Company's auditor, ZHONGHUI ANDA CPA Limited (Registered Public Interest Entity Auditor), but has been reviewed by the Audit Committee of the Company, which comprises the three independent non-executive Directors of the Company.

By order of the Board

KNK Holdings Limited

Chung Yuk Lun

Executive Director & Company Secretary

Hong Kong, 12 November 2021

As at the date of this report, the executive Director is Mr. Chung Yuk Lun; and the independent non-executive Directors are Ms. Lai Pik Chi, Peggy, Ms. Chan Yuk Chun and Ms. Mabel Lee.