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

**(Stock code on Main Board: 2663)**

**(Stock code on GEM: 8141)**

**TRANSFER OF LISTING  
FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD  
OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Joint financial advisers to the Company**



On 6 July 2017, an application was made by the Company to the Stock Exchange for the transfer of listing from GEM to the Main Board. The Company has applied for the listing of and permission to deal in (i) 600,000,000 Shares in issue; and (ii) 60,000,000 Shares which may be issued upon the exercise of share options which may be granted under the Share Option Scheme, by way of transfer of listing from GEM to the Main Board.

The approval-in-principle has been granted by the Stock Exchange on 16 October 2017 for the Shares to be listed on the Main Board and de-listed from GEM. The last day of dealings in the Shares on GEM (stock code: 8141) will be on Monday, 23 October 2017. Dealings in the Shares on the Main Board (stock code: 2663) will commence at 9:00 a.m. on Tuesday, 24 October 2017. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No changes will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

**The price and trading volume of the Shares has been extremely volatile since the Company's listing on GEM. The Board is not aware of any reasons for such volatility and there is no assurance that the price and trading volume of the Shares may continue to be volatile. Attention of the Shareholders and potential investors of the Company is drawn to the potential risk and they are advised to exercise caution when dealing in the Shares.**

Reference is made to the announcement made by the Company on 6 July 2017 in relation to the application submitted to the Stock Exchange for the Transfer of Listing. On 6 July 2017, an application was made by the Company to the Stock Exchange for the transfer of listing from GEM to the Main Board. The Company has applied for the listing of and permission to deal in (i) 600,000,000 Shares in issue; and (ii) 60,000,000 Shares which may be issued upon the exercise of the share options which may be granted under the Share Option Scheme, by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 16 October 2017. The last day of dealings in the Shares on GEM will be on Monday, 23 October 2017. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on Tuesday, 24 October 2017 and the Shares will be delisted from GEM. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

## **REASONS FOR THE TRANSFER OF LISTING**

The Company has been listed on GEM since 8 October 2015. The Company is an investment holding company. The principal businesses of the Group are (i) provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

The Board believes that the Transfer of Listing will enhance the profile of the Group, strengthen its recognition among public investors and hence increase the trading liquidity of the Shares. This will strengthen the Group's position in the industry and enhance the Group's competitive strengths in retaining and attracting the Group's professional staff and customers. The Board also considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group, and it will create a long-term value to the Shareholders.

As at the date of this announcement, the Board has no plans to change the nature of the business of the Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by the Company.

## **DEALINGS IN THE SHARES ON THE MAIN BOARD**

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 8 October 2015, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code: 8141) will be on Monday, 23 October 2017. Dealings in the Shares on the Main Board (stock code: 2663) will commence at 9:00 a.m. on Tuesday, 24 October 2017.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in board lots of 10,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Estera Trust (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No changes will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

## **SHARE OPTION SCHEME**

The Share Option Scheme was adopted by the Company on 22 September 2015. The Share Option Scheme will remain effective following the Transfer of Listing and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules. The listing of the Shares to be issued pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules. No share option has been granted since the adoption of the Share Option Scheme and there were no share option outstanding as at the date of this announcement.

As at the date of this announcement, the Company does not have any other options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

## **PUBLIC FLOAT**

The Directors confirm that at least 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

## **COMPETING BUSINESS**

As at the date of this announcement, none of the Directors or Controlling Shareholders of the Company or their respective close associates has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09(10) of the Main Board Listing Rules.

## **GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 9 August 2017 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the applicable laws or regulations of the Cayman Islands or the Articles to be held; and
- (c) the date on which such authority is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

## **PUBLICATION OF RESULTS**

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and Shareholders will continue to have access to relevant information on the Company pursuant to the reporting requirements under the Main Board Listing Rules.

## **PRINCIPAL ACTIVITIES OF THE GROUP**

The principal businesses of the Group are (i) provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

## **Structural engineering works**

The structural engineering works undertaken by the Group mainly include developing structural designs, calculation and drawings, sourcing and procurement of materials, monitoring of works, supervision and management of subcontractors and after-sales services. The Group mainly acts as a subcontractor in design and build projects in Hong Kong. The design and build projects undertaken by the Group can be broadly divided into three categories, namely (i) facade, roof and related works; (ii) structural steelwork and noise barriers; and (iii) flagpoles and related works. KPa Engineering, one of the operating subsidiaries of the Group, is an approved specialist contractor in the category of structural steelwork and an approved supplier of materials in the category of transparent panels for noise barriers on highways with the Development Bureau. It is also a registered minor works contractor with the Buildings Department. The Group provides structural engineering works in design and build projects for both the private and public sectors in Hong Kong.

### *Facade, roof and related works*

The facade and/or roof projects undertaken by the Group through KPa Engineering mainly involve developing structural designs, calculation and drawings, sourcing and procurement of materials, monitoring of works, supervision and management of subcontractors and after-sales services.

Related works under this sub-category generally refers to the supply and installation of roof materials, such as sandwich panels and trapezoidal roofing sheets, which generally do not involve any structural calculation and are less complex compared to the facade and roof projects and are carried out by BuildMax (HK).

### *Structural steelwork and noise barriers*

The structural steelwork projects undertaken by the Group mainly include planning and design of structures using steel, fabrication of steel as well as installation of the structural steel onsite.

Noise barrier works undertaken by the Group mainly include the design and installation of noise barrier systems.

### *Flagpoles and related works*

The flagpoles projects undertaken by the Group mainly involve preparation of shop drawings, procurement of materials, monitoring of works, arrangement for the necessary labour to execute the projects and providing after-sales services. The materials used in the flagpoles projects are generally sourced and provided by the Group under its own brand name of “BM-POLES”, which provides a wide range of flagpoles, banner poles and decorative poles made of aluminum and stainless steel.

Related works under this sub-category generally refer to the supply and installation of fall arrest system. Flagpoles and related works generally do not involve any structural calculation and are carried out by BuildMax (HK).

***Operating procedures of design and build projects***

The Group is generally invited by its customers to submit a tender or provide a quotation for tendering a potential project or receives referrals and recommendations to submit bids for a project from architectural firms with whom the Group has a previous business relationship. In deciding whether to submit a tender, the executive Directors will consider a number of factors, such as the capability of the Group, the availability of resources, the contract size, the specification and profitability of the project and the worthiness to bid for a particular tender. Upon award of contract, the Group will form a project management team to oversee and manage the design and build project. The project management team is led by a project manager, who is responsible for all aspects of the project including general project management, material procurement, communicating with other team members, coordinating with the customers' team and subcontractors, quality control management, supervising the work progress and budget monitoring.

During the course of project execution, the Group and its customers will conduct inspection on all works completed to ensure that the works performed by the Group comply with the requirements and schedules as set out in the contracts. The Group will submit a payment application based on the work done on a monthly basis in accordance with the terms of each contract. The customers and/or the authorised person of the customers will issue a payment certificate to the Group for progress billing after the inspection of the completed works.

### *Success rate on project tendering*

The following table sets out the number of tenders or quotations submitted, number of successful projects and the Group's success rate for the three years ended 31 March 2017:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Number of tenders or quotations submitted	510	432	525
Number of successful projects	242	145	129
Success rate (%)	47.5	33.6	24.6

The success rate for tender or quotation was approximately 47.5%, 33.6% and 24.6% for the three years ended 31 March 2017, respectively. The value of the Group's design and build projects on hand as at 31 March 2015 amounted to approximately HK\$469.8 million. Having considered the then financial capacity and resources of the Group, the management of the Group decided to reduce the number of tender submissions and the price competitiveness of the Group's tender submissions during the year ended 31 March 2016, which led to a lower tender success rate.

Owing to the fact that the Group had been awarded with three design and build projects each with an awarded contract sum of over HK\$100 million during the year ended 31 March 2017, the Group adopted a more conservative strategy on pricing the tenders at a less competitive level in view of the then available resources. Nevertheless, the Group kept on submitting tenders in order to maintain customers' relationship as well as to keep abreast of latest market requirements and pricing which is useful in tendering projects in the future. As a result of the reduction in price competitiveness in the Group's tenders and quotations, the Group recorded a low tender success rate for the year ended 31 March 2017.

The aggregate awarded contract sum of the aforesaid three design and build projects amounted to approximately HK\$395.0 million. Amongst these three projects, one of which is related to structural steelwork and noise barriers for a highway (Town Centre Section) located in Tuen Mun, New Territories, one of which is related to structural steelwork and roof works for a public utility facility located on the Lamma Island, Hong Kong, and the remaining is related to structural steelwork and noise barriers for a highway (Fu Tei Section) located in Tuen Mun, New Territories. Based on the respective project schedule provided by the customers, it is expected that the substantial portion of the Group's works in these three projects will be completed during the year ending 31 March 2019. For further details of these three projects, please refer to the paragraph headed "Principal activities of the Group — Structural engineering works — Design and build projects on hand" in this announcement.

### ***Design and build projects awarded to the Group***

The Group had been awarded 242, 145 and 129 design and build projects during the three years ended 31 March 2017, respectively. The following table sets out the number of projects awarded to the Group during the three years ended 31 March 2017 by categories:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>
Facade, roof and related works	129	113	94
Structural steelwork and noise barriers	3	5	7
Flagpoles and related works	<u>110</u>	<u>27</u>	<u>28</u>
	<u>242</u>	<u>145</u>	<u>129</u>

The following table sets forth a breakdown of the projects awarded to the Group during the three years ended 31 March 2017 by ranges of awarded contract sum:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>
<b>Awarded contract sum</b>			
HK\$100,000,000 or above	—	—	3
HK\$10,000,000 to below HK\$100,000,000	9	2	7
HK\$5,000,000 to below HK\$10,000,000	2	—	1
HK\$1,000,000 to below HK\$5,000,000	6	5	7
Below HK\$1,000,000	<u>225</u>	<u>138</u>	<u>111</u>
	<u>242</u>	<u>145</u>	<u>129</u>



### ***Design and build projects completed by the Group***

The Group completed 189, 167 and 138 design and build projects during the three years ended 31 March 2017, respectively. The following table sets forth a breakdown of the projects completed by the Group during the three years ended 31 March 2017 by categories:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>
Facade, roof and related works	94	114	102
Structural steelwork and noise barriers	2	3	2
Flagpoles and related works	<u>93</u>	<u>50</u>	<u>34</u>
	<u>189</u>	<u>167</u>	<u>138</u>

The following table sets forth a breakdown of projects completed by the Group during the three years ended 31 March 2017 by range of awarded contract sum:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>
<b>Awarded contract sum</b>			
HK\$100,000,000 or above	—	1	—
HK\$10,000,000 to below HK\$100,000,000	2	3	5
HK\$5,000,000 to below HK\$10,000,000	—	1	—
HK\$1,000,000 to below HK\$5,000,000	1	5	5
Below HK\$1,000,000	<u>186</u>	<u>157</u>	<u>128</u>
	<u>189</u>	<u>167</u>	<u>138</u>

The following table sets out the top ten design and build projects completed by the Group during the three years ended 31 March 2017 in descending order by accumulated revenue recognised:

No.	Location	Types of works undertaken	Contract awarded date	Completion date	Awarded contract sum (Note) HK\$ million	Revenue recognised during the three years ended 31 March 2017 HK\$ million	Accumulated revenue recognised upon completion HK\$ million
1.	Fire Services Training School, Tseung Kwan O	Facade, roof works and structural steelwork	December 2013	December 2015	106.5	102.2	107.1
2.	Kennedy Town Swimming Pool	Structural steelwork and roof works	September 2015	March 2017	83.1	87.5	87.5
3.	Fung Yuen, Tai Po	Facade	May 2012	August 2015	67.1	8.2	57.0
4.	Un Chau Street Kowloon	Facade	August 2012	March 2016	41.9	3.2	43.3
5.	Urban Renewal Project, Sham Shui Po	Facade	November 2013	October 2016	33.1	31.5	31.6
6.	Fanling Station	Noise barriers and structural steelwork	April 2012	June 2014	30.4	0.3	28.3
7.	Central, Hong Kong	Structural steelwork and roof works	October 2015	December 2016	17.6	19.8	19.8
8.	Austin Road, Kowloon	Facade	December 2013	March 2016	19.2	12.9	17.1
9.	Central, Hong Kong	Facade	August 2016	March 2017	14.9	14.9	14.9
10.	Shelter Street, Hong Kong	Facade	November 2013	March 2016	9.2	13.3	13.6

*Note:* The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial engagement agreement entered into or quotation agreed upon between the Group and its customers.

***Top five design and build projects with revenue recognition***

The following table sets forth the top five design and build projects with the highest revenue recognition to the Group during the three years ended 31 March 2017:

*For the year ended 31 March 2015*

<b>No.</b>	<b>Location</b>	<b>Types of works undertaken</b>	<b>Contract awarded date</b>	<b>Actual/ Expected completion date</b>	<b>Awarded contract sum (Note 1) HK\$ million</b>	<b>Revenue recognised during the year ended 31 March 2015 HK\$ million</b>
1.	Fire Services Training School, Tseung Kwan O	Facade, roof works and structural steelwork	December 2013	December 2015	106.5	71.6
2.	Shatin Area Phase 1 and 2	Structural steelwork and noise barriers	November 2013	September 2017	38.7	14.3
3.	Austin Road, Kowloon	Facade	December 2013	March 2016	19.2	12.5
4.	Fung Yuen, Tai Po	Facade	May 2012	August 2015	67.1	8.4 (Note 2)
5.	Yuen Long Public Library	Roof and related works	October 2014	June 2017	38.0	8.0

*For the year ended 31 March 2016*

<b>No.</b>	<b>Location</b>	<b>Types of works undertaken</b>	<b>Contract awarded date</b>	<b>Actual/Expected completion date</b>	<b>Awarded contract sum (Note 1) HK\$ million</b>	<b>Revenue recognised during the year ended 31 March 2016 HK\$ million</b>
1.	Kennedy Town Swimming Pool	Structural steelwork and roof works	September 2015	March 2017	83.1	56.0
2.	Sheung Yuet Road, Kowloon Bay	Facade	December 2014	October 2017	61.4	49.9
3.	Lantau Island	Facade, roof works and structural steelwork	June 2015	June 2017	74.8	36.8
4.	Fire Services Training School, Tseung Kwan O	Facade, roof works and structural steelwork	December 2013	December 2015	106.5	30.6
5.	Yuen Long Public Library	Roof and related works	October 2014	June 2017	38.0	24.3

*For the year ended 31 March 2017*

<b>No.</b>	<b>Location</b>	<b>Types of works undertaken</b>	<b>Contract awarded date</b>	<b>Actual/Expected completion date</b>	<b>Awarded contract sum (Note 1) HK\$ million</b>	<b>Revenue recognised during the year ended 31 March 2017 HK\$ million</b>
1.	Lantau Island	Facade, roof works and structural steelwork	June 2015	June 2017	74.8	84.1
2.	West Kowloon	Structural steelwork and roof works	June 2015	December 2017	41.4	35.8
3.	Sai Yee Street, Mongkok	Facade	December 2014	June 2017	50.1	31.0
4.	Liantang/Heung Yuen Wai Boundary Control Point	Structural steelwork and noise barriers	April 2014	September 2018	70.7	26.4
5.	Kennedy Town Swimming Pool	Structural steelwork and roof works	September 2015	March 2017	83.1	23.6

*Notes:*

- (1) The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial engagement agreement entered into or quotation agreed upon between the Group and its customers.
- (2) After completion of works and further negotiation with the customer for the final account of the Fung Yuen project, certain adjustments were agreed to be made to the value of works performed by the Group. Accordingly, the Group recorded a reversal of approximately HK\$0.2 million out of the revenue recognised in the year ended 31 March 2015 and the total revenue recognised by the Group from the Fung Yuen project during the three years ended 31 March 2017 were adjusted to approximately HK\$8.2 million only.

### ***Design and build projects on hand***

The following table sets forth the movement of the Group's design and build projects during the three years ended 31 March 2017:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Opening number of design and build projects ( <i>Note 1</i> )	49	102	80
Number of design and build projects awarded ( <i>Note 2</i> )	242	145	129
Number of design and build projects completed ( <i>Note 3</i> )	<u>(189)</u>	<u>(167)</u>	<u>(138)</u>
Closing number of design and build projects ( <i>Note 4</i> )	<u><u>102</u></u>	<u><u>80</u></u>	<u><u>71</u></u>

*Notes:*

1. Opening number of design and build projects refers to design and build projects with engagement confirmed and not yet completed as at the beginning of the relevant year indicated.
2. Number of design and build projects awarded refers to design and build projects awarded to the Group during the relevant year indicated.
3. Number of design and build projects completed refers to design and build projects completed by the Group during the relevant year indicated.
4. Closing number of design and build projects refers to design and build projects with engagement confirmed and not yet completed as at the end of the relevant year indicated.

As at 31 March 2015, 2016 and 2017, the value of the Group's design and build projects on hand amounted to approximately HK\$469.8 million, HK\$271.4 million and HK\$558.4 million, respectively. The following table sets forth the movement of the Group's design and build projects during the three years ended 31 March 2017:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Opening value of design and build projects on hand ( <i>Note 1</i> )	286.0	469.8	271.4
Total value of new design and build projects ( <i>Note 2</i> )	367.7	139.2	657.0
Revenue recognised ( <i>Note 3</i> )	<u>(183.9)</u>	<u>(337.6)</u>	<u>(370.0)</u>
Closing value of design and build projects on hand ( <i>Note 4</i> )	<u><u>469.8</u></u>	<u><u>271.4</u></u>	<u><u>558.4</u></u>

*Notes:*

1. Opening value of design and build projects on hand refers to the aggregate awarded contract sum, excluding variation orders, of the design and build projects on hand as at the beginning of the relevant year indicated.
2. Total value of new design and build projects awarded refers to the aggregate awarded contract sum, excluding variation orders, of the design and build projects awarded to the Group during the relevant year indicated.
3. Revenue recognised refers to the aggregate revenue recognised from design and build projects during the relevant year indicated.
4. Closing value of design and build projects on hand refers to the aggregate contract sum, excluding variation orders, of the design and build projects on hand as at the beginning of the relevant year indicated, plus the aggregate awarded contract sum, excluding variation orders, of the newly awarded design and build projects during the relevant year indicated less the revenue derived from design and build projects during the relevant year indicated.

As at 31 March 2015, 2016, 2017 and the Latest Practicable Date, the Group had 102, 80, 71 and 74 design and build projects on hand, respectively. The following table sets forth the breakdown of the Group's design and build projects on hand as at the Latest Practicable Date by categories:

	Number of projects on hand	Aggregate awarded contract sum (Note 1) HK\$'000	Revenue recognised during the three years ended 31 March 2017 and up to the Latest Practicable Date HK\$'000	Expected revenue to be recognised		
				for the six months ended 30 September 2017 (Note 2) HK\$'000	for the six months ending 31 March 2018 (Note 2) HK\$'000	after 31 March 2018 (Note 2) HK\$'000
Facade, roof and related works	57	691,993	451,422	101,030	198,339	117,238
Structural steelwork and noise barrier	15	425,480	206,026	45,806	62,682	179,059
Flagpoles and related works	2	121	5	—	30	86
	<u>74</u>	<u>1,117,594</u>	<u>657,453</u>	<u>146,836</u>	<u>261,051</u>	<u>296,383</u>

*Notes:*

1. The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial engagement agreement entered into or quotation agreed upon between the Group and its customers.
2. The expected revenue to be recognised for each of the six months ending 31 March 2018 and thereafter is based on the latest programme of each project, taking into account of any additions and modifications due to variation orders (if any).



As at the Latest Practicable Date, the Group had 74 design and build projects on hand, representing projects that have commenced but not yet completed and projects that have engagement confirmed but not yet commenced. The following table sets forth the Group's top ten projects on hand as at the Latest Practicable Date in descending order by awarded contract sum:

No.	Location	Types of works undertaken	Contract awarded date	Expected completion date	Awarded contract sum (Note) HK\$ million	Accumulated revenue recognised up to 31 March 2017 HK\$ million
1.	Town Centre Section, Tuen Mun, New Territories	Structural steelwork and noise barriers	April 2016	December 2018	142.4	16.0
2.	Lamma Island	Structural steelwork and roof works	December 2016	June 2018	130.8	17.9
3.	Fu Tei Section, Tuen Mun, New Territories	Structural steelwork and noise barriers	January 2017	October 2018	121.8	13.9
4.	Lantau Island	Facade, roof works and structural steelwork	June 2015	October 2017	74.8	120.9
5.	Liantang/Heung Yuen Wai Boundary Control Point	Structural steelwork and noise barriers	April 2014	September 2018	70.7	40.4
6.	Anderson Road, Kwun Tong	Structural steelwork and noise barriers	February 2017	December 2019	69.2	—
7.	Urban Renewal Project, Central	Facade	January 2017	June 2018	62.0	2.4
8.	Sheung Yuet Road, Kowloon Bay	Facade	December 2014	October 2017	61.4	67.7
9.	Sai Yee Street, Mongkok	Facade	December 2014	October 2017	50.1	46.4
10.	West Kowloon	Structural steelwork and roof works	June 2015	December 2017	41.4	38.3

*Note:* The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial engagement agreement entered into or quotation agreed upon between the Group and its customers.

## **Trading of building material products**

The Group also engages in trading of building material products mainly through BuildMax (HK), one of the operating subsidiaries of the Group, predominately in Hong Kong. The building material products sold by the Group mainly include (i) roof and noise barrier materials; (ii) curtain wall fixing components; and (iii) other auxiliary materials. The Group does not provide installation service to its customers under this trading segment.

The roof materials sold and distributed by the Group include metal sheeting which are typically made of aluminum and stainless steel, such as galvanised and plastic coated steel sheets, sandwich panels, trapezoidal roofing sheets and standing seam roofing system. The noise barrier materials sold by the Group mainly include different kinds of acrylic (polymethyl methacrylate) sheets while the curtain wall fixing components are those fittings or fixing components used in supporting and fixing of the facade panel system; and other auxiliary materials including the fall arrest equipment and devices that are used for providing fall protection to prevent injury to employees whilst performing work assignments at elevated levels. The fall arrest equipment and devices sold by the Group mainly include roofing kits, anchors and lifeline products.

As at the date of this announcement, the Group is currently the authorised distributor of six international brands of building material products in Hong Kong, Macau and/or the PRC. Amongst these six international brand products, four have engaged the Group as the sole distributor of their products in Hong Kong, Macau and/or the PRC exclusively. These international brand products are mainly imported from various countries such as Germany, the United Kingdom and the United States of America. Apart from selling the products of third party brands, the Group also sells a small portion of building material products and noise barrier materials under its own brand names, namely “BM-POLES”, “AcouGlas”, “AcouSafe” and “AcouGuard”.

### ***Operating procedures of trading of building materials products***

The Group generally sells and distributes its building material products through (i) direct order placements from its customers; and (ii) an invitation for quotation or incoming enquiries from potential customers. As certain products are sold and distributed by the Group as exclusive distributor in Hong Kong, some customers may directly place purchase orders to the Group without invitation for quotation.

The Group does not enter into any separate sales and purchase agreements with its customers. Instead, a signed quotation will be returned to the Group upon the acceptance of the quotation by the customer. The Group will then issue an initial invoice to the customer and usually requires the customer to pay 30% of the purchase amount as deposit after the customer’s order is confirmed.

### *Success rate on order placements*

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Number of quotations submitted and direct order placements	166	146	142
Number of successful orders placed and direct order placements	153	73	58
Success rate (%)	92.2	50.0	40.8

The Directors consider that the decline in the Group's success rate on order placements for its trading of building material products segment for the year ended 31 March 2016 as compared to that for the year ended 31 March 2015 was due to the decrease in the demand for the Group's building material products. For the year ended 31 March 2017, the average value of orders placed by the Group's customers was significantly higher than that of the orders received by the Group during the year ended 31 March 2016. Therefore, despite the decrease in the number of successful orders placed and direct order placements, the Group recorded a growth of approximately 84.2% in the revenue derived from trading of building material products for the year ended 31 March 2017 as compared to that for the year ended 31 March 2016.

## **CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS**

### **Customers**

The Group's customers for design and build projects primarily include main contractors of various types of construction projects and property occupiers in Hong Kong. The Group's customers for trading of building material products are mainly main contractors and subcontractors in Hong Kong. For each of the three years ended 31 March 2017, the Group's top five customers in aggregate accounted for approximately 75.7%, 80.5% and 72.0% of the Group's total revenue, respectively, while the Group's largest customer accounted for approximately 49.9%, 40.5% and 36.7% of the Group's total revenue, respectively.

The following tables set forth the background information of the Group's top five customers for the three years ended 31 March 2017:

*For the year ended 31 March 2015*

No.	Customer	Services provided by the Group (Note)	Background and principal business activities	Years of business relationship (approximately)	Revenue for the year HK\$'000	Approximate % of the Group's revenue for the year (%)
1.	Customer A	1, 2 and 3	Several subsidiaries of a company listed on the Main Board engaging in construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and facade contracting business	more than 15 years	98,602	49.9
2.	Paul Y. Construction Company, Limited and its affiliated companies	1, 2 and 3	Several subsidiaries of a company that is substantially owned by two companies listed on the Main Board engaging in ports development and management, and hotel development, respectively	more than 11 years	27,129	13.7
3.	Chun Wo Construction & Engineering Company Limited and its affiliated company	1 and 2	Several subsidiaries of a company listed on the Main Board engaging in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and investment, professional services (including provision of security and facility management solutions) and other activities	more than 13 years	10,250	5.2
4.	Unistress Building Construction Limited	2	A company located in Hong Kong engaging in all kinds of construction works as main contractor	more than 2 years	8,095	4.1
5.	Bank of China (Hong Kong) Limited	2	A Hong Kong banking subsidiary of a leading banking group headquartered in the PRC and listed on the Main Board	more than 2 years	5,466	2.8

*For the year ended 31 March 2016*

No.	Customer	Services provided by the Group (Note)	Background and principal business activities	Years of business relationship (approximately)	Revenue for the year HK\$'000	Approximate % of the Group's revenue for the year (%)
1.	Paul Y. Construction Company, Limited and its affiliated companies	1, 2 and 3	Several subsidiaries of a company that is substantially owned by two companies listed on the Main Board engaging in ports development and management, and hotel development, respectively	more than 11 years	139,328	40.5
2.	Customer F	2	A company located in Hong Kong engaging in main contracting, construction management, project management and management contracting services	more than 2 years	49,867	14.5
3.	Customer A	1, 2 and 3	Several subsidiaries of a company listed on the Main Board engaging in construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and facade contracting business	more than 15 years	48,933	14.2
4.	Unistress Building Construction Limited	2	A company located in Hong Kong engaging in all kinds of construction works as main contractor	more than 2 years	24,264	7.1
5.	Chun Wo Construction & Engineering Company Limited and its affiliated company	1 and 2	Several subsidiaries of a company listed on the Main Board engaging in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and investment, professional services (including provision of security and facility management solutions) and other activities	more than 13 years	14,503	4.2

*For the year ended 31 March 2017*

No.	Customer	Services provided by the Group (Note)	Background and principal business activities	Years of business relationship (approximately)	Revenue for the year HK\$'000	Approximate % of the Group's revenue for the year (%)
1.	Paul Y. Construction Company, Limited and its affiliated companies	1, 2 and 3	Several subsidiaries of a company that is substantially owned by two companies listed on the Main Board engaging in ports development and management, and hotel development, respectively	more than 11 years	140,110	36.7
2.	Chun Wo Construction & Engineering Company Limited and its affiliated company	1 and 2	Several subsidiaries of a company listed on the Main Board engaging in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and investment, professional services (including provision of security and facility management solutions) and other activities	more than 13 years	36,677	9.6
3.	Customer G	1	A joint operation formed by a subsidiary of a company listed in Australia and a company located in Hong Kong engaging in all kinds of construction works as a main contractor	more than 2 years	35,765	9.4
4.	Kwan On-China Geo Joint Venture	1	A joint operation formed by a company listed on the Main Board and a state-owned enterprise established in the PRC engaging in all kinds of construction works as a main contractor	more than 1 year	31,213	8.2
5.	Dao Kee Construction Company Limited	2	A company located in Hong Kong engaging in building construction works as a main contractor	more than 2 years	31,027	8.1

*Notes:*

1. Design, supply and installation of structural steelwork and noise barriers.
2. Design, supply and installation of facade, roof and related works.
3. Trading of building materials products.

## Suppliers

The Group's suppliers include suppliers of building material products, such as aluminium and steel products, glass and roof materials. Most of the Group's suppliers of materials are sourced from Hong Kong, the PRC and Germany. For each of the three years ended 31 March 2017, purchase from the Group's top five suppliers in aggregate accounted for approximately 54.9%, 33.6% and 37.6% of the Group's total material and processing charges, respectively, while purchase from the Group's largest supplier accounted for approximately 16.4%, 12.6% and 11.8% of the Group's total material and processing charges, respectively.

## Subcontractors

The Group does not retain any direct labour for installation works of its business segment in relation to structural engineering works. Therefore, the Group subcontracts the installation works of each design and build project to other subcontractors. For each of the three years ended 31 March 2017, subcontracting charges of the Group's top five subcontractors in aggregate accounted for approximately 65.9%, 55.8% and 63.7% of the Group's total subcontracting charges, respectively, while subcontracting charges of the Group's largest subcontractor accounted for approximately 36.7%, 27.9% and 27.8% of the Group's total subcontracting charges, respectively.

The following tables set forth the background information of the Group's top five subcontractors for the three years ended 31 March 2017:

*For the year ended 31 March 2015*

No.	Subcontractor	Services provided to the Group	Background and principal business activities	Years of business relationship (approximately)	Subcontracting charges for the year HK\$'000	Approximate % of the Group's total subcontracting charges for the year (%)
1.	Wai Yip Engineer Co.	Installation work in relation to structural steelworks, facade and roof	A sole proprietor located in Hong Kong engaging in installation works in relation to structural steelworks, facade and roof works	more than 11 years	20,041	36.7
2.	Chi Hang Aluminium Engineering Limited	Installation work in relation to facade and roof	A company located in Hong Kong engaging in installation works in relation to facade and roof works	more than 5 years	4,586	8.4

No.	Subcontractor	Services provided to the Group	Background and principal business activities	Years of business relationship (approximately)	Subcontracting charges for the year HK\$'000	Approximate % of the Group's total subcontracting charges for the year (%)
3.	Right East Engineering Limited	Fabrication work in relation to structural steelworks	A company located in Hong Kong engaging in fabrication works in relation to structural steelworks	more than 5 years	4,451	8.1
4.	Benco Engineering Limited	Installation work in relation to structural steelworks and noise barrier	A company located in Hong Kong engaging in installation works in relation to structural steelworks, facade and roof works	more than 8 years	4,225	7.7
5.	Bravo Link Engineering Co., Limited	Installation work in relation to facade	A company located in Hong Kong engaging in installation works in relation to facade works	more than 3 years	2,752	5.0

*For the year ended 31 March 2016*

No.	Subcontractor	Services provided to the Group	Background and principal business activities	Years of business relationship (approximately)	Subcontracting charges for the year HK\$'000	Approximate % of the Group's total subcontracting charges for the year (%)
1.	Wai Yip Engineer Co.	Installation work in relation to structural steelworks, facade and roof	A sole proprietor located in Hong Kong engaging in installation works in relation to structural steelworks, facade and roof works	more than 11 years	31,760	27.9
2.	Lik Sun Engineering (HK) Limited	Installation work in relation to structural steelworks and noise barrier	A company located in Hong Kong engaging in installation works in relation to structural steelworks and noise barrier	more than 2 years	10,274	9.0
3.	ICGL Technical Works (HK) Limited	Installation work in relation to facade	A company located in Hong Kong engaging in installation works in relation to facade works	more than 2 years	9,476	8.3
4.	Fashion Tress (America) Engineering Company Limited	Installation work in relation to structural steelworks	A company located in Hong Kong engaging in installation works in relation to structural steelworks	more than 12 years	6,002	5.3
5.	Chung Hing Construction (Hong Kong) Limited	Installation work in relation to structural steelworks and roof	A company located in Hong Kong engaging in installation works in relation to structural steelworks and roof works	more than 2 years	5,994	5.3



For the year ended 31 March 2017

No.	Subcontractor	Services provided to the Group	Background and principal business activities	Years of business relationship (approximately)	Subcontracting charges for the year HK\$'000	Approximate % of the Group's total subcontracting charges for the year (%)
1.	Wai Yip Engineer Co.	Installation work in relation to structural steelworks, facade and roof	A sole proprietor located in Hong Kong engaging in installation works in relation to structural steelworks, facade and roof works	more than 11 years	39,032	27.8
2.	ICGL Technical Works (HK) Limited	Installation work in relation to facade	A company located in Hong Kong engaging in installation works in relation to facade works	more than 2 years	23,122	16.5
3.	Benco Engineering Limited	Installation work in relation to structural steelworks and noise barrier	A company located in Hong Kong engaging in installation works in relation to structural steelworks, facade and roof works	more than 8 years	10,921	7.8
4.	Bravo Link Engineering Co., Limited	Installation work in relation to facade	A company located in Hong Kong engaging in installation works in relation to facade works	more than 3 years	9,294	6.6
5.	Perfect Team Corporation Limited	Installation work in relation to facade	A company located in Hong Kong engaging in installation works in relation to facade works	more than 2 years	7,191	5.0

## RECENT DEVELOPMENT SUBSEQUENT TO 31 MARCH 2017

Subsequent to 31 March 2017 and up to the Latest Practicable Date, 45 new projects with an aggregate awarded contract sum of approximately HK\$126.8 million were awarded to the Group. As at the Latest Practicable Date, the Group had a total of 74 design and build projects on hand, representing projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced, with an aggregate awarded contract sum of approximately HK\$1,117.6 million, of which approximately HK\$505.9 million was recognised as the Group's revenue for the three years ended 31 March 2017. The aggregate outstanding awarded contract sum of these 74 projects on hand as at the Latest Practicable Date amounted to approximately HK\$456.2 million and it is expected that approximately HK\$407.9 million and HK\$296.4 million will be recognised as the Group's revenue for the year ending 31 March 2018 and thereafter, respectively. For further details of the Group's top ten projects on hands as at the Latest Practicable Date, please refer to the paragraph headed "Principal activities of the Group — Structural engineering works — Design and build projects on hand" in this announcement.

## FUTURE PROSPECT AND BUSINESS STRATEGIES

According to the 2016 Policy Address, the Government would continue to increase the land used for commercial and economic activity through measures such as converting suitable Government, Institution or Community sites in core business districts into commercial use and the development of Kowloon East as an alternative core business district. In addition, according to the 2017 Policy Address, a variety of new development areas and new town extensions would offer over 220,000 residential units and over 8.6 million square metres of industrial and commercial floor area. As such, the Directors are of the view that the aforesaid Government's policies will continue to support the growth of the construction industry as well as the facade and roof cladding work industry in Hong Kong in the near future, which will, in turn, bring more business opportunities to the Group.

Furthermore, Retrofit Noise Barrier Programme was launched to mitigate traffic noise impact of existing excessive noisy roads by way of installing noise barriers where practicable. According to the Environmental Protection Department of Hong Kong, the cumulative length of noise barrier structure increased from approximately 84,000 metres in 2010 to approximately 105,000 metres in 2014, representing a compound annual growth rate of approximately 4.6%. The increasing awareness of controlling noise pollution and the related legislation for the management of noise pollution has led to the construction of an increasing number of noise barriers in Hong Kong. In this connection, the Directors are of the view that there will be an increase in the demand for noise barriers in response to an increasing level of environmental concerns.

Looking ahead, the Group will continue to further develop its design and build business by undertaking more sizeable projects to expand its market share and to leverage its experience in the industry in order to explore new business opportunities.

## LICENCES AND PERMITS

As at the date of this announcement, the Group has the following licences and qualifications that are material to the business operation of the Group in Hong Kong:

<b>Licences and qualifications</b>	<b>Holder</b>	<b>Issuing authority</b>	<b>Type(s) of works covered</b>	<b>Expiry date</b>
List of Approved Suppliers of Materials and Specialist Contractor for Public Work	KPa Engineering	Development Bureau	Structural steelwork	— (Note 1)

<b>Licences and qualifications</b>	<b>Holder</b>	<b>Issuing authority</b>	<b>Type(s) of works covered</b>	<b>Expiry date</b>
Approved Suppliers of Materials and Specialist Contractor for Public Work	KPa Engineering	Development Bureau	Transparent panels for noise barrier in highways	— ( <i>Note 1</i> )
Registered Minor Works Contractors (Class II and III) ( <i>Note 2</i> )	KPa Engineering	Buildings Department	Minor works include those comparatively lower complexity and risk to safety and common household minor works as set out in the Building (Minor Works) Regulation	31 August 2019
Registered Subcontractor	KPa Engineering	Construction Industry Council	Structural steelwork, marble/granite work, aluminum window/louvers, curtain wall/glass wall, stainless steel work, metal roof/skylight/cladding/space frame, glazier work, false ceiling, and renovation and fitting-out	10 May 2019

*Notes:*

1. “—” denotes not subject to any periodic renewal conditions.
2. Class II comprises those of comparatively lower complexity and risk to safety while Class III mainly includes common household minor works. KPa Engineering is registered under Classes II and III for carrying out different types of minor works, including Type A (Alteration & Addition Works) minor works, Type C (Works relating to Signboards) minor works and Type F (Finishes works) minor works.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

**Revenue derived from the Group's five largest customers accounted for a substantial portion of the Group's revenue, inability to retain business relationship with them or secure new business may affect the Group's operations and financial performance**

For each of the three years ended 31 March 2017, the Group's revenue amounted to approximately HK\$197.4 million, HK\$343.8 million and HK\$381.4 million, respectively, of which approximately 75.7%, 80.5% and 72.0% were attributed to the five largest customers, respectively. In particular, the Group's largest customer accounted for approximately 49.9%, 40.5% and 36.7% of its total revenue for each of the three years ended 31 March 2017, respectively.

The Group's top five customers are not obligated in any way to continue to provide the Group with new businesses in the future at a level similar to that of the past or at all, and the volume and/or value of business provided by the Group's top five customers may reduce if their business performance deteriorates. If any of these top customers were to substantially reduce the volume and/or the value of new business to the Group or to terminate its business relationship with the Group entirely, there can be no assurance that the Group would be able to secure new business from other customers as replacement. In addition, there can be no assurance that new businesses secured from other customers as replacement, if any, would be on commercially comparable terms. As such, the Group's operations and financial performance may be adversely affected.

**The Group's revenue is derived substantially from non-recurrent projects and the amount of revenue the Group is able to derive therefrom depends on the volume of business secured, which may vary from period to period**

The Group's revenue is derived substantially from projects which are non-recurrent in nature. There is no guarantee that the Group will be able to secure new businesses from its existing customers since the Group is engaged by its customers on a project-by-project basis. The amount of revenue the Group is able to derive may vary significantly from period to period, depending on the number of projects that the Group can secure. Accordingly, it is difficult to forecast the volume of future business. If the Group cannot secure business from its existing customers or develop business relationships with any new customers, the Group's business, financial condition and results of operations could be adversely affected.

**The Group's business performance depends on the availability of design and build projects, involving structural engineering works, in Hong Kong**

The Group's business performance is generally affected by the number and availability of design and build projects, involving structural engineering works, in Hong Kong. The performance of the construction industry is cyclical and could be significantly affected by various factors, including but not limited to the fluctuations in economic conditions, the general conditions of property markets in Hong Kong, and other factors. There is no assurance that the number of design and build projects in Hong Kong will not decrease in the future. Should there be an economic downturn in Hong Kong, the Group's business, financial performance and results of operations could be materially and adversely affected.

**Unsatisfactory performance or unavailability of subcontractors may adversely affect the Group's operations and profitability**

The Group does not retain any direct labour for installation works of its business segment in relation to structural engineering works. Therefore, the Group subcontracts the installation works to other subcontractors. For each of the three years ended 31 March 2017, subcontracting charges incurred by the Group amounted to approximately HK\$54.6 million, HK\$113.9 million and HK\$140.5 million, respectively.

In selecting subcontractors for a project, the Group will carefully evaluate subcontractors by taking into account, amongst other things, their background, quality of services, timelines of delivery and reputation. However, there is no assurance that the work quality of the subcontractors can always meet the Group's requirements. The Group may not be able to monitor the performance of the subcontractors as directly and efficiently as with its own staff. Outsourcing exposes the Group to the risks associated with non-performance, delayed performance or sub-standard performance by subcontractors. As a result, the Group may experience deterioration in the quality or delayed delivery of works, incur additional costs due to the delays, or be subject to liabilities under the relevant contract with its customers for the subcontractor's unsatisfactory performance. Such events could impact upon the Group's operations, profitability, financial performance and reputation. In addition, there is no assurance that the Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, the Group's operations and financial position may be adversely affected.

**The Group may achieve lower-than-expected profits on the projects and even incur losses if it fails to accurately estimate and control the project costs**

The Group is usually engaged by its customers in design and build projects on a project-by-project basis and the construction contracts can be divided into two types, namely remeasurement contracts and lump sum fixed price contracts. Remeasurement

contracts contain, amongst other things, bills of quantities and schedule of rates that are based on the agreed unit rates and the estimated quantities of each item to be consumed in the project. The Group will be paid based on its actual quantities of works done in the project, which normally will be measured by its customer upon completion of the project. For lump sum fixed price contracts, the Group will be paid based on a fixed contract sum agreed in the contract and no remeasurement will be conducted except for works done pursuant to variation orders issued by customers.

The price of each construction contract is determined with reference to the Group's bids and substantially agreed to at the time a project is awarded. In order to determine the bids, the Group needs to estimate the time and costs involved in a project. However, the Group may fail to accurately estimate the project costs. The actual amount of total costs incurred in completing a project may be adversely affected by many factors, such as adverse weather conditions, accidents, unforeseen site conditions and fluctuations in the price of raw materials. If the costs for a project exceed the contracted price in the relevant contract, the Group may achieve lower-than-expected profits or even incur losses, which could materially and adversely affect the Group's financial performance and results of operations.

**The Group may incur penalties and additional costs caused by project delays. This also causes delays in receiving payments and adversely impacts the Group's business and reputation**

The Group is typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contracts. If the Group fails to timely complete a project in breach of the contractual obligations, it may be liable to compensate the customer for losses or damages caused by the delay. These delays can be caused by various factors beyond control of the Group, including weather conditions, availability of sufficient labour force, regulatory approval processes, government requirements and other factors. Any delay in the completion of a project, whether or not caused by the Group, could also lead to additional costs being incurred, including costs to hire additional manpower. Also, since the Group is often involved in the later stage of a construction project, any delay in the preceding stages would postpone the task that the Group is involved, causing a waste of manpower and/or other resources that the Group has prepared. As the Group typically receives payment in stages based on project progress, any delay in the course of a project may postpone the receipt of anticipated payments which could have a material adverse impact on the Group's cashflow position. Moreover, any failure on the Group's part to timely complete a project could harm the Group's reputation in the industry and hinder its ability to win future contracts. As a result, the Group's reputation, business and financial condition could be adversely affected.

## **Any claims or legal proceedings to which the Group may become a party may have a material and adverse impact on the Group's business operations**

The Group may be subject to claims for personal injury and property damage arising in connection with the Group's projects. The Group may also become involved in proceedings relating to, amongst other things, warranty, indemnification or liability claims, contractual disputes with its customers or subcontractors, labour disputes, workers' compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert management's attention away from the operations of business. Any claims or legal proceedings to which the Group may become a party in the future may have a material and adverse impact on the Group's business operations.

## **LITIGATION AND LEGAL COMPLIANCE**

### **Compliance with the GEM Listing Rules**

To the best knowledge of the Directors, there has not been any disciplinary action or investigation by regulators against the Company in respect of serious or potentially serious breach of any GEM Listing Rules since its listing on GEM and up to the Latest Practicable Date.

### **Ongoing legal proceeding as at the Latest Practicable Date**

As at the Latest Practicable Date, KPa Engineering was subject to nine criminal litigations in the course of the Group's business pursuant to nine summons issued by the Labour Department on 24 July 2017 for regulatory offences contrary to the provisions of the Factories and Industrial Undertakings Ordinance (Chapter. 59 of the laws of Hong Kong) ("FIUO"). The nine summons were made with respect to one construction site (the "**Incident**"). The first mention hearing was held on 28 August 2017 and the pre-trial review is scheduled to take place on 13 November 2017. The following table sets forth the details of the nine summons:

<u>The alleged offence(s)</u>	<u>Relevant laws and regulations</u>	<u>Maximum fine</u>
On 25 January 2017, KPa Engineering, as the owner of two shackles, was alleged to have failed to ensure that the two shackles were not used unless they had been tested and thoroughly examined by a competent examiner and a certificate to the effect that they were in safe working order had been obtained	Regulations 18(1)(d) and 19 of Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations ("FIU(LALG)R") under the FIUO	HK\$200,000

The alleged offence(s)	Relevant laws and regulations	Maximum fine
On 25 January 2017, KPa Engineering, as the owner of two shackles, was alleged to have failed to ensure that each chain, rope and lifting gear in use were examined by a competent examiner in the preceding six months before they were used and a certificate to the effect that they were in safe working order had been obtained	Regulations 18(1)(e) and 19 of FIU(LALG)R under the FIUO	HK\$200,000
On 25 January 2017, KPa Engineering, as the owner of two shackles, was alleged to have failed to ensure that the two shackles were clearly and legibly marked on them their safe working loads together with appropriate marks to distinguish them from other similar lifting gear	Regulations 18(1)(g) and 19 of FIU(LALG)R under the FIUO	HK\$200,000
On 25 January 2017, KPa Engineering, as the owner of wire sling and wire sling with shackles, was alleged to have failed to ensure that the wire sling and wire sling with shackles were not used in raising or lowering or as a means of suspension when the upper ends of the sling legs were not connected by means of a shackle, ring or link of adequate strength	Regulations 18A(a) and 19 of FIU(LALG)R under the FIUO	HK\$200,000
On 25 January 2017, KPa Engineering, as a contractor who had direct control over the construction site, was alleged to have failed to take adequate steps to prevent a person from falling from a height of two meters or more who was a worker engaged in electric arc-welding work on a bamboo scaffold	Regulations 38B(1A), 68(1)(a) and 68(2)(g) of Construction Site (Safety) Regulations (“CS(S)R”) under the FIUO	HK\$200,000 (note)
On 25 January 2017, KPa Engineering, as a contractor who had direct control over the construction site, was alleged to have failed to take adequate steps to prevent a person from falling from a height of two meters or more who was a worker engaged in drilling work on a bamboo scaffold	Regulations 38B(1A), 68(1)(a) and 68(2)(g) of CS(S)R under the FIUO	HK\$200,000 (note)



<b>The alleged offence(s)</b>	<b>Relevant laws and regulations</b>	<b>Maximum fine</b>
On 25 January 2017, KPa Engineering, as a contractor who had direct control over the construction site, was alleged to have failed to ensure that, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work at the scaffold where the construction work was being carried out was provided and properly maintained	Regulations 38AA(2), 68(1)(a) and 68(2)(g) of CS(S)R under the FIUO	HK\$200,000 <i>(note)</i>
On 14 July 2017, KPa Engineering, as the owner of two shackles, was alleged to have failed to deliver the occupational safety officer a copy of or an extract from Form 6 which was required to be kept by KPa Engineering under regulation 18C(1) of the FIU(LALG)R	Regulations 18C(5) and 19 of FIU(LALG)R under the FIUO	HK\$50,000
On 14 July 2017, KPa Engineering, as the owner of two shackles, was alleged to have failed to deliver the occupational safety officer a copy of or an extract from Form 7 which was required to be kept by KPa Engineering under regulation 18C(1) of the FIU(LALG)R	Regulations 18C(5) and 19 of FIU(LALG)R under the FIUO	HK\$50,000

*Note:* In addition to the HK\$200,000 maximum fine, unless there is a reasonable excuse, a maximum jail term of 12 months may be imposed. However, KPa Engineering, as the defendant, cannot be subject to any jail terms and the Directors are immune to any jail terms as they are not the defendants under the charges.

As confirmed by the Directors, the abovementioned claims against the Group (i) generally arose because the relevant workers of the Group's subcontractor did not strictly follow the safety policies or guidelines issued by the Group; and (ii) did not involve intentional misconduct, fraud, dishonesty or corruption on the part of the Directors.

The Group started the business relationship with the subcontractor involved in the Incident since its engagement for the Group's project in the relevant construction site in or around December 2014. Owing to the fact that (i) the substantial portion of installation works was completed by the subcontractor when the Incident occurred; (ii) the project is in the final phase of execution stage and the only remaining responsibility of the subcontractor was to rectify minor defects in relation to the works completed by it after the Incident and prior to the completion; and (iii) the project related to the construction site is expected to be completed in October 2017, the Group therefore did not terminate its engagement with the subcontractor after the Incident. The Group also issued a warning letter dated 10 February 2017 enclosing the

improvement notices issued by the Labour Department to the subcontractor, in which the Group requested the subcontractor to (i) suspend the use of shackles relating to the alleged offences; (ii) ensure the shackles are in a safe working order before engaging in further installation works; and (iii) take immediate action to prevent the recurrence of similar non-compliance incident in the project.

The Group is committed to the occupational safety and health of its employees, subcontractors, workers and the public that it serves. Over the years, the Group has established a safety and health management system and achieved a continuous improvement in the Group's accident rate from approximately 19.6 per 1,000 workers in 2014 to approximately 8.4 per 1,000 workers in 2016. The Group's accident rate at construction site further reduced to approximately 1.5 per 1,000 workers since 1 January 2017 and up to 31 August 2017. As evidenced by an improvement in the Group's accident rate during the past three years and its accident rate in the calendar year 2016 being significantly lower than that of the industry average at approximately 34.5 per 1,000 workers in 2016, the Directors consider that the additional safety measures adopted by the Group in 2015, such as engaging an external safety adviser to carry out site inspection on a monthly basis and provide work safety training to its employees and subcontractors, are effective to further reduce the risk of accident in relation to work safety.

Having said that, the Group has put in place various measures to minimise the risk of non-compliance with safety related statutory provisions subsequent to the Incident. The enhanced preventive measures adopted by the Group include (i) the employment of a safety supervisor on a full-time basis to carry out regular site safety inspection at least three times a week; (ii) the provision of ongoing occupational safety and health training to its employees, subcontractors and new workers by the safety supervisor; (iii) closely monitoring the compliance of safety rules relating to working at height in each construction site to ensure that the workers strictly follow the Group's relevant safety rules whilst working at height; and (iv) safety meeting will be held on a monthly basis between the executive Directors, the safety supervisor, project manager and site foreman to identify any deficiencies and/or recommend improvement measures.

As advised by Mr. Cheung Man Fai Jeremy, a barrister-at-law of Hong Kong (the "**Legal Counsel**"), based on the experience and knowledge of the Legal Counsel and that KPa Engineering did not have any convictions during the three years ended 31 March 2017 and up to the Latest Practicable Date, the likelihood of the maximum penalty being imposed is not high and the likely penalty will be on the lower end. Further, pursuant to the service agreement entered into between KPa Engineering and its subcontractor carrying out the works relating to the alleged offences, the subcontractor shall be liable for claims, fines and penalties arising out of the safety of the construction site. Based on the above, the Directors are of the opinion that there is no material financial impact to the Group.

In relation to the possible adverse impact of the said regulatory prosecution upon the Group, the Company was advised by the Legal Counsel, after taking into account the facts leading to such prosecution, as the regulatory prosecution does not fall under the criteria which warrant mandatory suspension from tendering of public works and removal from the list of registered contractors as set out in the Development Bureau Technical Circular (Works) No.3/2009 and the Contractor Management Handbook issued by the Development Bureau, KPa Engineering is therefore (i) unlikely to be precluded from the List of Approved Suppliers of Materials and Specialist Contractors for Public Works; and (ii) not at real risk of not being awarded public works contracts in the future.

Further, in relation to the extent that KPa Engineering's potential criminal liabilities would affect its ability to renew its minor works contractor registration with the Buildings Department and the suitability of the contractor's registration as a result of the possible convictions, as advised by the Legal Counsel, since the alleged breaches are (i) not major in terms of their respective nature and no personal injury was inflicted to any worker; (ii) by and large, all related to a single labour safety engagement involved by KPa Engineering within a six-months interval period as opposed to the threshold of seven convictions or more within any six-months period; and (iii) unlikely result in a conviction leading to imprisonment for malpractice or misconduct in building works or construction related activities, the risk of KPa Engineering's minor works registration not being renewed is relatively low.

Save for the above, the Directors confirm that the Group has complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which the Group operates) during the three years ended 31 March 2017 and up to the Latest Practicable Date.

## **CONTINUING CONNECTED TRANSACTIONS**

As at the date of this announcement, the Group has entered into the following transaction which constitutes non-exempt continuing connected transactions of the Company subject to reporting, announcement, annual review and the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Main Board Listing Rules, particulars of which were previously disclosed in the Prospectus, the announcements of the Company dated 28 April 2017 and 31 May 2017, and the circular of the Company date 15 June 2017.

### **Master Supply Agreement**

BuildMax (SZ) is principally engaged in (i) the processing, fabrication and manufacturing of building material products in the PRC; and (ii) the sales and supply of building material products predominantly to the Group in Hong Kong and to customers in the PRC. On 15 September 2015, the Company (for itself and other group

companies) entered into the Master Supply Agreement with BuildMax (SZ), pursuant to which BuildMax (SZ) agreed to sell and/or supply and the Company (for itself and other group companies) agreed to purchase on a non-exclusive basis building material products, which have been processed, fabricated or manufactured by BuildMax (SZ) in accordance with the specifications provided by the Group at the purchase price set out in each individual purchase order as may from time to time be offered by the Group and accepted by BuildMax (SZ). As disclosed in the Prospectus, the aggregate annual caps for the purchase of building material products from BuildMax (SZ) by the Group under the Master Supply Agreement for the three years ending 31 March 2018 were HK\$15.0 million, HK\$15.0 million and HK\$15.0 million, respectively. The terms of the Master Supply Agreement commenced on 8 October 2015 (being the GEM Listing Date) and will expire on 31 March 2018.

Subsequently on 28 April 2017, the Company (for itself and other group companies) entered into the supplemental agreement with BuildMax (SZ), pursuant to which the parties agreed to revise the annual cap for the aggregate amount of building material products to be purchased from BuildMax (SZ) by the Group for the year ending 31 March 2018 from HK\$15.0 million to HK\$25.0 million (the “**Revised 2018 Annual Cap**”). At the extraordinary general meeting of the Company held on 3 July 2017, the Shareholders approved the supplemental agreement and the Revised 2018 Annual Cap thereunder.

As at the date of this announcement, BuildMax (SZ) is owned as to 25.0% by an independent third party and 75.0% by Hillford, which in turn is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming. Mr. Liu Yuen Wai is the general manager of the Group and Mr. Chan Chi Ming is a project manager of the Group. As (i) Mr. Lui, Mr. Wai and Mr. Yip are executive Directors and Controlling Shareholders of the Company and hence are connected persons of the Company; (ii) Mr. Lui, Mr. Wai and Mr. Yip together hold over 30.0% shareholding interest in Hillford; and (iii) over 30.0% equity interest of BuildMax (SZ) is held by Hillford, BuildMax (SZ) is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip and a connected person of the Company as defined under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Main Board Listing Rules. Accordingly, the transactions contemplated under the Master Supply Agreement constitute continuing connected transactions of the Company.

The Company will comply with the relevant requirements under Chapter 14A of the Main Board Listing Rules regarding its continuing connected transactions following the Transfer of Listing.

## **BIOGRAPHICAL INFORMATION OF THE DIRECTORS AND COMPANY SECRETARY**

The biographical information of each current Director and the company secretary of the Company as at the date of this announcement is as follows:

### **Executive Directors**

**Mr. YIP Pak Hung (葉柏雄)**, aged 58, was appointed as an executive Director, chairman of the Board and the compliance officer of the Company on 26 June 2015. Mr. Yip is primarily responsible for the overall management and corporate policy making of the Group's business operations. He is also a director of AcouSystem Limited, BuildMax (HK), KPa Contracting Limited, KPa Engineering, KPa Engineering (HK) Limited, Light Dimension Limited, Sun Pool Engineering Limited and Youkang Limited.

Mr. Yip obtained a bachelor degree of arts from the faculty of science and mathematics of University of Windsor in Canada in June 1983. He joined the Group and was appointed as a director of KPa Engineering on 16 January 1993. Mr. Yip has more than 20 years of experience in the structural engineering and construction industry. He has held a leadership role in the overall management and administration of the Group's business operation since he joined the Group.

Mr. Yip has been a director of Constar Engineering Limited ("**Constar**"), a private company incorporated in Hong Kong in 1994, and was subsequently struck off by the Companies Registry as a defunct company and was dissolved on 5 September 2003 pursuant to section 291 of the Predecessor Companies Ordinance. Constar was set up to market and promote the flagpole business. However, owing to (i) the comparatively small scale of the flagpole business of Constar; and (ii) the fact that Constar had not carried out any substantial business since incorporation, Constar subsequently became a defunct company. Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies in Hong Kong may strike the name of the company off the register after the expiration of a specified period. Mr. Yip confirmed that the said company was solvent and it had not carried out any substantial business at the time of it being struck off.

As at the date of this announcement, Mr. Yip is interested in 432,000,000 Shares, representing 72.0% of the issued share capital of the Company. Shares in which Mr. Yip is interested consist of (i) 27,000,000 Shares held by him as beneficial owner; (ii) 369,000,000 Shares held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Yip is deemed to be interested under the SFO; and (iii) 36,000,000 Shares in which Mr. Yip

is deemed to be interested as a result of being a party acting-in-concert with Mr. Lui and Mr. Wai. Mr. Yip is one of the directors and one of the shareholders of Success Wing, and is a Controlling Shareholder of the Company.

Save as disclosed above, as at the date of this announcement, Mr. Yip (i) does not have any interest in the Shares within the meaning of Part XV of the SFO; (ii) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (iii) has no relationships with any Directors, senior management or substantial or Controlling Shareholders of the Company.

Mr. Yip has entered into a service agreement with the Company for an initial term of three years commencing from 8 October 2015 (being the GEM Listing Date) until terminated by either party giving not less than three months' notice in writing to the other. Pursuant to the service agreement, he is entitled to an annual salary and he may receive a discretionary bonus subject to the approval by the remuneration committee of the Company and the Board. His remuneration and discretionary bonus are determined with reference to, amongst other things, market level of remuneration and compensation paid by comparable companies, his responsibilities and performance of the Group. For the year ended 31 March 2017, the Director's emolument of Mr. Yip amounted to HK\$2,543,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

**Mr. WAI Yat Kin (韋日堅)**, aged 57, was appointed as an executive Director and the chief executive officer of the Company on 26 June 2015. Mr. Wai is the co-founder of the Group and was appointed as a director of KPa Engineering on 14 January 1992. He is primarily responsible for the overall strategic planning, management and administration of the Group's business operations. He is also a director of AcouSystem Limited, BuildMax (HK), KPa Contracting Limited, KPa Engineering, KPa Engineering (HK) Limited, Light Dimension Limited, Sun Pool Engineering Limited and Youkang Limited.

Mr. Wai completed his secondary education in Hong Kong in 1978. He has more than 25 years of experience in the structural engineering and construction industry. Mr. Wai has handled and overseen numerous construction projects undertaken by the Group and he has extensive knowledge in business development of building material products.

As at the date of this announcement, Mr. Wai is interested in 432,000,000 Shares, representing 72.0% of the issued share capital of the Company. The Shares in which Mr. Wai is interested consist of (i) 27,000,000 Shares held by him as beneficial owner;

(ii) 369,000,000 Shares held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Wai is deemed to be interested under the SFO; and (iii) 36,000,000 Shares in which Mr. Wai is deemed to be interested as a result of being a party acting-in-concert with Mr. Lui and Mr. Yip. Mr. Wai is one of the directors and one of the shareholders of Success Wing, and is a Controlling Shareholder of the Company.

Save as disclosed above, as at the date of this announcement, Mr. Wai (i) does not have any interest in the Shares within the meaning of Part XV of the SFO; (ii) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (iii) has no relationships with any Directors, senior management or substantial or Controlling Shareholders of the Company.

Mr. Wai has entered into a service agreement with the Company for an initial term of three years commencing from 8 October 2015 (being the GEM Listing Date) until terminated by either party giving not less than three months' notice in writing to the other. Pursuant to the service agreement, he is entitled to an annual salary and he may receive a discretionary bonus subject to the approval by the remuneration committee of the Company and the Board. His remuneration and discretionary bonus are determined with reference to, amongst other things, market level of remuneration and compensation paid by comparable companies, his responsibilities and performance of the Group. For the year ended 31 March 2017, the Director's emolument of Mr. Wai amounted to HK\$2,543,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

**Mr. LUI Bun Yuen, Danny (呂品源)**, aged 54, was appointed as an executive Director of the Company on 26 June 2015. He joined the Group and was appointed as a director of KPa Engineering on 14 January 1992. Mr. Lui is primarily responsible for the overall management of the Group's business operations and development. He is also a director of AcouSystem Limited, BuildMax (HK), KPa Contracting Limited, KPa Engineering, KPa Engineering (HK) Limited, 應力恆富設計貿易(深圳)有限公司, Light Dimension Limited, Sun Pool Engineering Limited and Youkang Limited.

Mr. Lui completed his secondary education in Hong Kong in 1981. He has more than 30 years of experience in the structural engineering and construction industry. Mr. Lui has handled and overseen numerous construction projects undertaken by the Group.

As at the date of this announcement, Mr. Lui is interested in 432,000,000 Shares, representing 72.0% of the issued share capital of the Company. Shares in which Mr. Lui is interested consist of (i) 9,000,000 Shares held by him as beneficial owner; (ii) 369,000,000 Shares held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Lui is deemed to be interested under the SFO; and (iii) 54,000,000 Shares in which Mr. Lui is deemed to be interested as a result of being a party acting-in-concert with Mr. Wai and Mr. Yip. Mr. Lui is one of the directors and one of the shareholders of Success Wing, and is a Controlling Shareholder of the Company.

Save as disclosed above, as at the date of this announcement, Mr. Lui (i) does not have any interest in the Shares within the meaning of Part XV of the SFO; (ii) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (iii) has no relationships with any Directors, senior management or substantial or Controlling Shareholders of the Company.

Mr. Lui has entered into a service agreement with the Company for an initial term of three years commencing from 8 October 2015 (being the GEM Listing Date) until terminated by either party giving not less than three months' notice in writing to the other. Pursuant to the service agreement, he is entitled to an annual salary and he may receive a discretionary bonus subject to the approval by the remuneration committee of the Company and the Board. His remuneration and discretionary bonus are determined with reference to, amongst other things, market level of remuneration and compensation paid by comparable companies, his responsibilities and performance of the Group. For the year ended 31 March 2017, the Director's emolument of Mr. Lui amounted to HK\$2,543,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

### **Independent non-executive Directors**

**Ms. LAI Pik Chi Peggy (黎碧芝)**, aged 53, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. She is the chairman of the audit committee and a member of both the remuneration committee and the nomination committee of the Company. Ms. Lai obtained a master degree of business administration from the University of Manchester in the United Kingdom in June 2010. She is a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants.



Ms. Lai has over 20 years of auditing, accounting and financial management experience. She was employed by Chung Nam Watch Co., Ltd. as the financial controller from November 2004 to June 2008. Ms. Lai served as an executive director from October 2008 to May 2011, and the chairman of the board from January 2009 to May 2011 of Mandarin Entertainment (Holdings) Limited (now known as Nine Express Limited) (stock code: 9), a company listed on the Main Board. She was the chief financial officer and company secretary from May 2012 to May 2016 and remained as the company secretary until 30 June 2016 of CIG Yangtze Ports PLC (stock code: 8233), a company listed on GEM. She is currently the company secretary of OCI International Holdings Limited (stock code: 329), a company listed on the Main Board.

Save as disclosed above, as at the date of this announcement, Ms. Lai (i) does not have any interest in the Shares within the meaning of Part XV of the SFO; (ii) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (iii) has no relationships with any Directors, senior management or substantial or Controlling Shareholders of the Company.

Ms. Lai has entered into a letter of appointment with the Company for an initial term of three years commencing on 8 October 2015 (being the GEM Listing Date) unless terminated by either party giving not less than one month's notice in writing. She is entitled to an annual director's fee of HK\$180,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

**Mr. LAM Chi Wai, Peter (林志偉)**, aged 57, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the remuneration committee and a member of both the audit committee and the nomination committee of the Company. Mr. Lam obtained a diploma in business administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1986. Mr. Lam also obtained a bachelor degree of business administration from Hong Kong Shue Yan University in October 2010. He is an affiliate member of the Chartered Institute of Marketing.

Mr. Lam has approximately 20 years of experience in sales and marketing in the timepiece industry. From 1986 to 1995, he worked in the sales and/or marketing department for various watch trading companies. In 1995, Mr. Lam and his business partners set up a watch-selling business and its holding company, Powerwell Pacific

Holdings Limited (now known as China Trustful Group Limited) (stock code: 8265), subsequently listed on GEM on 26 January 2011 and he was appointed as an executive director of that holding company from July 2010 to September 2014.

Save as disclosed above, as at the date of this announcement, Mr. Lam (i) does not have any interest in the Shares within the meaning of Part XV of the SFO; (ii) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (iii) has no relationships with any Directors, senior management or substantial or Controlling Shareholders of the Company.

Mr. Lam has entered into a letter of appointment with the Company for an initial term of three years commencing on 8 October 2015 (being the GEM Listing Date) unless terminated by either party giving not less than one month's notice in writing. He is entitled to an annual director's fee of HK\$180,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

**Dr. YEUNG Kit Ming (楊傑明)**, aged 59, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the nomination committee and a member of both the audit committee and the remuneration committee of the Company. Dr. Yeung obtained his bachelor degree of science from the University of Hong Kong in November 1981 and a doctoral degree in philosophy from University of California, San Diego in the United States of America in June 1987. From August 1990 to September 2004, Dr. Yeung worked at the Chinese University of Hong Kong as a lecturer and later became a teaching fellow.

As at the date of this announcement, Dr. Yeung (i) does not have any interest in the Shares within the meaning of Part XV of the SFO; (ii) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (iii) has no relationships with any Directors, senior management or substantial or Controlling Shareholders of the Company.

Dr. Yeung has entered into a letter of appointment with the Company for an initial term of three years commencing on 8 October 2015 (being the GEM Listing Date) unless terminated by either party giving not less than one month's notice in writing. He is entitled to an annual director's fee of HK\$180,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

### **Company secretary**

**Mr. CHAN Sun Kwong** (陳晨光), aged 51, was appointed as the company secretary of the Company on 26 June 2015. He is primarily responsible for the company secretarial matters of the Group. Mr. Chan has over 20 years of experience in accounting, auditing, banking and company secretarial fields. Mr. Chan obtained a diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1990. He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Chan is also an accredited mediator of The Hong Kong Mediation Centre.

For the period from January 1992 to March 1998, Mr. Chan served as the financial controller (last position) in UDL Management Limited. He also served as the company secretary of UDL Holdings Limited (now known as DTXS Silk Road Investment Holdings Company Limited) (stock code: 620) from January 1992 to September 1997 and as the company secretary of KEL Holdings Limited (now known as Chinese People Holdings Company Limited) (stock code: 681) from March 1997 to September 1997. He has been the sole proprietor of Ken Chan & Co. Certified Public Accountants, since July 1998. He also served as the company secretary of Ming Hing Holdings Limited (now known as Peace Map Holding Limited) (stock code: 402) from November 2005 to October 2006, an independent non-executive director of Anex International Holdings Limited (now known as Sustainable Forest Holdings Limited) (stock code: 723) from February 2006 to January 2008 and the company secretary of Powerwell Pacific Holdings Limited (now known as China Trustful Group Limited) (stock code: 8265) from December 2010 to September 2014. He was the company secretary and an executive director of Sam Woo Holdings Limited (now known as Noble Century Investment Holdings Limited) (stock code: 2322) from March 2003 to June 2011. Mr. Chan served as an independent non-executive director of Creative Energy Solutions Holdings Limited (now known as Kirin Group Holdings Limited) (stock code: 8109) from July 2010 to November 2010, Megalogic Technology Holdings Limited (stock code: 8242) from December 2011 to April 2015 and Pak Tak International Limited (stock code: 2668) from December 2014 to August 2016.

In addition, Mr. Chan currently holds the following positions in the companies listed on the Stock Exchange:

<b>Name of company</b>	<b>Stock code</b>	<b>Position currently held by Mr. Chan</b>	<b>Period of services</b>
Altus Holdings Limited	8149	Independent non-executive director	From September 2016 till present
M&L Holdings Group Limited	8152	Joint company secretary	From June 2017 till present
Sam Woo Construction Group Limited	3822	Company secretary	From January 2013 till present

## FINANCIAL INFORMATION OF THE GROUP

The following table sets forth the selected information of the Group's consolidated financial statements for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017:

	Year ended 31 March			Three months ended	
	2015	2016	2017	30 June	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				HK\$'000	HK\$'000
				(unaudited)	(unaudited)
<b>Revenue</b>	197,435	343,806	381,394	103,054	77,096
Cost of revenue	<u>(158,702)</u>	<u>(276,478)</u>	<u>(312,282)</u>	<u>(89,674)</u>	<u>(61,244)</u>
<b>Gross profit</b>	38,733	67,328	69,112	13,380	15,852
Other income and gains	351	250	166	3	212
Marketing and distribution expenses	(1,221)	(1,526)	(1,997)	(219)	(104)
Administrative and other operating expenses	(19,036)	(32,338)	(28,147)	(5,502)	(7,932)
Finance costs	<u>(767)</u>	<u>(1,246)</u>	<u>(1,358)</u>	<u>(291)</u>	<u>(294)</u>
<b>Profit before income tax</b>	18,060	32,468	37,776	7,371	7,734
Income tax expense	<u>(3,501)</u>	<u>(6,812)</u>	<u>(6,812)</u>	<u>(1,235)</u>	<u>(1,121)</u>
<b>Profit for the year/period</b>	14,559	25,656	30,964	6,136	6,613
<b>Other comprehensive income for the year/period</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
<i>Exchange differences arising from translation of foreign operations</i>	—	(42)	(106)	(53)	45
<i>Items that will not be reclassified to profit or loss</i>					
<i>Revaluation gain on self-occupied properties</i>	<u>—</u>	<u>—</u>	<u>15,646</u>	<u>—</u>	<u>—</u>
<b>Other comprehensive income for the year/period</b>	<u>—</u>	<u>(42)</u>	<u>15,540</u>	<u>(53)</u>	<u>45</u>
<b>Total comprehensive income for the year/period</b>	<u>14,559</u>	<u>25,614</u>	<u>46,504</u>	<u>6,083</u>	<u>6,658</u>
<b>Profit for the year/period attributable to:</b>					
Owners of the Company	11,921	24,956	30,964	6,136	6,613
Non-controlling interests	<u>2,638</u>	<u>700</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>14,559</u>	<u>25,656</u>	<u>30,964</u>	<u>6,136</u>	<u>6,613</u>
<b>Total comprehensive income for the year/period attributable to:</b>					
Owners of the Company	11,921	24,928	46,504	6,083	6,658
Non-controlling interests	<u>2,638</u>	<u>686</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>14,559</u>	<u>25,614</u>	<u>46,504</u>	<u>6,083</u>	<u>6,658</u>

## Revenue

The following table sets forth a breakdown of the Group's revenue for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 by business segments:

	Year ended 31 March			Three months ended	
	2015	2016	2017	30 June	
	HK\$'000	HK\$'000	HK\$'000	2016	2017
				HK\$'000	HK\$'000
				(unaudited)	(unaudited)
Structural engineering works					
— Facade, roof and related works	144,736	224,592	240,852	68,522	51,812
— Structural steelwork and noise barriers	33,273	110,976	127,330	32,551	21,718
— Flagpoles and related works	5,904	2,032	1,778	789	195
<b>Sub-total</b>	183,913	337,600	369,960	101,862	73,725
Trading of building material products	13,522	6,206	11,434	1,192	3,371
	<u>197,435</u>	<u>343,806</u>	<u>381,394</u>	<u>103,054</u>	<u>77,096</u>

The following table sets forth a breakdown of the projects with revenue recognition during the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 by ranges of revenue recognised:

	Year ended 31 March			Three months ended	
	2015	2016	2017	30 June	
	Number of projects	Number of projects	Number of projects	2016	2017
				Number of projects	Number of projects
<b>Revenue recognition</b>					
HK\$10,000,000 or above	3	10	14	2	2
HK\$5,000,000 to below HK\$10,000,000	5	2	1	5	3
HK\$1,000,000 to below HK\$5,000,000	12	10	7	5	9
Below HK\$1,000,000	271	225	187	108	88
	<u>291</u>	<u>247</u>	<u>209</u>	<u>120</u>	<u>102</u>

The Group's revenue increased by approximately HK\$146.4 million or 74.1% from approximately HK\$197.4 million for the year ended 31 March 2015 to approximately HK\$343.8 million for the year ended 31 March 2016. Such significant growth in the Group's revenue was mainly attributable to the increase in the number of design and build projects with annual revenue recognition over HK\$10.0 million from 3 projects for the year ended 31 March 2015 to 10 projects for the year ended 31 March 2016, which partially offsets the decreases in revenue generated from flagpoles and related works and trading of building material products. The total revenue recognised for these 10 projects for the year ended 31 March 2016 amounted to approximately HK\$274.8 million as compared to that of approximately HK\$98.5 million for the 3 projects for the year ended 31 March 2015.

The Group's revenue further increased by approximately HK\$37.6 million or 10.9% from approximately HK\$343.8 million for the year ended 31 March 2016 to approximately HK\$381.4 million for the year ended 31 March 2017. The Group recorded a further increase in the number of design and build projects with annual revenue recognition over HK\$10.0 million from 10 projects for the year ended 31 March 2016 to 14 projects for the year ended 31 March 2017. The total revenue recognised for these 14 projects for the year ended 31 March 2017 amounted to approximately HK\$325.4 million as compared to that of approximately HK\$274.8 million for the 10 projects for the year ended 31 March 2016. Such increase was partially offset by the decrease in the Group's revenue generated from flagpoles and related works.

The Group's revenue amounted to approximately HK\$77.1 million for the three months ended 30 June 2017 as compared to that of approximately HK\$103.1 million for three months ended 30 June 2016, representing a decrease of approximately HK\$26.0 million or 25.2%. Such decrease was mainly due to (i) three key projects were still at the design and preliminary stage and hence did not generate much revenue during the three months ended 30 June 2017; and (ii) partly offset by an increase in revenue from trading of building material products.

## Gross profit and gross profit margin

The table below sets forth a breakdown of the Group's gross profit and gross profit margin for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 by business segments:

	Year ended 31 March						Three months ended 30 June			
	2015		2016		2017		2016		2017	
	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	
	profit	profit	profit	profit	profit	profit	profit	profit	profit	
	margin	margin	margin	margin	margin	margin	margin	margin	margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)	(unaudited)		
Structural										
engineering works	33,567	18.3	64,415	19.1	64,216	17.4	12,650	12.4	14,693	19.9
Trading of building										
material products	<u>5,166</u>	<u>38.2</u>	<u>2,913</u>	<u>46.9</u>	<u>4,896</u>	<u>42.8</u>	<u>730</u>	<u>61.2</u>	<u>1,159</u>	<u>34.4</u>
	<u>38,733</u>	<u>19.6</u>	<u>67,328</u>	<u>19.6</u>	<u>69,112</u>	<u>18.1</u>	<u>13,380</u>	<u>13.0</u>	<u>15,852</u>	<u>20.6</u>

In respect of the Group's structural engineering works business segment, the following table sets forth a breakdown of the gross profit and gross profit margin for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 by types of design and build projects:

	Year ended 31 March						Three months ended 30 June			
	2015		2016		2017		2016		2017	
	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	
	profit	profit	profit	profit	profit	profit	profit	profit	profit	
	margin	margin	margin	margin	margin	margin	margin	margin	margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)	(unaudited)		
Facade, roof and										
related works	25,138	17.4	42,574	19.0	34,208	14.2	6,200	9.0	10,074	19.4
Structural steelwork										
and noise barriers	5,792	17.4	20,850	18.8	28,855	22.7	5,990	18.4	4,513	20.8
Flagpoles and related										
works	<u>2,637</u>	<u>44.7</u>	<u>991</u>	<u>48.8</u>	<u>1,153</u>	<u>64.9</u>	<u>460</u>	<u>58.3</u>	<u>106</u>	<u>54.4</u>
	<u>33,567</u>	<u>18.3</u>	<u>64,415</u>	<u>19.1</u>	<u>64,216</u>	<u>17.4</u>	<u>12,650</u>	<u>12.4</u>	<u>14,693</u>	<u>19.9</u>



For the year ended 31 March 2016, the Group recorded gross profit of approximately HK\$67.3 million, representing a surge of approximately HK\$28.6 million or 73.8% as compared to that of approximately HK\$38.7 million for the year ended 31 March 2015. The gross profit for structural engineering works increased by approximately HK\$30.8 million or 91.9% from approximately HK\$33.6 million for the year ended 31 March 2015 to approximately HK\$64.4 million for the year ended 31 March 2016. Such increase was mainly driven by the increase in the number of sizable projects undertaken by the Group during the year ended 31 March 2016. The gross profit for trading of building material projects decreased by approximately HK\$2.3 million or 43.6% from approximately HK\$5.2 million for the year ended 31 March 2015 to approximately HK\$2.9 million for the year ended 31 March 2016. Such decrease was mainly due to the decrease in successful orders placed and direct order placements for the Group's building material products.

The Group's overall gross profit margin remained stable at approximately 19.6% for each of the two years ended 31 March 2016. In respect of the structural engineering works segment, the Group's gross profit margin increased from approximately 18.3% for the year ended 31 March 2015 to approximately 19.1% for the year ended 31 March 2016. Amongst the three types of design and build projects undertaken by the Group, flagpoles and related works had the highest gross profit margin given that there were less complicated installation works involved and hence incurred relatively less costs of labour and processing charges. The increase in gross profit margin of structural engineering works was attributable to the various control measures to closely monitor project progress, including more frequent and periodic review implementation of project budgets against actual performance.

The Group's gross profit amounted to approximately HK\$69.1 million for the year ended 31 March 2017, representing an increase of approximately HK\$1.8 million or 2.6% as compared to that of approximately HK\$67.3 million for the year ended 31 March 2016, which is generally in line with the increase in the Group's revenue for the year ended 31 March 2017. For the year ended 31 March 2017, the Group's overall gross profit margin was approximately 18.1%, which is lower than that of approximately 19.6% for the year ended 31 March 2016. Both of the structural engineering works and trading of building materials segments recorded a decrease in gross profit margin. In particular, the gross profit margin of facade, roof and related works dropped from approximately 19.0% for the year ended 31 March 2016 to approximately 14.2% for the year ended 31 March 2017 because the progress of certain facade, roof and related works projects is behind the original project schedule owing to the delay in works progress of the main contractors prior to the inception of the subcontract works undertaken by the Group and additional costs have been incurred for overtime work to catch up with the expected completion date. Subsequently, the Group had successfully negotiated with the customers for certain variation works, including prolongation of project period, and additional works and extra cost to accelerate the

Group's work progress. Substantial portion (over 90% of the total value) of works for these previously delayed projects have been completed as at the Latest Practicable Date and hence there is no indication as to the profitability of such projects would further decrease.

The Group's gross profit amounted to approximately HK\$15.9 million for the three months ended 30 June 2017, representing an increase of approximately HK\$2.5 million or 18.5% as compared to that of approximately HK\$13.4 million for the three months ended 30 June 2016. Such increase was due to the agreement and settlement of the aforesaid variation works for certain facade, roof and related works projects with the customers during the three months ended 30 June 2017. The Group's overall gross profit margin was approximately 20.6% for the three months ended 30 June 2017 as compared to that of approximately 13.0% for the three months ended 30 June 2016. The structural engineering works segment recorded an increase in gross profit margin from approximately 12.4% for the three months ended 30 June 2016 to approximately 19.9% for the three months ended 30 June 2017. Such increase was primarily due to the settlement of variation works relating to certain delayed projects. In respect of the trading of building material products segment, its gross profit margin decreased from approximately 61.2% for the three months ended 30 June 2016 to approximately 34.4% for the three months ended 30 June 2017. Such decrease was primarily due to the Group offered a more competitive price to promote its new roof cladding products which commanded a lower gross profit margin.

### **Profit for the year/period**

For each of the three years ended 31 March 2017, the Group's profit for the year amounted to approximately HK\$14.6 million, HK\$25.7 million and HK\$31.0 million, respectively, representing a growth of approximately 76.2% in the year ended 31 March 2016 as compared to the year ended 31 March 2015 and a growth of approximately 20.7% in the year ended 31 March 2017 as compared to the year ended 31 March 2016.

The increase in profit for the year ended 31 March 2016 as compared to that for the year ended 31 March 2015 was mainly attributable to the significant increase in the Group's revenue while the increase in the year ended 31 March 2017 as compared to the year ended 31 March 2016 was mainly attributable to the net effect of (i) the increase in revenue of approximately HK\$37.6 million; and (ii) the decrease in administrative and other operating expenses of approximately HK\$4.2 million given that no listing expense was incurred during the year ended 31 March 2017.

Despite the decrease in the Group's revenue, the Group recorded an increase in the profit of approximately HK\$0.5 million or 8.2% from approximately HK\$6.1 million for the three months ended 30 June 2016 to approximately HK\$6.6 million for the three months ended 30 June 2017. Such increase was primarily attributable to the increase in gross profit of approximately HK\$2.5 million due to the receipt of variation works on certain projects and partially offset by the increase of approximately HK\$2.4 million in administrative and other operating expenses.

## OTHER FINANCIAL INFORMATION OF THE GROUP

The following table sets forth a breakdown of the Group's current assets and current liabilities as at the dates indicated:

	As at 31 March			As at
	2015	2016	2017	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
				(unaudited)
<b>Current assets</b>				
Inventories	3,309	2,839	2,606	2,085
Amounts due from customers for contract works	26,354	37,070	58,748	65,337
Trade and other receivables, deposits and prepayments	82,100	124,133	101,404	99,140
Amounts due from related companies	6,362	—	—	—
Amounts due from directors	2,493	—	—	—
Tax recoverable	8	344	934	217
Pledged bank deposits	10,027	13,201	16,209	16,210
Cash and bank balances	<u>5,791</u>	<u>47,439</u>	<u>36,679</u>	<u>36,957</u>
	<u>136,444</u>	<u>225,026</u>	<u>216,580</u>	<u>219,946</u>
<b>Current liabilities</b>				
Amounts due to customers for contract works	4,037	10,177	4,096	2,160
Trade and other payables	51,888	71,637	67,891	53,402
Derivative financial instruments	276	—	—	—
Amounts due to related parties	92	—	—	—
Tax payable	1,615	4,773	579	607
Bank borrowings	21,890	33,860	19,857	32,562
Obligation under finance leases	<u>279</u>	<u>144</u>	<u>149</u>	<u>149</u>
	<u>80,077</u>	<u>120,591</u>	<u>92,572</u>	<u>88,880</u>
<b>Net current assets</b>	<u><u>56,367</u></u>	<u><u>104,435</u></u>	<u><u>124,008</u></u>	<u><u>131,066</u></u>

The Group's net current assets increased by approximately HK\$48.0 million or 85.3% from approximately HK\$56.4 million as at 31 March 2015 to approximately HK\$104.4 million as at 31 March 2016. Such increase was mainly driven by the net proceeds

from the Placing of approximately HK\$28.9 million and the surge of approximately HK\$42.0 million in the Group's trade and other receivables, deposits and prepayments as at 31 March 2016.

As at 31 March 2017, the Group's net current assets amounted to approximately HK\$124.0 million, representing an increase of approximately HK\$19.6 million or 18.7% as compared to that as at 31 March 2016. Such increase was mainly attributable to the increase of approximately HK\$21.6 million in amounts due from customers of contract works as at 31 March 2017 and the decrease of approximately HK\$14.0 million in bank borrowings as at 31 March 2017, which was partially offset by the decrease of approximately HK\$10.7 million in the Group's cash and bank balances as at 31 March 2017.

The Group's net current assets further increased to approximately HK\$131.1 million as at 30 June 2017. Such increase was mainly due to (i) the increase of approximately HK\$6.6 million in amounts due from customers of contract works; (ii) the decrease of approximately HK\$14.5 million in trade and other payables; and (iii) was partially offset by the increase of approximately HK\$12.7 million in bank borrowings.

### **Inventories**

As at 31 March 2015, 2016 and 2017, and 30 June 2017, the Group's inventories amounted to approximately HK\$3.3 million, HK\$2.8 million, HK\$2.6 million and HK\$2.1 million, respectively. The Group's construction works do not maintain a high level of inventories as the materials for the Group's design and build projects are generally delivered directly to the work sites for installation. As at the Latest Practicable Date, approximately 38.7% of the inventories as at 31 March 2017 were subsequently sold and used by the Group.

### **Amounts due from/(to) customers for contract works**

Amounts due from customers for contract works represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers for contract works represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise materials and processing charges, and subcontracting charges. Costs incurred during the period in connection with the future activity of a contract are recognised as amounts due from customers for contract works provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the consolidated statement of financial position under "Trade and other receivables, deposits and prepayments".

As at 31 March 2015, 2016 and 2017, and 30 June 2017, the Group's amounts due from customers for contract works amounted to approximately HK\$26.4 million, HK\$37.1 million, HK\$58.7 million and HK\$65.3 million, respectively. Such continuous increase in the amounts due from customers for contract works during the three years ended 31 March 2017 was primarily due to the increase in contract works performed for certain larger-scale projects that are yet to be certified. The amounts due from customers for contract works increased from approximately HK\$26.4 million as at 31 March 2015 to approximately HK\$ 37.1 million as at 31 March 2016 was mainly attributable to the execution of one larger-scale project with considerable contract costs incurred while the works completed had not been applied for payment/under certification by customers as at 31 March 2016. The amounts due from customers for contract works further increased to approximately HK\$58.7 million as at 31 March 2017 was mainly due to a substantial amount of contract costs incurred on four larger-scale projects has not yet certified by the customers while the works completed had not been applied for payment/under certification by customers as at 31 March 2017. As at 30 June 2017, the Group's amounts due from customers for contract works further increased to approximately HK\$65.3 million. Such increase was resulted by the increase in the contract works performed for the projects yet to be certified.

As at the Latest Practicable Date, approximately 83.3% of the Group's amounts due from customers for contract works as at 31 March 2017 has been subsequently billed to the Group's customers.

### **Trade and other receivables, deposits and prepayments**

The Group's trade and other receivables, deposits and prepayments comprise (i) trade and bills receivables from its customers arising from the provision of structural engineering works or supply of building material products; (ii) retention receivables that are withheld by its customers in relation to its design and build projects; (iii) other receivables; (iv) deposits paid by the Group; and (v) prepayments paid by the Group.

As at 31 March 2015, 2016 and 2017, and 30 June 2017, the Group's trade and other receivables, deposits and prepayments amounted to approximately HK\$82.1 million, HK\$124.1 million, HK\$101.4 million and HK\$99.1 million, respectively. The increase in trade and other receivables, deposits and prepayments of approximately HK\$42.0 million or 51.2% as at 31 March 2016 as compared to that as at 31 March 2015 was mainly due to (i) the significant increase in the Group's revenue in the year ended 31 March 2016; and (ii) more progress payment applications were certified and invoiced to its customers near the year ended 31 March 2016 as compared to that near the year ended 31 March 2015. The Group's trade and other receivables, deposits and prepayments as at 31 March 2017 dropped by approximately HK\$22.7 million or 18.3% as compared to that as at 31 March 2016. Such decrease was mainly due to the decrease in the Group's trade and bill receivables of approximately HK\$24.2 million as there was relatively less work done certified and billed to the Group's customers during

the last quarter of the financial year ended 31 March 2017. As at 30 June 2017, the Group's trade and other receivables, deposits and prepayments further decreased to approximately HK\$99.1 million because less progress payment applications were invoiced to the customers according to the then project stage.

As at the Latest Practicable Date, approximately 51.8% of the Group's trade and other receivables, deposits and prepayments as at 31 March 2017 has been settled.

### **Trade and other payables**

The Group's trade and other payables comprise (i) trade and bill payables in relation to the products or subcontracting services provided by its suppliers or subcontractors; (ii) retention payables to its subcontractors; (iii) receipts in advance; and (iv) other payables, accruals and deposits received.

As at 31 March 2015, 2016 and 2017, and 30 June 2017, the Group's trade and other payables amounted to approximately HK\$51.9 million, HK\$71.6 million, HK\$67.9 million and HK\$53.4 million, respectively. The increase as at 31 March 2016 as compared to that as at 31 March 2015 was mainly attributable to the Group's business growth in the year ended 31 March 2016 and the corresponding increase in the Group's cost of revenue. As at 31 March 2017, the Group's trade and other payables decreased to approximately HK\$67.9 million. Such decrease was mainly due to the decrease of approximately HK\$6.2 million in the trade and bills payables and was partially offset by the slight increase of approximately HK\$2.6 million in retention payables. As at 30 June 2017, the Group's trade and other payables further decreased to approximately HK\$53.4 million as a result of the decrease in trade payables and accrued expenses.

As at the Latest Practicable Date, approximately 67.1% of the Group's trade and other payables as at 31 March 2017 has been settled.

### **NO MATERIAL ADVERSE CHANGE**

The Directors confirm that subsequent to 31 March 2017 and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no trends or developments which may have a material adverse impact on the Group's business operations or financial performance.

### **USE OF PROCEEDS**

The net proceeds from the Placing after deducting the underwriting commission and actual expenses were approximately HK\$28.9 million, which was different from the estimated net proceeds of approximately HK\$27.0 million as disclosed in the

Prospectus. Accordingly, the Group has applied the difference of approximately HK\$1.9 million in the same manner and proportion to the use of proceeds as shown in the Prospectus.

Reference is also made to the announcement of the Company dated 9 November 2016 in relation to the change of use of proceeds from the Placing. Following the listing of the Company on GEM, the Group's customers have become more confident in the financial capability of the Group and hence the customers of the Group's newly awarded projects did not require the Group to provide any surety bond. In order to deploy the financial resources more effectively and to cope with the operational needs of the Group arising from ongoing and future potential projects, the Board had resolved to combine the use of the then remaining unutilised proceed of approximately HK\$11.3 million from "further expanding the Group's capacity to capture more business opportunities" and "further development of the Group's structural engineering business" and extend it to include "acquisition of plant and equipment for operational use". Save for the aforesaid changes, there is no other change of use of proceeds from the Placing allocated for other purposes as disclosed in the Prospectus.

As at 31 August 2017, the Group has utilised approximately HK\$22.5 million of the net proceeds, representing approximately 77.9% of the net proceeds from the Placing. The following table sets for a breakdown of the Group's use of proceeds up to 31 August 2017:

Use of proceeds	<b>Revised use of proceeds</b> <i>HK\$ million</i>	<b>Utilised</b> <i>HK\$ million</i>	<b>Unutilised</b> <i>HK\$ million</i>
1. Expanding the Group's capacity to capture more business, developing structural engineering business and acquisition of plant and equipment for operational needs	11.3	5.7	5.6
2. Further expanding the Group's capacity to capture more business opportunities	8.3	8.3	—
3. Enhancing the Group's design and customisation capabilities	6.4	5.6	0.8
4. General working capital	<u>2.9</u>	<u>2.9</u>	<u>—</u>
	<u><u>28.9</u></u>	<u><u>22.5</u></u>	<u><u>6.4</u></u>

The remaining unutilised net proceeds of approximately HK\$6.4 million have been placed as interest bearing deposits with licensed bank in Hong Kong and is intended to be applied in the manner consistent with the proposed allocations as stated above.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at <http://www.kpa-bm.com.hk> and of the Stock Exchange at <http://www.hkexnews.hk>:

- (a) the interim report of the Company for the six months ended 30 September 2015;
- (b) the third quarterly report of the Company for the nine months ended 31 December 2015;
- (c) the Directors' report and annual report of the Company for the year ended 31 March 2016;
- (d) the first quarterly report of the Company for the three months ended 30 June 2016;
- (e) the interim report of the Company for the six months ended 30 September 2016;
- (f) the third quarterly report of the Company for the nine months ended 31 December 2016;
- (g) the Directors' report and annual report of the Company for the year ended 31 March 2017;
- (h) the first quarterly report of the Company for the three months ended 30 June 2017;
- (i) the circular of the Company dated 23 June 2016 in relation to the proposals involving general mandates to issue new Shares and repurchase Shares, re-election of Directors and notice of annual general meeting;
- (j) the circular of the Company dated 15 June 2017 in relation to the revision of annual cap for continuing connected transactions in relation to the Master Supply Agreement;
- (k) the circular of the Company dated 21 June 2017 in relation to the proposals involving general mandates to issue new Shares and repurchase Shares, re-election of Directors and notice of annual general meeting;
- (l) the Memorandum and the Articles of the Company; and
- (m) a copy of each of the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.



## DEFINITIONS

In this announcement, the following terms shall have the meanings set opposite them unless the context requests otherwise:

“Articles”	the articles of association of the Company adopted on 22 September 2015 and as amended from time to time;
“associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules;
“Board”	the board of Directors;
“Buildings Department”	the Buildings Department of the Government;
“BuildMax (HK)”	BuildMax Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“BuildMax (SZ)”	BuildMax Technology (Shenzhen) Limited, a sino-foreign equity joint venture enterprise incorporated in the PRC, which is owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyayuan, an independent third party;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“close associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules;
“Company”	KPa-BM Holdings Limited, a company incorporated in the Cayman Islands and the Shares of which are listed on GEM;
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules;
“Development Bureau”	the Development Bureau of the Government;
“Director(s)”	the director(s) of the Company;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Date”	the date on which the Shares were listed on GEM, being 8 October 2015;

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time;
“Government”	the Government of Hong Kong;
“Group”	the Company and its subsidiaries;
“Hillford”	Hillford Trading Limited, a company incorporated in Hong Kong with limited liability, which is owned as to approximately 26.7% by Mr. Lui, 26.7% by Mr. Wai, 26.7% by Mr. Yip, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“KPa Engineering”	KPa Engineering Limited, a company incorporated in Hong Kong with limited liability on 12 December 1991 and an indirect wholly-owned subsidiary of the Company;
“Labour Department”	Labour Department of the Hong Kong Government;
“Latest Practicable Date”	13 October 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement;
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the option market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM;
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Market, as amended, supplemented or otherwise modified from time to time;

“Memorandum”	the memorandum of association of the Company adopted on 22 September 2015, as amended from time to time;
“Master Supply Agreement”	the master supply agreement dated 15 September 2015 (as supplemented by the supplemental agreement dated 28 April 2017) entered between the Company and BuildMax (SZ) in relation to the purchase of building material products processed, fabricated or manufactured by BuildMax (SZ) on a non-exclusive basis;
“Mr. Lui”	Mr. Lui Bun Yuen, Danny, an executive Director and one of the Controlling Shareholders of the Company;
“Mr. Wai”	Mr. Wai Yat Kin, an executive Director, the chief executive officer and one of the Controlling Shareholders of the Company;
“Mr. Yip”	Mr. Yip Pak Hung, an executive Director, the chairman of the Board and one of the Controlling Shareholders of the Company;
“Placing”	the placing of 150,000,000 Shares for the listing of the Shares on GEM as set out in the Prospectus;
“PRC”	the Peoples’ Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014;
“Prospectus”	the prospectus of the Company dated 30 September 2015;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;

“Share Option Scheme”	the share option scheme adopted by the Company on 22 September 2015;
“Shareholder(s)”	the holder(s) of the Share(s);
“Shenzhen Hengyayuan”	深圳市恒有源科技發展有限公司 (Shenzhen Hengyayuan Technology Development Limited*), a company established under the laws of the PRC with limited liability and is owned as to 60.0% by Mr. Liu Jian Heng and 40.0% by Mr. Xu Zu Jia, both of them are independent third parties;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Success Wing”	Success Wing Investments Limited, a company incorporated in the British Virgin Islands with limited liabilities, which is a Controlling Shareholder and is owned as to approximately 29.3% by Mr. Lui, approximately 29.3% by Mr. Wai, approximately 29.3% by Mr. Yip, approximately 9.0% by Mr. Liu Yuen Wai and approximately 5.0% by Mr. Chan Chi Ming;
“Transfer of Listing”	the transfer of listing of the Shares from GEM to Main Board; and
“%”	per cent.

By Order of the Board  
**KPa-BM Holdings Limited**  
**Yip Pak Hung**  
*Chairman and Executive Director*

Hong Kong, 16 October 2017

\* *For identification purpose only*

*As at the date of this announcement, the executive Directors are Mr. Yip Pak Hung (chairman of the Board), Mr. Wai Yat Kin and Mr. Lui Bun Yuen, Danny and the independent non-executive Directors are Ms. Lai Pik Chi Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.kpa-bm.com.hk](http://www.kpa-bm.com.hk).*

*In case of inconsistency, the English text of this announcement shall prevail over the Chinese text.*