鄺文記集團有限公司
KWONG MAN KEE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8023

Annual Report 2018

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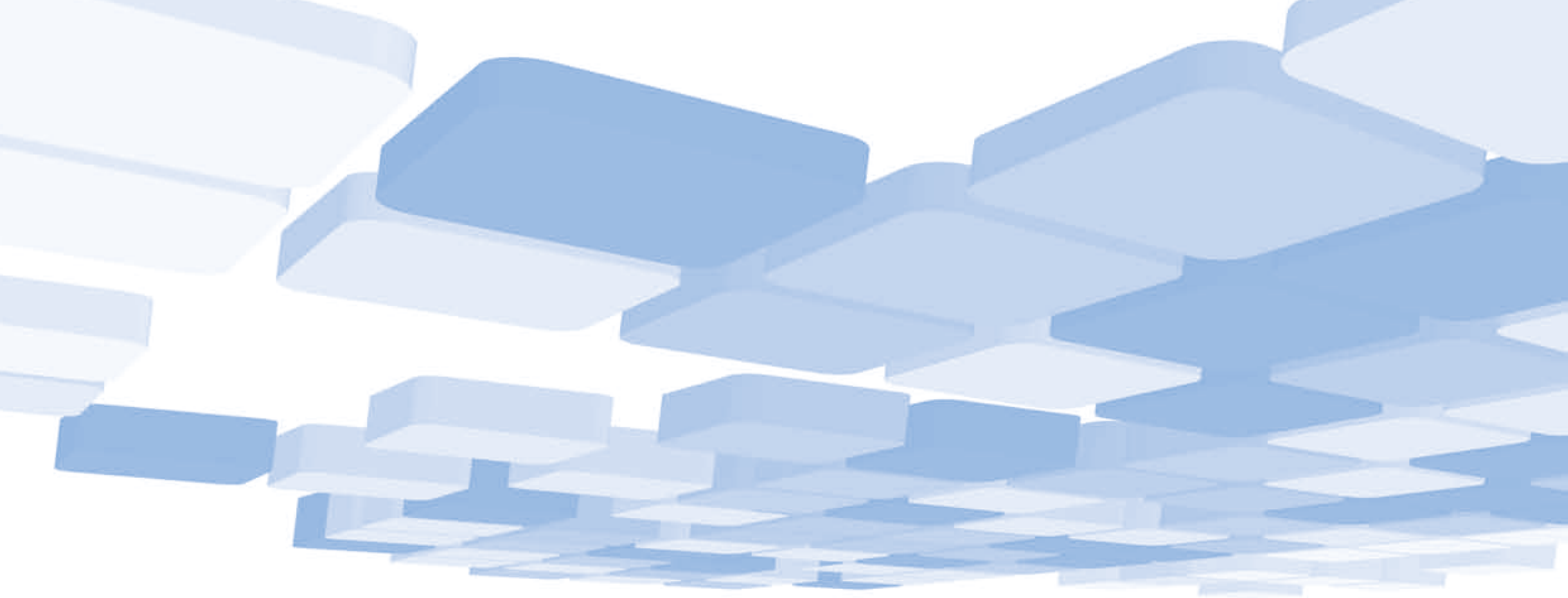
*This report, for which the directors (the "**Directors**") of Kwong Man Kee Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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CORPORATE INFORMATION

BOARD OF DIRECTOR

Executive Director

Mr. Kwong Chi Man *(Chairman)*
Mr. Yip Wai Man

Independent Non-Executive Directors

Ms. Yu Wan Wah Amparo
Mr. Law Pui Cheung
Mr. Wat Danny Hiu Yan

AUDIT COMMITTEE

Mr. Law Pui Cheung *(Chairman)*
Ms. Yu Wan Wah Amparo
Mr. Wat Danny Hiu Yan

REMUNERATION COMMITTEE

Mr. Wat Danny Hiu Yan *(Chairman)*
Mr. Kwong Chi Man
Ms. Yu Wan Wah Amparo

NOMINATION COMMITTEE

Mr. Kwong Chi Man *(Chairman)*
Mr. Wat Danny Hiu Yan
Ms. Yu Wan Wah Amparo

LEGAL COMPLIANCE COMMITTEE

Ms. Yu Wan Wah Amparo *(Chairman)*
Mr. Law Pui Cheung
Mr. Wat Danny Hiu Yan

COMPANY SECRETARY

Mr. Choi Wai Hung *(CPA)*

AUTHORISED REPRESENTATIVES

Mr. Kwong Chi Man
Mr. Choi Wai Hung

COMPLIANCE OFFICER

Mr. Kwong Chi Man

REGISTERED OFFICE

PO Box 309, Ugland House
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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

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COMPLIANCE ADVISER

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Hong Kong

COMPANY'S WEBSITE

http://www.kmk.com.hk

STOCK CODE

8023

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of the Company, I am pleased to present the annual report of the Company for the year ended 31 March 2018.

Review

For the year ended 31 March 2018, the revenue of the Group increased to approximately HK$77.1 million, or 6.5%, from approximately HK$72.4 million for the year ended 31 March 2017, which was primarily contributed by the revenue generated from Macau market of approximately HK$7.9 million since August 2017.

In the course of the Group's business expansion in Macau, the Directors consider that the prospects of business development and growth in Macau car park flooring industry is promising and our Group is likely to continue to explore future business opportunities in Macau in the coming year.

Forward

Looking forward, the Directors still consider that the future opportunities and challenges facing the Group will continue to be affected by (i) the development of the property market, (ii) the construction schedule of our main contractors which are property developers, and (iii) the labour and material costs as well as our contract price.

We will continue to enhance our market diversification by expansion of our business operations in Macau market so as to broaden our customer base and explore new source of revenue.

Appreciation

I would like to express my gratitude on behalf of the Group to all customers, suppliers, subcontractors, business partners and professional parties for their support to our business development. I also take this opportunity to thank for the management and employees of the Group for their contribution and commitment throughout the year.

Kwong Man Kee Group Limited
Kwong Chi Man
Chairman and Executive Director

Hong Kong, 22 June 2018

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. KWONG Chi Man (鄺志文), aged 63, is the chairman and chief executive officer of the Group. Mr. Kwong is mainly responsible for the overall business development and technical operations and strategic planning of the Group. Mr. Kwong was appointed as an executive Director on 30 May 2016.

Mr. Kwong has accumulated over 30 years of experience in the construction industry. Mr. Kwong entered into the construction industry as a sole proprietor with the business registration of Kwong Man Kee Engineering in 1982. Mr. Kwong started the car park flooring business in 2003 and in 2005 undertook projects from major property developers, architects, main contractors and government bodies. In 2008, Mr. Kwong became a shareholder and director of Kwong Man Kee Engineering Limited ("KMK") and subsequently became the sole shareholder of KMK in 2013. Mr. Kwong has accumulated over 14 years of experience in the carpark flooring industry.

Mr. Yip Wai Man (葉偉文), aged 44, is an executive Director principally responsible for supervision and management of site works, quality control and work safety. Mr. Yip WM worked in his family business in trading before joining the Group in November 2005 as a technician. He left the Group in January 2006 to rejoin his family business but returned as the technician in June 2006. In 2010, Mr. Yip WM became a site foreman of the Group and has accumulated over 10 years of experience working in the Group. Mr. Yip WM was appointed as an executive Director on 13 June 2016.

In October 2012, Mr. Yip WM completed and passed the Technically Competent Person T1 Training Course at the Hong Kong Institute of Vocational Education. Mr. Yip WM has also completed the Safety Supervisor Training Course at Hong Kong Human Resources Limited in March 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yu Wan Wah Amparo (余韻華), aged 43, was appointed as an independent non-executive Director on 24 September 2016. Ms. Yu has accumulated over 7 years of experience in the civil and geotechnical engineering field when she was employed from 1998 to 2005 by Greg Wong & Associates Limited, a civil and structural engineering company. In 2012, Ms. Yu commenced her legal career and she was admitted as a solicitor of the High Court in Hong Kong in April 2014. Ms. Yu is currently an Assistant Solicitor of Messrs. Ng, Au Yeung & Partners.

Ms. Yu graduated from The University of British Columbia with a bachelor's degree of applied science in civil engineering in May 1997. In May 1998, she obtained a master's degree of engineering (civil) from Cornell University (USA). In November 2007, Ms. Yu obtained a master's degree of science in engineering (industrial engineering & logistics management) from the University of Hong Kong. In December 2010, Ms. Yu obtained her Juris Doctor degree from the Chinese University of Hong Kong and she subsequently completed the Postgraduate Certificate in Laws (PCLL) in July 2011 at the same university.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Law Pui Cheung (羅沛昌), aged 62, was appointed as an independent non-executive Director on 24 September 2016. Mr. Law has accumulated over 35 years of experience in the accountancy profession. Mr. Law began his career with Ernst and Whinney, the predecessor firm of Ernst & Young, an international accounting firm in Hong Kong. Mr. Law joined Li, Tang, Chen & Co., a practising certified public accountants firm in Hong Kong in 1989 and retired as a partner in June 2016. Mr. Law is currently a practising director of Yong Zheng CPA Limited. He is also a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants.

Mr. Law is a fellow or member of the following professional organisations:

Organisation	**Capacity**	**Since (Year)**
The Chartered Association of Certified Accountants	Fellow	1990
Hong Kong Institute of Certified Public Accountants	Fellow	1985
Macau Society of Certified Practising Accountants	Member	1995
Hong Kong Securities and Investment Institute	Fellow	2015
The Hong Kong Institute of Directors	Fellow	2011
The Institute of Chartered Accountants in England and Wales	Fellow	2015

Mr. Wat Danny Hiu Yan (屈曉昕), aged 42, was appointed as an independent non-executive Director on 24 September 2016. Mr. Wat has accumulated over 11 years of experience in the civil and geotechnical engineering field when he was employed from August 1998 to November 2009 by Mott MacDonald Hong Kong Limited, a global management, engineering and development consultancy firm. In November 2009, Mr. Wat became a director of Kin Wah Hong Paper Limited, a company with the principle business of paper agency and distributorship in Hong Kong, where he is responsible for the overall administration, procurement, financial control and sales and marketing.

Mr. Wat has been a member of the Hong Kong Institution of Engineers (Civil Discipline) since March 2003.

Mr. Wat graduated from The University of British Columbia in May 1997 with a bachelor's degree in civil engineering and subsequently obtained a master's degree of Engineering (Civil) from Cornell University (USA) in May 1998.

SENIOR MANAGEMENT

Mr. Choi Wai Hung (蔡偉雄), aged 54, joined the Group as the financial controller and company secretary in December 2017. He is responsible for overall financial management and company secretarial matters of the Group. He also supports the management on strategic and financial planning and funding matters in relation to the business development of the Group.

During the course of his professional career, he had the opportunity to occupy various senior accounting and finance positions in company listed on the Main Board of the Stock Exchange, international corporation and other well-established companies in various industries. He had extensive experience in the areas of financial management, financial control, auditing, treasury and taxation as well as in various M&A and IPO projects.

Mr. Choi graduated from the Hong Kong Shue Yan College with a Diploma in Accounting in 1990 and obtained a master's degree in management majored in accounting in 2010 from Dongbei University of Finance and Economics in the People's Republic of China. He has been a member of Hong Kong Institute of Certified Public Accountants since 1998 and fellow member of the Association of Chartered Certified Accountants since 2003.

Mr. Yip Kong Lok (葉港樂), aged 42, is the general manager of the Group and is principally responsible for the overall management of sales and marketing and project management. Mr. Yip first joined the Group in November 2003 on a part time basis to promote the Group's business. In August 2015, Mr. Yip took up the position of manager of KMK on a full time basis. Mr. Yip has accumulated over 14 years of experience in the car park flooring industry.

Mr. Yip graduated from The University of British Columbia in May 1997 with a bachelor's degree in civil engineering with distinction and subsequently obtained a master's degree in engineering from the same university in May 1998.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the Hong Kong car park flooring industry. We provide (i) flooring services, which involve the application of proprietary floor coating products for the purpose of providing a colorful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and (ii) ancillary services, which include concrete repairing and wall painting work in Hong Kong. Our target segment range from mid to high end projects in the car park flooring market. At present, approximately 98% of the Group revenue is derived from the flooring services.

For the year ended 31 March 2018, the revenue of the Group increased to approximately HK$77.1 million, or 6.5%, from approximately HK$72.4 million for the year ended 31 March 2017, primarily due to the success of implementing our initial expansion plan in Macau market during the same period.

To facilitate and support our business development and operation, the Group entered and/or completed the following acquisitions during the year ended 31 March 2018:

(i) purchase of our new headquarters in Hong Kong and two car park places, which was completed in May 2017 in consideration of approximately HK$30.0 million;

(ii) purchase of a car park place in consideration of approximately HK$2.0 million which was entered into in August 2017 and completed in October 2017; and

(iii) purchase of a warehouse from one of the executive Directors in consideration of approximately HK$4.2 million, and such connected transaction was entered into and completed in February 2018 after arm's length negotiations and in the ordinary and usual course of business of the Group.

Since August 2017, we have also enhanced our market diversification by expansion of our business operations into Macau so as to broaden our customer base and source of revenue. We have recorded sales of approximately Macau Pataca (MOP)8.1 million (equivalent to approximately HK$7.9 million) in Macau market during the year ended 31 March 2018. We will continue to keep track of any new construction projects and explore any business opportunity in other markets outside Hong Kong.

OUTLOOK

Looking forward, the Directors still consider that the future opportunities and challenges facing the Group will continue to be affected by (i) the development of the property market, (ii) the construction schedule of our main contractors which are property developers, and (iii) the labour and material costs as well as our contract price.

In view of the development plans of Hong Kong Government and the property developers, the medium and long term outlook of the construction industry as well as the car park flooring industry in Hong Kong looks promising. Furthermore, in light of the future development plans and construction schedules in Macau, the Group is confident in the potential of growth of Macau car park flooring industry. Leveraging on our extensive experience and reputation in the car park flooring industry, we believe that we will achieve continuous growth for the Group and create reasonable return for our Shareholders.

FINANCIAL REVIEW

Revenue and Gross Profit

Our revenue, which is principally generated from the provision of car park flooring services for construction projects, increased to approximately HK$77.1 million, or 6.5%, for the year ended 31 March 2018 from approximately HK$72.4 million for the year ended 31 March 2017, which was primarily contributed by the revenue generated from Macau market of approximately HK$7.9 million since August 2017.

The gross profit margin of the Group decreased from 40.5% for the year ended 31 March 2017 to 34.2% for year ended 31 March 2018. Such decline was primarily caused by the intensified competition in the car parking flooring industry and the competitive labour market, which resulted in decrease of our contracts sum and increase in subcontractor cost respectively.

General and administrative expenses

General and administrative expenses of the Group decreased by approximately HK$11.3 million, or 37.8%, from approximately HK$29.9 million for the year ended 31 March 2017 to approximately HK$18.6 million for the year ended 31 March 2018. The decrease was mainly due to the non-recurring listing expenses of approximately HK$14.2 million incurred for the year ended 31 March 2017. However, during the year ended 31 March 2018, the Group also experienced (i) increase in staff cost for hiring additional staff with relevant experiences, (ii) increase in professional fees such as legal consultation fees, advisory fees and listing maintenance fee; and (iii) increase in depreciation of property, plant and equipment acquired for the year ended 31 March 2018, which partly offset the factor of the non-recurring listing expenses during the year ended 31 March 2017.

Profit/(loss) attributable to owners of the Company

The net profit attributable to owners of the Company was approximately HK$6.6 million for the year ended 31 March 2018, as compared to loss of approximately HK$2.8 million recorded for the year ended 31 March 2017. The turnaround from loss to profit was primarily attributable to the effect of the non-recurring listing expenses recognised for the year ended 31 March 2017, which was nonetheless partly offset by the decrease of gross profit margin and the increase of certain general and administrative expenses for the year ended 31 March 2018.

Liquidity, financial resources and capital structure

As at 31 March 2018, the Group's current ratio was approximately 2.06 compared to approximately 8.15 at 31 March 2017. The decrease was due to the bank borrowings granted by a bank during the year ended 31 March 2018. The Group had total assets of approximately HK$122.3 million as at 31 March 2018, compared to HK$85.1 million as at 31 March 2017. As at 31 March 2018, the Group had cash and cash equivalents of approximately HK$18.0 million (2017: HK$35.1 million). The management is of the view that the Group has adequate capital for future growth and business operations.

Bank borrowings

Bank borrowings of our Group as at 31 March 2018 were approximately HK$11.4 million (2017: nil). The borrowings were secured by our property acquired in May 2017 with carrying amount of approximately HK$29.4 million as at 31 March 2018 (2017: nil).

Gearing ratio

The gearing ratio of the Group as at 31 March 2018 was approximately 12.1% (2017: nil).

The gearing ratio is calculated based on the bank borrowings divided by the total capital of approximately HK$94.2 million as at 31 March 2018 (2017: HK$76.1 million).

Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures

There was no significant investment held by the Group nor any material acquisition or disposal of subsidiary, associate and joint venture for the year ended 31 March 2018.

Future plans for material investments or capital assets

As at the date of this report, the Board does not have any plan for material investments or additions of capital assets.

Risk of foreign exchange fluctuations

The Group operates in Hong Kong and Macau and majority of its transactions are denominated in Hong Kong dollars and Macau Pataca. The Board considers that the risk of foreign exchange fluctuations to the Group is insignificant.

Treasury policy

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

Employees and remuneration policies

As at 31 March 2018, the Group had 29 employees in total (2017: 26 employees). The staff costs of the Group (including directors' emoluments and management, administrative and operational staff costs) for the year ended 31 March 2018 were approximately HK$11.1 million (2017: HK$10.0 million).

The Group remunerates its employees based on their performance, working experience and with reference to the prevailing market conditions. On top of basic remuneration, discretionary bonus may be granted to senior management and staff members by reference to the Group's performance as well as individual's performance. Other staff benefits include medical benefits, mandatory provident fund and sponsorship of training courses.

Commitments and Contingent Liability

As at 31 March 2018, the Group had capital commitments of approximately HK$0.6 million (2017: HK$24.0 million).

As at 31 March 2018 and 2017, the Group did not have significant contingent liabilities.

Events after the date of consolidated statement of financial position

The Board is not aware of any events after the date of consolidated statement of financial position that requires disclosure.

Off Balance Sheet transactions

As at 31 March 2018, the Group had not entered into any off balance sheet transactions.

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the achievement business objectives as set out in the prospectus of the Company dated 30 September 2016 with the Group's actual business progress for the period from the date of its listing (the "Listing") on GEM (i.e. 13 October 2016, the "Listing Date") to 31 March 2018 is set out below:

Business objectives	Implementation plans	Actual business progress for the year ended 31 March 2018
To expand our presence in the refurbishment market and purchase of an office	To purchase of an office	During the year ended 31 March 2018, the Group purchased a workshop and office located at the 21st Floor and Car Park Nos. P5 and P6 on the 1st Floor of The Bedford, 91-93 Bedford Road, Tai Kok Tsui, Kowloon, Hong Kong in the consideration of approximately HK$30.0 million, in which approximately HK$12.0 million was financed by the bank borrowing. The workshop has been used as the Group's headquarters and principal place of business in Hong Kong.
To strengthen the Group's leading position in the new construction market	To strengthen the sales and marketing efforts and brand awareness in the industry	The Group has conducted luncheon with property developers, cross-over exhibition with the suppliers, and posted advertisement in magazines to promote awareness and gather market intelligence to create higher company profile.
	To strengthen the manpower and capacity	The Group has used approximately HK$4.3 million for recruiting additional staff, with relevant experiences to cope with its business development. The Group has sponsored its staff to attend the occupational health and safety courses organised by third parties.
	To enhance the operation and capacity	The Group has used approximately HK$2.0 million for purchase of additional machineries, vehicles and computers to facilitate the operation of the Group.

USE OF PROCEEDS

An analysis of the utilisation of the net proceeds from the Listing Date up to 31 March 2018 is set out below:

	Adjusted use of the net proceeds in the same manner as stated in prospectus (HK$ million)	**Planned use of the net proceeds as stated in the Prospectus up to 31 March 2018** (HK$ million)	**Actual use of the net proceeds up to 31 March 2018** (HK$ million)
expanding our presence in the refurbishment market and purchase of an office	17.2	16.0	15.2
strengthening the Group's leading position in the new construction market by improving the overall capacity and project management efficiency	13.0	9.5	6.8
repaying bank loan	10.0	10.0	10.0
general working capital and other general corporate uses	2.1	1.3	1.3
Total	**42.3**	**36.8**	**33.3**

The business objectives, implementation plans and planned use of proceeds were based on the estimation and assumption of future market conditions made by the Group for the purpose of Listing. The actual use of proceeds was based on the Group's business operations and development.

INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Company for the year ended 31 March 2018.

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

The Board believes that good and effective corporate governance practices are keys to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules, which includes developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

The Company has adopted the CG Code and complied with the principles and applicable code provisions of the CG Code for the year ended 31 March 2018, except the deviation from CG Code provision A.2.1 set out below.

Chairman and Chief Executive Officer

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

Mr. Kwong Chi Man is the chairman and the chief executive officer of the Company. Mr. Kwong has been the key leadership figure of the Group for over 15 years and is well recognised in the car park flooring industry in Hong Kong. Mr. Kwong has been primarily involved in the overall business development, technical operations and strategic planning of the Group. The Directors are of the view that it would be in the Group's best interest for Mr. Kwong to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**"). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 March 2018.

BOARD OF DIRECTORS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of our Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The Directors' responsibilities include inter alias:

- To attend regular Board meetings focusing on business strategy, operational issues and financial performance;

- To approve annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;

- To monitor the quality, timeliness, relevance and reliability of internal and external reporting;

- To consider and approve the consolidated financial statements in quarterly, interim report and annual reports, announcements and press releases of quarterly, interim and annual results;

- To focus its attention on matters affecting the Company's overall strategic policies, finances and Shareholders;

- To consider dividend policy and dividend amount; and

- To review and monitor the corporate governance policies and practices of the Group to ensure compliance with the legal and regulatory requirements.

The Company has taken out director and officer liability insurance to cover liabilities arising from legal action against the Directors.

Composition

The composition of the Board from the Listing Date up to the date of this report is set out as follows.

Executive Directors

Mr. Kwong Chi Man *(Chairman)* (re-elected on 2 August 2017)
Mr. Yip Wai Man (re-elected on 2 August 2017)

Independent non-executive Directors

Ms. Yu Wan Wah Amparo (re-elected on 2 August 2017)
Mr. Law Pui Cheung (re-elected on 2 August 2017)
Mr. Wat Danny Hiu Yan (re-elected on 2 August 2017)

There is no financial, business, family or other material/relevant relationship among members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The profile of each Director are set out in the section headed "Profile of Directors and Senior Management" on pages 5 to 7 of this report.

With the various experience of the executive Directors and the independent non-executive Directors (the "**INEDs**") and the nature of the Group's business, the Company recognises the benefits of having a Board with well-balanced experience and qualification to maintain a sustainable business development of the Group in long run. In recognition of the Company's commitment to a well-balanced Board, the nomination committee is entrusted to review the Company's human resources policy and recruitment process to ensure the effectiveness of the policy.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with rule 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three INEDs representing at least one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. As such, there is a strong element in the Board to provide independent judgment.

In accordance with code provision A.4.1 of the Code, the Company has entered into a letter of appointment with each of the INEDs for initially a fixed term of three years commencing from 2 August 2017 (the date when each of the INEDs were re-elected) and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the independent non-executive Directors to be independent as at the date of this report.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive Director has entered into a service agreement with the Company for initially a fixed term of three years commencing from 2 August 2017 (the date when each of the executive Director were re-elected) and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The service agreements and/or letters of appointment of the Directors are subject to termination in accordance with their respective terms. They can be renewed in accordance with the articles of association of the Company ("**Articles**") and the applicable GEM Listing Rules.

As required under the Articles, all Directors are subject to election by the shareholders of the Company at the first general meeting after their appointment. At every annual general meeting of the Company at least one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election thereat.

ANNUAL GENERAL MEETING AND DIRECTORS' ATTENDANCE

An annual general meeting was held on 2 August 2017 during the year ended 31 March 2018 with all Directors present throughout the meeting.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Six Board meetings were respectively held on 23 June 2017, 11 August 2017, 10 November 2017, 15 December 2017, 18 December 2017 and 8 February 2018 during the year ended 31 March 2018. The individual attendance record of the Board meetings is set out as follows:

Name of Directors	Number of Board Meetings attended/eligible to attend
Mr. Kwong Chi Man	6/6
Mr. Yip Wai Man	6/6
Ms. Yu Wan Wah Amparo	4/6
Mr. Law Pui Cheung	6/6
Mr. Wat Danny Hiu Yan	5/6

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

DIRECTOR TRAINING AND PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars and forums organised by qualified professionals, to develop and refresh their knowledge as to the industry and skills in relation to their contribution to the Board.

All the Directors understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills.

The Company has maintained the training record in respect of each Director. There are also arrangements in place for providing continuing briefing and professional development to Directors by the Company whenever necessary.

BOARD COMMITTEES

The Board has established four Board committees, namely, the audit committee, the remuneration committee, the nomination committee and the legal compliance committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with respective written terms of reference. All the Board committees should report to the Board on their decisions and works. The practices, procedures and arrangements of conduct of committee meetings follow in line with, so far as practicable, those of the Board meetings and the respective terms of reference of the committees.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Audit Committee

The audit committee was established on 24 September 2016 with its written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee consists of three members, being Mr. Law Pui Cheung, Ms. Yu Wan Wah Amparo and Mr. Wat Danny Hiu Yan. Mr. Law Pui Cheung currently serves as the chairman of the audit committee.

Four audit committee meetings were respectively held on 22 June 2017, 11 August 2017, 10 November 2017 and 8 February 2018 during the year ended 31 March 2018. The individual attendance record of the meetings of the audit committee is set out as follows:

Name of Directors	Number of meetings of the audit committee attended/eligible to attend
Ms. Yu Wan Wah Amparo	3/4
Mr. Law Pui Cheung	4/4
Mr. Wat Danny Hiu Yan	4/4

The audit committee have reviewed (i) the Group's audited consolidated financial statements for the year ended 31 March 2018; (ii) the Group's financing, internal control and risk management system.

Remuneration Committee

The remuneration committee was established on 24 September 2016 with its written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee are to make recommendations on the remuneration of the Directors and senior management of the Group.

The remuneration committee consists of three members, being Mr. Wat Danny Hiu Yan, Mr. Kwong Chi Man and Ms. Yu Wan Wah Amparo. Mr. Wat Danny Hiu Yan currently serves as the chairman of the remuneration committee.

One remuneration committee meeting was held on 8 February 2018 for the year ended 31 March 2018 with all committee members present throughout the meeting.

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, and the time devoted to the Group and the performance of the Group.

Nomination Committee

The nomination committee was established on 24 September 2016 with its written terms of reference in compliance with the code provisions of the CG Code. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee consists of three members, being Mr. Kwong Chi Man, Mr. Wat Danny Hiu Yan and Ms. Yu Wan Wah Amparo. Mr. Kwong Chi Man currently serves as the chairman of the nomination committee.

One nomination committee meeting was held on 8 February 2018 during the year ended 31 March 2018 with all committee members present throughout the meeting.

Legal Compliance Committee

The legal compliance committee on 24 September 2016 with its written terms of reference by reference to the code provisions of the CG Code. The primary duties of the Legal Compliance Committee are to assist the Board in overseeing the Group's compliance with laws and regulations relevant to its business operations and to review the effectiveness of the Group's regulatory compliance procedures and system.

The legal compliance committee consists of three members, being Ms. Yu Wan Wah Amparo, Mr. Law Pui Cheung and Mr. Wat Danny Hiu Yan. Ms. Yu Wan Wah Amparo currently serves as the chairlady of the legal compliance committee.

One legal compliance committee meeting was held on 8 February 2018 during the year ended 31 March 2018 with all committee members present throughout the meeting.

INTERNAL CONTROLS AND RISK ASSESSMENT

The Board is responsible for the Group's internal control and has conducted a review of the effectiveness of the internal control of the Group, including financial, operational and compliance controls and risk management functions. No material inadequacy of internal controls is revealed and that the Board has played regard to risk management in the decision-making process.

A staff in the finance department was assigned to perform the internal audit functions as part of her job and she reports the audit's findings to the audit committee. She mainly reviews and tests the control of the Group's major operational, financial, compliance and risk management based on the Group's policies. She communicates the findings, control deficiencies and remedial actions with the management and audit committee for improvement of the Group's internal control system.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for the year ended 31 March 2018 to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements for the year ended 31 March 2018 in this report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2018, the remuneration paid or payable to PricewaterhouseCoopers (the Company's auditor) and its affiliate companies in respect of audit and non-audit services were HK$800,000 and HK$262,200 respectively.

COMPANY SECRETARY

Mr. Choi Wai Hung, an employee of the Company, was appointed by the Board as the company secretary of the Company on 15 December 2017. The biographical details of Mr. Choi are set out under the section headed "Biographical Details of Directors and Senior Management" in this report. Mr. Choi is principally responsible for supervision of our financial reporting, financial planning, treasury, financial control and company secretarial matters.

Mr. Choi had confirmed that he had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules during the year ended 31 March 2018.

SHAREHOLDERS' RIGHT

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 12.3 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("EGM"). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within 3 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting within a further 21 days, the requisitionists themselves may convene a meeting in accordance with the Articles and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

Right to put enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Procedure for shareholders to put forward proposals at shareholders' meetings

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

INVESTOR RELATIONS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities.

The Company's annual, interim and quarterly reports and circulars are printed and sent to all Shareholders.

Moreover, announcements, circulars, publications and press releases of the Company are published on the Company's website (www.kmk.com.hk). The Company's website disseminates corporate information and other relevant financial and non-financial information electronically on a timely basis.

The Company acknowledges that general meetings are good communication channel with Shareholders and the Directors and the members of the Board committees are encouraged to attend and answer questions raised by Shareholders at the general meetings.

The Company is committed to promoting and maintaining effective communication with Shareholders and other stakeholders. The Board is committed to ensuring that the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company so as to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders to engage actively with the Company.

During the year ended 31 March 2018, there has been no significant change in the Company's constitutional documents.

ENVIRONMENT SOCIAL GOVERNANCE REPORT

INTRODUCTION

In recent years, there has been an increasing trend among environmental and CSR specialists and institutional investors, in particular to seek fundamental value in companies by analyzing enterprise value based on Environment, Social and Governance ("**ESG**") factors.

The aim of this Report is to help investors and other stakeholders understand in detail how we approach ESG issues and what we are doing in these areas, with a view to creating sustainable corporate value.

OVERVIEW

1. The Company is incorporated in Cayman Islands with its shares admitted to trading under the Stock Exchange of Hong Kong Limited since 13 October 2016, and is the parent company of various operating subsidiaries in Hong Kong (collectively the "**Group**").

2. The Company has adopted the principles and general disclosure requirements as well as the recommended disclosure (KPI) in the ESG Reporting Guide under Appendix 20 of the GEM Listing Rules as the Company's ESG Code.

3. As an established contractor in the Hong Kong car park flooring industry, the Group provides:

   (i) flooring services, which involve the application of proprietary floor coating products for the purpose of providing a colorful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and

   (ii) ancillary services, which include concrete repairing and wall painting work in Hong Kong.

4. The car park flooring services are subject to the Environmental factor, which is the first element of ESG Code, covering particularly the areas of (a) climate change, (b) sustainable use of resources, and (c) preservation of biodiversity – natural resources.

5. The ancillary services involve consideration of (a) emissions control, (b) use of resources, and (c) environmental and natural resources, which falls into the first element of ESG Code, the Environmental Factor.

6. Being a contractor, the Group requires substantial use of human resources and sound relationship with suppliers, which yields the Group to foster, inter alias, (a) respect for human and indigenous right, (b) CSR for supply chain, and (c) participation in community – the Social element of ESG Code.

7. The Company views ongoing reinforcement of corporate governance as an important management issue, which itself is covered by its corporate governance Code.

8. The annual review of the effectiveness and efficiency of the compliance with the CG Code is to be addressed in a separate Corporate Governance Report.

CORE VALUE

The Company, as a responsible corporate citizen, practices Caring, Equality, and Honesty, which serve as the cornerstone of the management's core value towards:

(a) preservation of the environment;

(b) expansion of business with integrity and fairness; and

(c) enrichment of the corporate governance for better accountability.

ENVIRONMENTAL

The Group considers the Earth itself to be the most important stakeholder and promotes business activities with this awareness.

The Board is aware that addressing environmental concerns is an important issue for contributing to the continuous development of society (along with the business activities of the Company).

Apart from the licensing requirement under the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong), we were not subject to any requirement to obtain any particular approval or permit for carrying out our business in Hong Kong, and that some of the works conducted by us are subject to environmental compliance examination under The Hong Kong Green Building Council's "BEAM Plus" scheme.

An Environmental Policy was formulated which demonstrates our commitment to environmental protection, which is reproduced below.

Environmental Policy

"The Group's environmental objectives are to prevent environmental pollution, achieve efficient use of energy, reduce waste and enhance recycling from our operations through implementation of Environmental Management System in conformity with the International Standard ISO 14001 requirements.

We are committed to

(a) provision of adequate and appropriate resources to implement this Policy;

(b) *compliance with environmental laws and other relevant requirements;*

(c) *setting environmental objectives and targets that lead to continuous environmental improvement;*

(d) *communication of this Policy to all staff and interested parties; and*

(e) *initiation and implementation of actions to prevent environmental pollution and to improve environmental performance continuously.*

All staff, subcontractors and suppliers are required to implement this Policy diligently.

This Policy will be reviewed regularly in light of experience, feedback from staff, business development, current regulations and legislation."

Environmental Management System

In line with the Environmental Policy, the Group has established effective Environmental Management System, in conformity with globally recognised ISO 14001 and ISO 50001 standards, for the provision of design, construction, installation and maintenance services to our customers.

Environmental Manual of Procedures

Manual of Procedures is in place with an aim for:

(i) the establishment and updating of documented legal and other requirements to ensure the compliance of relevant environmental laws, regulations and guidelines in all our operations;

(ii) the establishment and continual review of the adequacy of environmental objectives and targets that lead to continuous improvement in our environmental awareness and performance;

(iii) the establishment, prevention and minimizing of pollution by avoiding creating waste, maximizing beneficial reuse of material and avoiding the release of harmful substances to the environment;

(iv) the cooperation with Government, regulatory agencies and public consultation groups in the planning, management and construction of projects;

(v) the provision of sufficient training and communication channel to staff and operatives to ensure environmental aspects are properly implemented and maintained;

(vi) the execution of continual monitoring and control measures to ensure the environmental protection objectives are met;

(vii) the identification of deficiency and initiation of corrective, preventive actions which are followed through until satisfactory completion; and

(viii) the regular review of the Group's environmental performance and current environmental needs to initiate continual improvement to the Environmental Management System.

We will ensure the environmental objectives are embedded in relevant functions of the Company, and conduct regular reviews to ensure their adequacy and initiate areas for continual improvement.

Key Protective Measures

Having regard to our environmental objectives to primarily prevent environmental pollution, reduce waste and enhance waste recycling from our operations, the following key measures are in place:

1. *Waste Management Hierarchy*

   1.1 Waste Management Hierarchy has been adopted on construction sites to reduce waste production.

   1.2 Reusable wastes such as earth, broken concrete and temporary works are reused at other sites.

   1.3 Plastic waste of expired safety helmets, damaging water barriers and traffic cones will be donated for recycling.

   1.4 Pressure on landfill disposal has been reduced with these measures.

   1.5 Infrequent hazardous wastes (e.g. asbestos) as a target are to contribute, to less than 1% of total waste generated, in which they are separated and treated strictly in accordance with local regulations.

2. *Initiatives for Managing Resources*

   We have implemented the following initiatives to manage resources and energy use:

   ➢ Promote and manage fuel and electricity usage – e.g. control air conditioning at 25°C room temperature level

   ➢ Use of Lighting Management System to control power voltage for saving lighting energy – e.g. turning off lights at office compound during lunch break

   ➢ Waste water after sedimentation treatment reused for site cleaning, water suppression system, wheel washing at site access, water barrier filling, etc.

   ➢ Recycling water reuse for preliminary air lifting of bore piles

   ➢ Water dripping from air-conditioner reuse for roof sprinkler cooling system and watering of plants

➢ Phase out traditional T8 tubes with energy saving T5 fluorescence tubes and LED lightings

3. Carbon Audit

3.1 Addressing climate change is one of the most pressing issues facing the global community. In its recognition, we have a responsibility to reduce our carbon footprint.

3.2 Eco-friendly measures, such as paperless meetings, switching off lighting and appliances (computers and monitors) in lunch hours, and maintaining the room temperature at 25°C, were introduced at our office to reduce our energy and carbon emission.

4. Preservation of Biodiversity

4.1 Eco Systems supply us with food and water, regulate climate and purify the water we drink.

4.2 Hence, we strive to mitigate the impact that the business activities have on biodiversity, and seek way to contribute to eco system conservation through the business and social activities, e.g. through plantation at office and work site as far as practicable.

5. Sustainable Use of Resources

The Board is dedicated to promoting the sustainable use of resources since global environmental concerns (such as climate change and biodiversity) are inseparable from those pertaining to energy, food, water and other resources.

The Group uses environmental friendly products directly imported from England as a step to sustaining sustainable use of resources.

SOCIAL

As the cornerstone of the Company's social policy, the Board perceives that respect for human rights is a key component of Corporate Social Responsibility in the development of business with sustainability.

Social Policy – Code of Conduct

Code of Conduct stipulates that the Group will

(a) respect human rights, including entitlement of health and safety at work;

(b) not engage in discrimination on the basis of race, ethnicity, creed, religion, or any other ground;

(c) not tolerate sexual harassment;

(d) foster a proper understanding and awareness of the issue of human rights;

(e) *respect the cultures, customs and language of other countries and regions; and*

(f) *promote and maintain harmony with the communities the Company operates.*

EMPLOYMENT

The Company values its employees as its valuable asset, and has formulated an Employment Policy which strikes a well balance between result-oriented demand and secured working condition.

The Employment Policy has been consistently applied smoothly and is subject to periodic review having regard to the development of business, market employment practice and any applicable governmental regulations which may have an impact on the employment parameter of the Company.

The Group maintains a sound relationship with the employees and that the employees are of sound caliber fitting the need of the Group -- thanks to the Company's sound Employment Policy and recruitment process.

HEALTH AND SAFETY

The Group has formulated Occupational Health and Safety Policy Statement, which demonstrates our commitment to high health and safety standard, which is reproduced below.

Health and Safety Policy

*"The Group has established an effective Occupational Health and Safety ("***OH&S***") Management System bearing the objectives:*

(i) *to prevent injury and ill health in office and at worksite;*

(ii) *to ensure the occupational health, safety and welfare of all persons at worksite are maintained at high standard;*

(iii) *to take all reasonably practical measures to protect the general public from our operations; and*

(iv) *to facilitate continual improvement in OH&S management*

While our ultimate aim is the elimination of all accidents, our immediate target is zero fatalities, and an Accident Frequency Rate of less than 2 per 100,000 man hour; 5 reportable accidents per 100 workers, on an annual basis.

It is the duty of each member of staff to know the risks associated with the tasks they are involved in. They must have a proactive attitude and take a safety-first approach to ensure that all necessary precautions have been taken before work is allowed to commence.

Each staff member is responsible for ensuring that staff below them are properly trained and capable of handling the tasks delegated to them. Safety should be given first priority over all other concerns.

All employees and subcontractors, regardless of their status, found uncooperative or negligent in the implementation of the Company's Occupational Health and Safety Policy or Directives following a written warning will be subject to disciplinary action, which include summary dismissal.

The Board is ultimately responsible to advise and assist management, project ad operation staff on the understanding, implementation and maintenance of the Company's OH&S Management System and to provide information and training therewith so that they are competent to carry out their duties and responsibilities.

Subcontractors are required to comply with this Policy and Safety Manual by the implementation of similar procedures within their own organisation.

This Policy is to be communicated to all employees and actively pursued by the Company's Board of Directors, its management and all supervisory and safety personnel.

All project and operation staff are responsible to the Executive Chairman for the implementation of this Policy. The Company has assigned an Executive Director as a Compliance Officer to be responsible for overall co-ordination and implementation of the Policy.

This Policy and the associated OH&S Management System are intended to be reviewed annually or whenever necessary by the Corporate Safety Management Committee in the light of experience, feedback from employees at all levels and current regulation and legislation."

Compliance with global standard as minimum standard

In summary, compliance with the statutory and contractual requirements shall be regarded as the minimum standard of occupational health, safety and welfare at all times.

We are committed to:

(a) providing adequate and appropriate resources to implement this Policy;

(b) continuously improving its occupational health and safety performance through regular safety training, inspection and monitoring; and

(c) ensuring the management and employees at all level to assume the responsibility for implementation of OH&S Management System.

A series of measures have also been introduced at various works sites to protect the health and safety of workers. These include mini-health check stations, heat shelters and water sprinklers on roof tops to dissipate heat gain.

Through such a system, each individual brings unique elements to comply with statutory requirements and achieve the ultimate goal of continuous improvement.

Our safety system works in the following manner:

➢ our site foreman conducts regular safety inspections to ensure the works are conducted in a safe and proper manner;

➢ we require our subcontractors to abide by all applicable laws and regulations, and take safety precautions to prevent the occurrence of accidents at work sites; and

➢ non-conformities found during site inspections would be rectified immediately and any workers who committed such non-conformities would be warned accordingly.

In addition, every worker entering the work sites are required to hold the Construction Industry Safety Training Certificate, which ensures that the workers go through on-site safety training provided by the main contractors.

During the year ended 31 March 2018, we did not record any major accident involving work injuries of workers employed by us or workers employed by our subcontractors.

Overall speaking, the Company manages to maintain a satisfactory health and safety level as evident by the relatively low rate of absentee due to sickness or on-the-job accidents.

DEVELOPMENT AND TRAINING

Staff Participation

We cultivate staff growth through friendly competition and diligence which will inter alias contribute to sustainable corporate growth.

The Board is committed to creating structures and environment that allow staff to maximise their potential through meaningful work.

Measures are in place to assess where staff motivation, organisational vitality and other matters stand, for among others management improvement.

Training – internal and external

It is believed through continuous earning process, the Company's management and staff would both be enhanced in terms of quality of performance and knowledge of work for more efficiency in delivering results. Hence, we invest resources to encourage management and general staff of the Company to attend trainings (on the job or external seminar series) and practice development.

LABOUR STANDARDS

The Company has set up Policy of Labour Standard which among others provides guideline to avoid child and forced labor, which is reproduced below.

Policy of Labour Standard

Employees are obligated to follow the Company's polices including but not limited to the following:

1. No violence in the workplace
2. No sexual harassment and discrimination
3. An alcohol- and drug-free workplace
4. A non-smoking workplace
5. Immediate reporting of accidents
6. Familiarity with fire prevention and safety working procedures
7. Special arrangement for typhoons and heavy rainstorm warnings
8. Confidentiality of group data, information and documents
9. Security of property and security inspection
10. Personal integrity and general practices

Measures are in place to review employment practices to avoid child and forced labor, which include

(a) Maternity leave system in compliance with law

(b) Child care support – related human resources policies

(c) Flexi-time systems for employees providing long-term care to family members

(d) Balance their works and nursing care commitment when the need arises

(e) Avoid hiring underaged, in compliance with law

Remedial steps are being taken to eliminate such malpractices when discovered.

SUPPLY CHAIN MANAGEMENT

On recognizing that supply chain management is essential to operational efficiency, the Group works closely with suppliers and contractors to effectively and efficiently meet our customers' needs, and yet without compromising on responsible operating practices.

The Group is stringent in selecting qualified suppliers, ensuring that their entire production process is in line with our standards and specifications, and that our Environmental and Social Standards are being complied with.

The two largest suppliers which collectively represent approximately 90.6% of the total purchases of the Group maintain sound working relationship with the Group and both have granted distribution rights to the Group for the current period till 2025.

The Top five suppliers, which collectively represent approximately 97.9% of the total purchases of the Group, have a long-term business relationship sharing our belief of embedding responsible operating practice and mutual respect in the working process and relationship.

Not only do we require our new suppliers to submit all relevant documents for review, we also run background checks to evaluate their reliability.

We conduct regular inspections and evaluations to review the standards of our suppliers and are ready to cease cooperation with unqualified suppliers.

The Group is committed to developing and maintaining effective and mutually fruitful working relationships throughout our entire supply chain.

SERVICE RESPONSIBILITY

Quality Policy

The Group aims at delivering the best quality services to the customers and has formulated a Quality Policy, which is reproduced below:

"The Group is committed to

(a) Establishing quality objectives and consistently reviewing them for their suitability and continual improvement;

(b) Carrying out works in strict compliance with Statutory Requirements, Client's Specifications and our in-house standard;

(c) Enhancing the ability and staff by adopting proactive and do-thing-right-at-inception approach to the delivery of high quality of products and services to our Clients' satisfaction and exceed their expectation; and

(d) Promoting teamwork and interactive business relationship with our Clients, business partners, sub-contractors and suppliers.

All the staff of the Group are required to ensure that this Policy is communicated, understood, implemented and maintained in an effective and efficient manner, with the support of the Senior Management and the assistance from the Quality Department, as appropriate."

Quality Management System

In line with the Quality Policy, the Group has implemented a Quality Management System, so as to ensure successful fulfillment of our commitment to quality.

Continuous improvement of the efficacy of management activities, resources allocation, service realization monitoring and measurement methods of the Quality Management System is undertaken through the following activities:

(i) identifying systems and their applications necessary for the operating processes throughout the organization;

(ii) determining the sequence and interaction of processes;

(iii) determining criteria and methods required to ensure an effective realization of both the operation and monitoring of these processes;

(iv) ensuring monitoring, measurement and analysis of these processes; and

(v) ensuring the implementation of actions needed to achieve planned results and continual improvement in these processes;

We will ensure that the service quality delivered by relevant departments of the Group is strictly in compliance with our quality objectives by which regular reviews are conducted to assess their level of adequacy for continual improvement.

Quality Service Performance Highlights

The Company is committed to institute best ever quality of services provided, having regard to Quality Management System.

We respect intellectual property rights of others and ensure the team would not take any actions, whether willingly or erroneously, which would breach the other's intellectual property rights.

The Board would protect the Company's intellectual property rights by doing proper registration on a timely and cost effective manner.

The Company has in place consumer data protection and privacy policies and ensures its compliance with the applicable laws and regulations prevailing in Hong Kong.

ANTI-CORRUPTION

The Group believes that honesty, integrity and fair play are important contributors to the value of its assets and business. It is therefore important for all employees to ensure that the Group's reputation is not tarnished by dishonesty, disloyalty or corruption.

Anti-Corruption Policy primarily provides that

"All employees should decline an offer of gift if acceptance of it could affect their objectivity in conducting the Group's business, or induce them to act against the interests of the Group or lead to allegations of impropriety.

If an employee wishes to accept a gift with the amount greater than the maximum limit as stated in our Employment Policy, he/she should seek written permission from the executive director in charge of the operating unit or the Group. Any employee in breach of the code of conduct in the Employee Handbook will be subject to disciplinary action including termination of employment.

Periodic written reminders will be sent to the business partners/suppliers about the Group's policy regarding "No Acceptance of Advantages".

Conflict of Interest

It further provides that all employees should avoid any situation which may lead to an actual or perceived conflict of interest, and should make a declaration in writing to the executive director in charge of the operating unit or the Company, when such a situation arises. Failure to do so may give rise to criticism of favoritism, abuse of authority or even allegations of corruption."

The Board is mindful of prevention of bribery and mal-practice of the Group, and thus there introduce certain whistle-blowing procedures at which the whistle-blower is encouraged to report the matter to the Chairman of Audit Committee on a confidence basis.

During the year ended 31 March 2018, there did not reveal an incidence of litigation or complaints regarding corrupt practices against the Company and/or its employees.

COMMUNITY INVOLVEMENT

The Group takes an active part in fulfilling the corporate social responsibility. We strive for getting ourselves involved in the local community and extending our reach to the people in need.

1. Involvement in Community

Employees are encouraged to participate in volunteer activities which can provide opportunities for the employees to engage with the stakeholders being affected by our work.

It is believed that through involving in the community, we can understand more about the stakeholders' needs and allow our construction projects to be in harmony with the community for the betterment of the people in Hong Kong.

2. Achieving Harmony in Community

The participation in volunteer activities should facilitate the employees to have a heightened awareness of contribution to the community. This should enhance the harmony in the community.

3. Donating to Charity

The management understands that charity plays a key part in extending assistance and help for the needy or underprivileged in society. Monetary support has been offered for a number of worthy causes.

The Group believes that by helping to enrich community, both materially and spiritually, it will also meet the expectations of shareholders, and stakeholders, including customers, suppliers, employees.

RELATIONSHIP WITH VENDORS

We have established relationships with numbers of suppliers for the construction and renovation work in Hong Kong. There is no major events affecting our relationships with our suppliers.

RELATIONSHIP WITH CUSTOMERS

Our sale team maintains good relationship with our customers.

RELATIONSHIP WITH EMPLOYEES

During the year ended 31 March 2018, we are not aware of any major event affecting our relationships with our employees.

GOVERNANCE

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders.

The Group strengthens corporate management on an ongoing basis, as the foundation for ensuring social, transparent and efficient management.

Internal Control System is in place to ensure that business activities are conducted properly and in conformity with laws and its by-laws of incorporation.

During the year ended 31 March 2018, the Company had complied with the relevant provisions set out in the CG Code, save that the role and responsibilities of Chairman and the Chief Executive Officer are not separated for the Board. The Group believes that the Chairman who has been engaging in management of the Company over 14 years and should be for the best benefit of the Company (and Shareholders) for the Chairman to continue to serve as Chief Executive Officer.

Further details of the Group's corporate governance policy and compliance with the CG Code are set out in the Corporate Governance Report.

DIRECTORS' REPORT

The Board hereby presents the annual report and the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The Company is the investment holding company of the Group. The Company's operating subsidiaries principally engage in providing (i) flooring services which involve the application of proprietary floor coating products for the purpose of providing a colourful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and (ii) ancillary services which include concrete repairing and wall painting work in Hong Kong.

For further particulars of the subsidiaries of the Group, details of which are set out in note 27(a) to the consolidated financial statements in this report.

BUSINESS REVIEW

For the development, performance or position of the Group's business, details are set out in the section headed "Chairman's Statement" on page 4 and the section headed "Management Discussion and Analysis" on pages 8 to 12 of this report.

For the principal financial risks and uncertainties facing the Company, details are set out in note 3 to the consolidated financial statements in this report.

(A) Environmental policies and performance

The Board is aware that addressing environmental concerns is an important issue for contributing to the continuous development of society (along with the business activities of the Company).

The Group's operation is not subject to any environmental requirements in Hong Kong, except the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) (the "**Dangerous Goods Ordinance**"), and that some of the works conducted by the Group are subject to environmental compliance examination under The Hong Kong Green Building Council's "BEAM Plus" scheme. The Group has established effective environmental management system in conformity with the international standard requirements, for the provision of design, construction, installation and maintenance services to the customers.

An environmental policy and manual of procedures have been effective upon Listing which demonstrates the Group's commitment to environmental protection. All staff, subcontractors and suppliers are required to diligently implement the policy and the manual, which will be reviewed regularly in light of experience, feedback from staff, business development, current regulations and legislation.

(B) Compliance with laws and regulations

Apart from the licensing requirement under the Dangerous Goods Ordinance, the Group is not subject to any requirement to obtain any particular approval or permit for carrying out the business in Hong Kong. The Dangerous Goods Ordinance controls the usage, storage, manufacturing and conveyance of the dangerous goods under the ordinance and sets out the relevant licensing requirements in relation to these activities.

To the best knowledge and belief of the Directors, the Group's operation in Hong Kong has complied with the applicable laws and regulations in all material respects during the year ended 31 March 2018, and up to the date of this report.

(C) Key relationships with employees, customers and suppliers

The Directors are of the view that the Company has maintained good relationship with its employees, customers, suppliers and bankers.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2018 are presented in the consolidated statement of comprehensive income on page 52 of this report.

During the year ended 31 March 2018, no dividend was declared to the shareholders of the Company.

The Board recommended the payment of a final dividend of HK1.4 cents per share for the year ended 31 March 2018, subject to the approval of the Shareholders at the forthcoming annual general meeting on 3 August 2018 (the "**AGM**").

SUMMARY FINANCIAL INFORMATION

A summary of the results and the assets and liabilities of the Group, as extracted from the prospectus of the Company dated 30 September 2016 (the "**Prospectus**") and the consolidated financial statements of the Company for the years ended 31 March 2016, 2017 and 2018 are set out on page 100 of this report.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by our Group during the year ended 31 March 2018 are set out in note 26 to the consolidated financial statements in this report.

The Group entered into a tenancy agreement (as tenant) for a warehouse (the "**Warehouse**") with one of the executive Directors (as landlord) in August 2017 and such transaction once constituted a de minimis continuing connected transaction of the Company upon Listing, which are fully exempt from the reporting announcement, independent shareholders' approval, annual review and all other relevant disclosure requirements under Chapter 20 of the GEM Listing Rules.

The independent non-executive Directors are of the view that (i) the aforesaid connected transaction was entered in the ordinary and usual course of business of the Group, on normal commercial terms or better; and (ii) the terms are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The Group entered into a sale and purchase agreement in February 2018 to acquire the Warehouse with one of the executive Director as one of the vendors in consideration of HK$4,180,000. Such transaction constituted a connected company of the Company and was only subject to the reporting and announcement requirements, and was exempt from the independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Board (including the independent non-executive Directors) was of the view that (i) the acquisition was entered into after arm's length negotiations and in the ordinary and usual course of business of the Group, on normal commercial terms or better; and (ii) the terms of the acquisition are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 March 2018 are set out in note 12 to the consolidated financial statements in this report.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Scheme**") on 24 September 2016, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to the Prospectus. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share option has been granted or exercised under the Scheme during the year ended 31 March 2018. No share option was outstanding as at 31 March 2018.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2018.

DEBENTURE

No debenture was issued by the Company during the year ended 31 March 2018.

EQUITY-LINKED AGREEMENT

Save as the share option scheme as disclosed in the paragraph headed "Share Option Scheme" in this Directors' report, no equity-linked agreement was entered into by the Company or subsisted during the year ended 31 March 2018 which (a) will or may result in the Company issuing shares; or (b) requires the Company to enter into an agreement that will or may result in the Company issuing shares were entered into by the Company.

DONATION

The Group has not made any charitable donation during the year ended 31 March 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, each Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate insurance cover in respect of claims and legal actions against the Directors and its officers.

DISCLOSURE OF INTERESTS

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

As at 31 March 2018, the interests and short positions of the Directors or chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares

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

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

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executive officer of the Company had any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

So far as the Directors were aware, as at 31 March 2018, the following persons (other than the Directors or chief executive officer of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register of interests required to be kept under section 336 of the SFO:

Long Position in the Shares

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

Notes:

1. Sage City is a company incorporated in the British Virgin Islands and is owned by Mr. Kwong and Mr. Yip Kong Lok as to 70% and 30%, respectively. Mr. Kwong is the chairman, an executive Director of the Company and a director of Sage City. Mr. Yip Kong Lok is a senior management of the Company.

2. Ms. Li Chuen Chun is the spouse of Mr. Kwong and is deemed to be interested in all the Shares in which Mr. Kwong is interested for the purposes of the SFO.

Save as disclosed above, as at 31 March 2018, the Directors were aware that any persons (other than the Directors or chief executive officer of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were required to be recorded in the register of interests required to be kept under section 336 of the SFO.

DIRECTORS AND THEIR SERVICE CONTRACTS

The composition of the Board from the Listing Date up to the date of this report is set out as follows.

Executive Directors

Mr. Kwong Chi Man (Chairman) (re-elected on 2 August 2017)
Mr. Yip Wai Man (re-elected on 2 August 2017)

Independent non-executive Directors

Ms. Yu Wan Wah Amparo (re-elected on 2 August 2017)
Mr. Law Pui Cheung (re-elected on 2 August 2017)
Mr. Wat Danny Hiu Yan (re-elected on 2 August 2017)

Each Director has entered into a service agreement or letter of appointment with the Company for initially a fixed term of three years commencing from the date of being re-elected and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

Biography details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 5 to 7 of this report.

The Company has received an annual confirmation of independence from each independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the independent non-executive Directors to be independent as at the date of this report.

None of the Directors has entered into any service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

EMOLUMENT OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emolument of the Directors and the five highest paid individuals of the Group are set out in notes 18 and 23 to the consolidated financial statements in this report

EMOLUMENT POLICY

The remuneration committee of the Board will make recommendations on the remuneration of the Directors and senior management. The remuneration committee regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as the transactions set out in note 26 to the consolidated financial statements in this report, the Group has not entered into any transaction, arrangement or contract that is significant in relation to the Group's business to which any of member of the Group was a party and in which a Director or a connected entity of that Director had, directly or indirectly, a material interest.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

INTEREST OF CONTROLLING SHAREHOLDERS

Save as disclosed in this report, the Directors are not aware of any business or interest of the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2018.

NON-COMPETITION UNDERTAKING

Each of Mr. Kwong and Saga City (together the "**Covenantors**") entered into a deed of non-competition in favour of the Group (the "**Deed of Non-competition**") on 24 September 2016, details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Deed of non-competition" in the Prospectus (the "**Non-competition Undertaking**").

The Company received from each of the Covenantors an annual confirmation on their respective compliance of the Non-competition Undertaking. The independent non-executive Directors have reviewed the compliance of the Non-competition Undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with the Non-competition Undertaking for the year ended 31 March 2018.

LOCK-UP UNDERTAKING

Each of the Covenantors has also undertaken to the Group and the Stock Exchange on voluntary lock-up undertaking in respect of their interest of shares in the Company, details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Independence from Controlling Shareholders – Voluntary lock-up undertaking by our Controlling Shareholders" in the Prospectus (the "**Lock-Up Undertaking**").

The Company received from each of the Covenantors an annual confirmation on their respective compliance of the Lock-Up Undertaking. The Directors have reviewed the compliance of the Lock-Up Undertaking and evaluated its effective implementation, and they were satisfied with the Covenantors' compliance with the Lock-Up Undertaking for the year ended 31 March 2018.

MANAGEMENT CONTRACT

During the year ended 31 March 2018, neither the Company nor its subsidiaries has entered into a contract by which (a) a person undertakes the management and administration of the whole or any substantial part of the business of the Company; and (b) the contract is not a contract of service with any Director or any person engaged in the full-time employment of the Company.

MAJOR CUSTOMERS

For the year ended 31 March 2018, the Group's five largest customers accounted for approximately 56.6% of the total revenue of the Group and the largest customer of the Group accounted for approximately 14.0% of the total revenue.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.

MAJOR SUPPLIERS AND SUBCONTRACTORS

For the year ended 31 March 2018, the Group's five largest suppliers and subcontractors accounted for approximately 71.1% of the total direct costs of the Group and the largest supplier and subcontractor of the Group accounted for approximately 45.7% of the total direct costs.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers and subcontractors.

CORPORATE GOVERNANCE

The corporate governance report of the Company for the year ended 31 March 2018 is set out on pages 13 to 21 of this report.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Alliance Capital Partners Limited ("**ACP**"), as at 31 March 2018, save as the compliance adviser agreement entered into between the Company and ACP dated 17 June 2016, neither ACP nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the public float of the Company's issued securities is sufficient with at least 25% held by the public.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company's reserves available for distribution to its shareholders, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$15.5 million.

AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been audited by PricewaterhouseCoopers ("**PwC**"). PwC will retire, and being eligible, offer themselves for re-appointment at the AGM. A resolution for their re-appointment as the auditor of the Company will be proposed at the AGM.

EVENTS AFTER THE REPORTING PERIOD

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

By order of the Board
Kwong Man Kee Group Limited
Mr. Kwong Chi Man
Chairman and Executive Director

Hong Kong, 22 June 2018

羅兵咸永道

To the Shareholders of Kwong Man Kee Group Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Kwong Man Kee Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 54, which comprise:

- the consolidated statement of financial position as at 31 March 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition on construction contracts
- Impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition on construction contracts	
Refer to notes 2.11, 4(a) and 5 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. For the year ended 31 March 2018, revenue from construction contracts was HK$75.6 million, representing over 98% of the Group's total revenue. Revenue from construction contracts is recognised based on the stage of completion of the Group's projects, which is calculated as a ratio of "total cost incurred" to "total estimated costs for each project". Based on the stage of completion, the Group recognises revenue as a percentage of the total contract amount at the end of a reporting period. Management judgement is involved in the estimation of total cost to complete, including assessment of future cost of materials and subcontracting costs.	Our audit procedures included testing the Group's internal controls over revenue recognition. Specifically, we tested the effectiveness of key management controls designed and implemented over the process to record contract costs and contract revenues and the calculation of the stage of completion by checking a sample of projects to underlying supporting documents such as quotation budgets, sales invoices and customer acceptance notices approved by management. We assessed and challenged management's assumptions on estimated costs to complete for a sample of projects, including future subcontracting and material costs, by referring to actual costs incurred for previously completed projects. We also tested the mathematical accuracy of the estimated costs to complete. We tested the total cost incurred as at the end of the reporting period, on a sample basis, by checking to the underlying documents supporting these costs (including invoices of material costs and subcontracting fees). This included performing cut-off testing on a sample basis for the revenue recognised near the end of the reporting period, by checking the appropriateness of the revenue journal entry timing.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition on construction contracts (continued)	
We focused on this area as the determination of stage of completion for a project involves significant management judgement, which in turn affects the recognition of revenue for the Group.	We also discussed the status of projects under construction with management to determine whether there could be other factors affecting the calculation of stage of completion, for example potential claims, by checking to subsequent events and financial information available to us. Based on our audit procedures performed, we found that the recognition of construction contract revenue based on stage of completion was supported by the available evidence.
Impairment of trade receivables	
Refer to notes 2.9, 4(b) and 8 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. We focused on this area because trade receivables represent 43% of current assets and certain balances are long aged. There is also subjective judgement over both the timing of recognition and the magnitude of trade receivables impairment, which amounted to approximately HK$2.2 million as at 31 March 2018. Management estimates impairment of trade receivables that are individually significant by considering the ageing profiles, their knowledge about the customers, market conditions, and past settlement patterns.	We evaluated and tested the design and operating effectiveness of the key management controls over debt collection and the impairment assessment process, in particular those over the identification of impaired receivables and the calculation of the impairment provision. We tested the accuracy of the ageing of trade receivables on a sample basis by tracing to the respective invoices. We discussed with management the recoverability of individually significant receivables, corroborating management explanations by checking to the status of underlying projects, information about contracted parties and subsequent settlements, if any. We also tested the existence of subsequent settlement on a sample basis by checking to the underlying bank pay-in slips. We found that management's assessment of the provision for impairment of trade receivables was supported by the available audit evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chung Kit Yi, Kitty.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 June 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	As at 31 March 2018 HK$	2017 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	6	**40,927,306**	3,695,324
Prepayments for non-current assets	9	**215,923**	8,544,300
		41,143,229	12,239,624
Current assets			
Inventories	7	**13,843,132**	1,859,875
Trade and retention receivables	8	**41,015,023**	33,485,473
Prepayments and other receivables	9	**1,143,630**	975,507
Amounts due from customers for contract work	10	**5,350,241**	414,716
Current income tax recoverable		**1,801,082**	1,010,510
Cash and cash equivalents	11	**17,977,073**	35,085,289
		81,130,181	72,831,370
Total assets		**122,273,410**	85,070,994
EQUITY			
Share capital	12	**6,000,000**	6,000,000
Reserves		**61,283,063**	61,283,063
Retained earnings		**15,466,937**	8,820,284
Total equity		**82,750,000**	76,103,347
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	**205,840**	29,503
Current liabilities			
Trade payables	14	**16,424,747**	7,818,371
Accruals and other payables	15	**2,282,074**	845,545
Amounts due to customers for contract work	10	**8,984,647**	274,228
Bank borrowings	16	**11,431,894**	–
Current income tax liabilities		**194,208**	–
		39,317,570	8,938,144
Total liabilities		**39,523,410**	8,967,647
Total equity and liabilities		**122,273,410**	85,070,994

The notes on pages 55 to 99 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 51 to 54 were approved by the Board of Directors on 22 June 2018 and were signed on its behalf.

Mr. Kwong Chi Man
Director

Mr. Yip Wai Man
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	Year ended 31 March 2018 HK$	2017 HK$
Revenue	5	**77,094,366**	72,362,730
Cost of sales	17	**(50,740,322)**	(43,020,269)
Gross profit		**26,354,044**	29,342,461
Other income and gain		**99,404**	9,439
General and administrative expenses	17	**(18,558,225)**	(29,922,135)
Operating profit/(loss)		**7,895,223**	(570,235)
Finance (costs)/income, net	19	**(233,848)**	9,176
Profit/(loss) before income tax		**7,661,375**	(561,059)
Income tax expense	20	**(1,014,722)**	(2,277,034)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to owners of the Company		**6,646,653**	(2,838,093)
Earnings/(loss) per share attributable to owners of the Company			
– Basic and diluted (HK cents per share)	22	**1.11**	(0.55)

The notes on pages 55 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital (Note 12(a)) HK$	Share premium (Note 12(a)) HK$	Capital Reserve (Note 12(b)) HK$	Shareholder contribution (Note 12(c)) HK$	Retained earnings HK$	Total HK$
Balance at 1 April 2016	77,500	–	(77,392)	8,800,000	15,158,377	23,958,485
Loss and total comprehensive loss for the year	–	–	–	–	(2,838,093)	(2,838,093)
Transactions with owners in their capacity as owners:						
Capital reserve arising on business combination	(77,500)	–	77,500	–	–	–
Additional paid in capital	100	–	–	–	–	100
Issuance of shares pursuant to capitalisation	4,499,900	(4,499,900)				–
Share issued pursuant to Listing	1,500,000	63,000,000	–	–	–	64,500,000
Listing expenses charged to share premium	–	(6,017,145)	–	–	–	(6,017,145)
Dividend	–	–	–	–	(3,500,000)	(3,500,000)
Total transactions with owners, recognised directly in equity	5,922,500	52,482,955	77,500	–	(3,500,000)	54,982,955
Balance at 31 March 2017	6,000,000	52,482,955	108	8,800,000	8,820,284	76,103,347
Balance at 1 April 2017	**6,000,000**	**52,482,955**	**108**	**8,800,000**	**8,820,284**	**76,103,347**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**6,646,653**	**6,646,653**
Balance at 31 March 2018	**6,000,000**	**52,482,955**	**108**	**8,800,000**	**15,466,937**	**82,750,000**

The notes on pages 55 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Note	2018 HK$	2017 HK$
		Year ended 31 March	
Cash flows from operating activities			
Net cash generated from/(used in) operations	25(a)	**3,231,071**	(17,164,285)
Hong Kong profits tax paid		**(1,434,749)**	(5,689,517)
Net cash generated from/(used in) operating activities		**1,796,322**	(22,853,802)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(29,977,500)**	(3,725,706)
Prepayments for property, plant and equipment		**(215,923)**	(8,544,300)
Interest income received		**28**	16,781
Proceeds on disposal of property, plant and equipment	25(b)	**90,839**	–
Net cash used in investing activities		**(30,102,556)**	(12,253,225)
Cash flows from financing activities			
Contribution from shareholders		**–**	100
Issuance of ordinary share capital		**–**	64,500,000
Dividends paid		**–**	(3,500,000)
Payment for listing expenses		**–**	(4,972,500)
Proceeds from bank borrowings	25(c)	**11,992,000**	10,000,000
Repayment of bank borrowings	25(c)	**(560,106)**	(10,000,000)
Interest paid		**(233,876)**	(7,605)
Net cash generated from financing activities		**11,198,018**	56,019,995
Net (decrease)/increase in cash and cash equivalents		**(17,108,216)**	20,912,968
Cash and cash equivalents at beginning of the year		**35,085,289**	14,172,321
Cash and cash equivalents at end of the year		**17,977,073**	35,085,289

The notes on pages 55 to 99 are an integral part of these consolidated financial statements.

1.1 GENERAL INFORMATION

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

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

The consolidated financial statements is presented in Hong Kong dollars ("HK$"), unless otherwise stated.

The Company listed its shares on GEM of The Stock Exchange of Hong Kong Limited on 13 October 2016 (the "Listing").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements has been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New standards and amendments to standards adopted by the Group

The following new and amendments to standards are mandatory for the financial year beginning 1 April 2017.

HKAS 7 (Amendments)	Statement of Cash Flows
HKAS 12 (Amendments)	Income Taxes
HKFRS 12 (Amendments)	Disclosures of Interest in Other Entities

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group's results and financial position.

There are no other new standards and amendments to standards that are effective for the first time for the financial year beginning on or after 1 April 2017 that are expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to standards that are not yet effective and have not been early adopted by the Group

The following new standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after 1 April 2018 or later periods and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after	*Note*
HKFRS1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 Cycle	1 April 2018	
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 April 2018	
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 April 2018	
HKFRS 9	Financial Instruments	1 April 2018	*Note (i)*
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 April 2019	
HKFRS 10 (Amendments) and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	
HKFRS 15	Revenue from Contracts with Customers	1 April 2018	*Note (ii)*
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 April 2018	*Note (ii)*
HKFRS 16	Leases	1 April 2019	*Note (iii)*
HK(IFRIC) Int 22	Foreign Currency Transactions and Advance Consideration	1 April 2018	
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatments	1 April 2019	
HKFRS 17	Insurance Contracts	1 April 2021	
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures	1 April 2019	
HKAS 40 (Amendments)	Transfers of Investment Property	1 April 2018	
HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 (Amendments)	Annual Improvements 2015-2017 Cycle	1 April 2019	

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to standards that are not yet effective and have not been early adopted by the Group (Continued)

Note (i): HKFRS 9, 'Financial instruments'

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial position and does not expect the new guidance to affect the classification and measurement of financial assets. There will also be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. The Group considers that there will be no material adverse change in the credit risks in respect of the Group's future financial assets and the adoption of the new expected credit losses model under HKFRS 9 will not have significant impact on its financial performance and position.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 April 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to standards that are not yet effective and have not been early adopted by the Group (Continued)

Note (ii): HKFRS 15, 'Revenue from contracts with customers'

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies three situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to standards that are not yet effective and have not been early adopted by the Group (Continued)

Note (ii): HKFRS 15, 'Revenue from contracts with customers' (Continued)

Impact (Continued)

The Group has assessed that its contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. Methods that can be used under HKFRS 15 to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time include (i) output method (i.e. recognise revenue on the basis of direct measurement of the value to the customer of the entity's performance to date) and; (ii) input method (i.e. recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation). In measuring the work progress under the new revenue standard, the Group considers that an input method with reference to "total cost incurred" to "total estimated costs for each project" to depict the transfer of control of goods or services to customers for individual projects under the new standard. The management expects the impacts on the Group's financial results and position upon the adoption of the HKFRS 15 are not material.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 April 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

Note (iii): HKFRS 16, 'Leases'

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK$63,000 (Note 24). The management expects the impacts on the Group's financial results and position upon the adoption of the HKFRS 16 are not material.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

Consolidation

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in HK$, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company who make strategic decisions.

2.5 Property, plant and equipment

The property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the period of lease
Buildings	30 years
Leasehold improvements	Shorter of remaining period of the lease or 3 years
Furniture and equipment	3 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation are at least tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises costs of purchase and other costs incurred in bringing the inventories to the construction sites to be consumed in the provision of construction services.

2.8 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables and cash and cash equivalents.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investments and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables is subsequently carried at amortised cost using the effective interest method.

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Trade, retention and other receivables

Trade, retention and other receivables are amounts due from customers for services performed in the ordinary course of business. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within general and administrative expenses. When a trade, retention and other receivable is uncollectible, it is written off against the allowance account for trade, retention and other receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the consolidated statement of comprehensive income.

If collection of trade, retention and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

2.11 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to costs incurred to date as a percentage of total contract costs.

All construction contract by the Group are warranted to be free of defects for a period of one year. Expected cost for warranty repairs are accrued when necessary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attribute to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of construction services in the ordinary course of the Group's activities. Revenue is shown net of discounts.

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in note 2.11 above.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group participates in a defined contribution plan in Hong Kong and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Long service payment liabilities

The Group's net obligation in respect of long service accounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine the present value and reduced by entitlements accrued under the defined contribution scheme.

(d) Bonus plan

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Operating lease (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the leases.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Interest rate risk

The Group's cash flow interest rate risk arises from bank deposits and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rate profile of borrowings is disclosed in Note 16. The bank deposits generate interest at the prevailing market interest rates.

As at 31 March 2018, if interest rates had been 25 basis points higher/lower with all other variables held constant, the Group's profit for the year would have increased/decreased by approximately HK$14,000 (2017: HK$73,000), mainly as a result of higher/lower interest income and expense on floating rate bank deposits and borrowings

(b) Credit risk

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

The Group's primary cash requirements have been for payments for capital expenditures, loan repayment, trade payables, other creditors, accrued liabilities and operating expenses. Accordingly the directors are of the opinion that the Group does not have significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Fair values of balances due on demand or less than 1 year appropriate their carrying balances as the impact of discounting is not significant.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effect.

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$	HK$	HK$	HK$
As at 31 March 2018				
Trade payables	**16,424,747**	**–**	**–**	**16,424,747**
Other payables	**778,817**	**–**	**–**	**778,817**
Bank borrowings and interest payables	**11,698,776**	**–**	**–**	**11,698,776**
	28,902,340	**–**	**–**	**28,902,340**
As at 31 March 2017				
Trade payables	7,818,371	–	–	7,818,371
Other payables	157,807	–	–	157,807
	7,976,178	–	–	7,976,178

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Based on the internal information provided by management, it is expected that the lender will not exercise its rights to demand repayment. The expected cash flows with reference to the schedule of repayments set out in the loan agreements are as follows:

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$	Total HK$
As at 31 March 2018					
Bank borrowings and interest payables	**952,777**	**952,777**	**2,858,331**	**8,734,542**	**13,498,427**

3.2 Capital risk management

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

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

Total capital of the Group is calculated as total equity plus total borrowings, if any. Management considers that the Group's capital risk is minimal as at 31 March 2017 as there was no borrowings.

The gearing ratio of the Group was as follows:

	As at 31 March	
	2018	2017
	HK$	HK$
Total borrowings	**11,431,894**	–
Total equity	**82,750,000**	76,103,347
Total capital	**94,181,894**	76,103,347
Gearing ratio	**12.1%**	N/A

As at 31 March 2018, banking facilities of HK$11,431,894 (2017: nil) were granted by a bank to a subsidiary of the Group, all of which have been utilised during the year. The Group is in compliance with the covenants of the banking facilities (Note 16).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Construction contracts

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

(b) Provision for trade and retention receivables

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

(c) Income taxes

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

5 REVENUE AND SEGMENT INFORMATION

	Year ended 31 March	
	2018	2017
	HK$	HK$
Flooring	**75,584,164**	70,052,894
Ancillary services	**1,510,202**	2,309,836
	77,094,366	72,362,730

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

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

The Group primarily operates in Hong Kong with all its non-current assets located in and capital expenditure incurred in Hong Kong. The Group started its business in Macau in August 2017. Revenue was earned from customers located in both Hong Kong and Macau of HK$69,201,145 and HK$7,893,221, respectively.

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March	
	2018	2017
	HK$	HK$
Customer A	**9,724,875**	8,162,150
Customer B	**8,934,906**	7,735,456
Customer C	**10,792,833**	N/A

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture and equipment	Leasehold improvements	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$
At 1 April 2016					
Cost	–	1,462,395	131,037	1,547,936	3,141,368
Accumulated depreciation	–	(1,133,430)	(131,037)	(1,404,379)	(2,668,846)
Net book amount	–	328,965	–	143,557	472,522
Year ended 31 March 2017					
Opening net book amount	–	328,965	–	143,557	472,522
Additions	2,973,320	596,556	155,830	–	3,725,706
Depreciation	(16,518)	(299,265)	(43,564)	(143,557)	(502,904)
Closing net book amount	2,956,802	626,256	112,266	–	3,695,324
At 31 March 2017					
Cost	2,973,320	2,058,951	286,867	1,547,936	6,867,074
Accumulated depreciation	(16,518)	(1,432,695)	(174,601)	(1,547,936)	(3,171,750)
Net book amount	2,956,802	626,256	112,266	–	3,695,324
Year ended 31 March 2018					
Opening net book amount	**2,956,802**	**626,256**	**112,266**	**–**	**3,695,324**
Additions	**36,581,001**	**468,379**	**1,158,838**	**545,350**	**38,753,568**
Depreciation	**(898,116)**	**(429,239)**	**(15,487)**	**(85,575)**	**(1,428,417)**
Write-off	**–**	**–**	**(93,169)**	**–**	**(93,169)**
Closing net book amount	**38,639,687**	**665,396**	**1,162,448**	**459,775**	**40,927,306**
At 31 March 2018					
Cost	**39,554,321**	**2,527,330**	**1,299,875**	**1,985,286**	**45,366,812**
Accumulated depreciation	**(914,634)**	**(1,861,934)**	**(137,427)**	**(1,525,511)**	**(4,439,506)**
Net book amount	**38,639,687**	**665,396**	**1,162,448**	**459,775**	**40,927,306**

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 March 2018, depreciation of HK$249,761 (2017: HK$143,911) and HK$1,178,656 (2017: HK$358,993) were charged to "cost of sales" and "general and administrative expenses" in the consolidated statement of comprehensive income, respectively.

During the year ended 31 March 2018, property, plant and equipment with cost of HK$108,000 and accumulated depreciation of HK$108,000 were disposed, and cost of HK$145,830 and accumulated depreciation of HK$52,661 were written off.

As at 31 March 2018, bank borrowings are secured by certain land and buildings of the Group with carrying amounts of HK$29,376,750 (2017: nil) (Note 16).

7 INVENTORIES

	Year ended 31 March	
	2018	2017
	HK$	HK$
Flooring materials	**13,843,132**	1,859,875

During the year ended 31 March 2018, the costs of inventories recognised as expense and included in cost of sales amounted to HK$27,708,993 (2017: HK$27,524,223).

As at 31 March 2018, a batch of inventories was considered as obsolete. A provision of HK$151,985 was made as at 31 March 2018 (2017: HK$83,379).

8 TRADE AND RETENTION RECEIVABLES

	Year ended 31 March	
	2018	2017
	HK$	HK$
Trade receivables	**37,146,668**	29,357,481
Less: provision for impairment	**(2,227,168)**	(1,535,066)
Trade receivables, net	**34,919,500**	27,822,415
Retention receivables	**6,095,523**	5,663,058
	41,015,023	33,485,473

8 TRADE AND RETENTION RECEIVABLES (Continued)

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

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

	As at 31 March	
	2018	2017
	HK$	HK$
1 – 30 days	**19,470,200**	11,821,755
31 – 60 days	**2,575,784**	2,393,028
61 – 90 days	**3,428,050**	933,090
Over 90 days	**11,672,634**	14,209,608
	37,146,668	29,357,481

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

	As at 31 March	
	2018	2017
	HK$	HK$
Within 1 year	**3,130,550**	2,650,640
Between 1 to 5 years	**2,964,973**	3,012,418
	6,095,523	5,663,058

8 TRADE AND RETENTION RECEIVABLES (Continued)

As of 31 March 2018, trade receivables of HK$17,676,468 (2017: HK$17,535,726) were past due but not impaired. These relate to certain independent customers for whom there is no recent history of default. The ageing of these trade receivables is as follows:

	As at 31 March	
	2018	2017
	HK$	HK$
1 – 30 days	**2,575,784**	2,393,028
31 – 60 days	**3,428,050**	933,090
61 – 90 days	**1,839,955**	2,061,679
Over 90 days	**9,832,679**	12,147,929
	17,676,468	17,535,726

As at 31 March 2018, trade receivables of HK$2,227,168 (2017: HK$1,535,066) were impaired. The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations or have delayed payment for a prolonged period of time. The ageing of these trade receivables is as follows:

	As at 31 March	
	2018	2017
	HK$	HK$
Overdue by more than 1 year	**2,227,168**	1,535,066

During the year ended 31 March 2018, trade receivables of HK$832,954 (2017: HK$205,880) were written off as uncollectible. Movements on the provision for impairment of trade receivables are as follows:

	As at 31 March	
	2018	2017
	HK$	HK$
As at 1 April	**1,535,066**	–
Provision for impairment	**1,800,000**	1,740,946
Reversal of provision for impairment	**(274,944)**	–
Write-off of provision for impairment	**(832,954)**	(205,880)
As at 31 March	**2,227,168**	1,535,066

8 TRADE AND RETENTION RECEIVABLES (Continued)

As of 31 March 2018, retention receivables of HK$2,964,973 (2017: HK$906,094) were past due but not impaired. These relate to certain independent customers for whom there is no recent history of default. The ageing of these retention receivables is as follows:

	As at 31 March	
	2018	2017
	HK$	HK$
Within 1 year	**2,601,083**	293,173
Between 1 to 2 years	**95,950**	473,672
Over 2 years	**267,940**	139,249
	2,964,973	906,094

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

Trade and retention receivables are denominated in the following currencies:

	As at 31 March	
	2018	2017
	HK$	HK$
HK$	**42,725,668**	35,020,539
Macau Pataca ("MOP")	**516,523**	–
	43,242,191	35,020,539

9 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2018	2017
	HK$	HK$
Prepayments	**1,261,145**	9,270,910
Other receivables	**98,408**	248,897
	1,359,553	9,519,807
Less: Non-current – prepayments for non-current assets	**(215,923)**	(8,544,300)
	1,143,630	975,507

The carrying amounts of the Group's other receivables are denominated in HK$.

As at 31 March 2018, the carrying amounts of other receivables approximate their fair values.

10 CONTRACTING WORK IN PROGRESS

	As at 31 March	
	2018	2017
	HK$	HK$
Contract costs incurred plus attributable profits less foreseeable losses to date	**34,265,810**	5,886,529
Progress billings to date	**(37,900,216)**	(5,746,041)
	(3,634,406)	140,488

10 CONTRACTING WORK IN PROGRESS (continued)

Included in current assets/(liabilities) as follows:

	As at 31 March	
	2018	2017
	HK$	HK$
Due from customers for contract work	**5,350,241**	414,716
Due to customers for contract work	**(8,984,647)**	(274,228)
	(3,634,406)	140,488

11 CASH AND CASH EQUIVALENTS

	As at 31 March	
	2018	2017
	HK$	HK$
Cash at bank and on hand	**17,977,073**	35,085,289
Maximum exposure to credit risk	**17,966,623**	35,080,189

Cash and cash equivalents are denominated in the following currencies:

	As at 31 March	
	2018	2017
	HK$	HK$
HK$	**17,508,794**	35,085,289
MOP	**467,905**	–
Chinese Renminbi ("RMB")	**374**	–
	17,977,073	35,085,289

12 SHARE CAPITAL AND RESERVES

(a) Share capital and premium

	Number of ordinary share	Nominal value of ordinary share HK$
Authorised:		
Ordinary shares at HK$0.01 each as at 30 May 2016 (date of incorporation) *(note (a))*	500,000,000	5,000,000
Increase in the authorised share capital on 13 June 2016 *(note (b))*	1,500,000,000	15,000,000
At 31 March 2017 and 1 April 2017 and 31 March 2018	**2,000,000,000**	**20,000,000**

	Number of ordinary share	Nominal value of ordinary share HK$	Share premium HK$
Issued and fully paid:			
Ordinary shares of HK$0.01 each as at 30 May 2016 (date of incorporation) *(note (a))*	1	–	–
Issue of ordinary shares of HK$0.01 each on 16 June 2016 *(note (c))*	9,999	100	–
Issuance of shares pursuant to capitalisation *(note (d))*	449,990,000	4,499,900	(4,499,900)
Issuance of ordinary shares HK$0.43 each on 13 October 2016 *(note (e))*	150,000,000	1,500,000	63,000,000
Listing expenses charged to share premium	–	–	(6,017,145)
At 31 March 2017, 1 April 2017 and 31 March 2018	**600,000,000**	**6,000,000**	**52,482,955**

12 SHARE CAPITAL AND RESERVES (continued)

(a) Share capital (continued)

Notes:

(a) On 30 May 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$5,000,000 divided into 500,000,000 shares of HK$0.01 each. On the date of its incorporation, one fully paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was later transferred to Sage City on 30 May 2016.

(b) On 13 June 2016, the authorised share capital of the Company was increased from HK$5,000,000 divided into 500,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares by creation of an additional 1,500,000,000 shares.

(c) On 16 June 2016, Sage City, Speedtown Limited ("Speedtown"), Marine Assets Holding Limited ("Marine Assets"), United Solutions Investment Limited ("United Solutions") and Silver Thrive Investment Limited ("Silver Thrive") as vendors and the Company as purchaser entered into a share swap agreement, pursuant to which the Company acquired 8,350, 366, 367, 367 and 550 shares of Victor Ease Limited ("Victor Ease") from Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive respectively, and as consideration for which 8,349, 366, 367, 367 and 550 shares were allotted and issued to Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive respectively, all credited as fully paid.

(d) Pursuant to the written resolutions passed by the shareholder on 24 September 2016, conditional upon Listing and subject to the share premium account of the Company having sufficient balance or otherwise being credited as a result of the issue of the offer shares by the Company pursuant to the placing and the public offer in relation to the Listing, the Company capitalised an amount of HK$4,499,900 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 449,990,000 shares for allotment and issue to the persons whose names appeared on the register of members of the Company. On 13 October 2016, the shares of the Company were listed on GEM of The Hong Kong Stock Exchange Limited and the aforementioned conditions were fulfilled.

Accordingly, the said amount was capitalised standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 449,990,000 shares for allotment and issue to the persons whose names appeared on the register of members of the Company.

(e) Upon the completion of the Listing, 150,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.43 per share for a total consideration of HK$64,500,000.

12 SHARE CAPITAL AND RESERVES (continued)

(b) Capital reserve

Capital reserve as presented in the consolidated statement of financial position as at 31 March 2018 and 2017 represents the contribution made by shareholders for 1000 shares of the Company as part of the reorganisation and 1 share of Victor Ease at nominal value on the date of its incorporation.

(c) Shareholder contribution

The Group operated an equity-settled share-based compensation plan, under which the Group received services from Mr. Yip Kong Lok ("Mr. Yip"), a then consultancy service provider and a member of the senior management of the Group. Under the share-based compensation plan, Mr. Yip provided technical and marketing consultancy services to the Group in return for share options to acquire a 30% equity interest of Sage City at nominal consideration. The options were granted on 18 December 2003 and became exercisable on 31 March 2012, before being exercised on 14 August 2015. The amount in shareholder contribution represents the fair value of services received, the valuation of which was performed by an independent qualified valuer using an income approach by reference to the fair value of the equity instruments granted. The share-based compensation expenses for such services were recognised in the consolidated statement of comprehensive income from the date when the options were granted on 18 December 2003 until the date when the non-market vesting conditions were met and the options became exercisable on 31 March 2012.

13 DEFERRED INCOME TAX LIABILITIES

	As at 31 March	
	2018	2017
	HK$	HK$
Deferred income tax liabilities to be settled after 12 months	**(205,840)**	(29,503)

Movements in deferred income tax liabilities are as follows:

	As at 31 March	
	2018	2017
	HK$	HK$
Beginning of the year	**(29,503)**	9,456
Charged to the consolidated statement of comprehensive income *(Note 20)*	**(176,337)**	(38,959)
End of the year	**(205,840)**	(29,503)

13 DEFERRED INCOME TAX LIABILITIES (continued)

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation HK$
At 1 April 2016	9,456
Charged to the consolidated statement of comprehensive income	(38,959)
At 31 March 2017	(29,503)
Charged to the consolidated statement of comprehensive income	(176,337)
At 31 March 2018	**(205,840)**

14 TRADE PAYABLES

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

	As at 31 March	
	2018 **HK$**	2017 HK$
1-30 days	**4,999,918**	5,431,684
31-60 days	**10,516,740**	301,550
61-90 days	**599,536**	1,850,973
Over 90 days	**308,553**	234,164
	16,424,747	7,818,371

Trade payables are denominated in HK$.

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

15 ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2018	2017
	HK$	HK$
Accrued expenses	**1,503,257**	687,738
Other payables	**778,817**	157,807
	2,282,074	845,545

Accruals and other payables are denominated in HK$.

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

16 BANK BORROWINGS

	As at 31 March	
	2018	2017
	HK$	HK$
Secured		
– Bank borrowings which contain a repayable on demand clause	**11,431,894**	–

The fair values of bank borrowings approximate their carrying amounts as the impact of discounting is not significant. As at 31 March 2018, the Group's effective interest rate for bank borrowings was 2.4% per annum (2017: nil).

The bank borrowings due for repayment, based on the scheduled repayment dates set out in the loan agreements, are as follows:

	As at 31 March	
	2018	2017
	HK$	HK$
Within 1 year	**685,895**	–
Between 1 to 2 years	**701,869**	–
Between 2 to 5 years	**2,211,518**	–
Over 5 years	**7,832,612**	–
	11,431,894	–

16 BANK BORROWINGS (continued)

As at 31 March 2018, bank borrowings of HK$11,431,894 (2017: nil) were secured by certain of the Group's land and buildings with carrying amounts of HK$29,376,750 (2017: nil) (Note 6).

As at 31 March 2018, the Group has not breached any of the covenants of the banking facilities. The bank borrowings are denominated in HK$.

17 EXPENSES BY NATURE

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

	Year ended 31 March	
	2018	2017
	HK$	HK$
Cost of flooring materials used	**27,708,993**	27,524,223
Subcontractor cost	**20,094,297**	13,206,316
Employee benefit expenses *(Note 18)*		
– direct labour	**2,359,706**	1,771,900
– administrative staff	**8,766,352**	8,260,649
Depreciation of property, plant and equipment	**1,428,417**	502,904
Operating lease rentals in respect of rented premises	**329,526**	354,526
Repair and maintenance expenses	**46,488**	34,661
Motor vehicle expenses	**464,456**	578,987
Auditor's remuneration		
– audit services	**800,000**	700,000
– non-audit services	**262,200**	20,000
Provision for inventory obsolescence	**151,985**	83,379
Provision for impairment of trade receivables	**1,525,056**	1,740,946
Listing expenses	**–**	14,162,032
Other expenses	**5,361,071**	4,001,881
	69,298,547	72,942,404
Representing:		
Cost of sales	**50,740,322**	43,020,269
General and administrative expenses	**18,558,225**	29,922,135
	69,298,547	72,942,404

18 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 March	
	2018	2017
	HK$	HK$
Wages, salaries, bonuses and allowances	**10,852,848**	9,760,048
Pension cost – defined contribution scheme	**273,210**	272,501
	11,126,058	10,032,549

Companies within the Group in Hong Kong have participated in the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Scheme Ordinance (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee.

Under the MPF Scheme, each of the Group companies and its employees make monthly contribution to the scheme at a minimum of 5% of the employee's relevant income as defined under the MPF Scheme, with the maximum mandatory contribution by each of the Group companies and its employee limited to HK$1,500 per month, and further contributions are voluntary.

The mandatory contributions are fully and immediately vested in the employees as accrued benefits. The employees are entitled to receive their entire voluntary contributions and 100% of the Group's employer voluntary contributions upon retirement or leaving the Group after completing one year of service.

Any forfeited voluntary contributions made by the Group are used to reduce the Group's employer voluntary contributions.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2018 include two directors (2017: two) whose emoluments are reflected in Note 23. The emoluments payable to the remaining three individuals during the year ended 31 March 2018 (2017: three) are as follows:

	Year ended 31 March	
	2018	2017
	HK$	HK$
Wages, salaries, bonuses and allowances	**2,553,512**	2,583,604
Pension cost – defined contribution scheme	**49,500**	53,415
	2,603,012	2,637,019

18 EMPLOYEE BENEFIT EXPENSES (continued)

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument band		
HK$0 – HK$1,000,000	**2**	2
HK$1,000,000 – HK$2,000,000	**1**	1

19 FINANCE (COSTS)/INCOME, NET

	Year ended 31 March	
	2018	2017
	HK$	HK$
Finance income		
– Bank interest income	**28**	16,781
Finance costs		
– Interest on bank borrowings	**(233,876)**	(7,605)
Finance (costs)/income, net	**(233,848)**	9,176

20 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2018	2017
	HK$	HK$
Current income tax:		
– Hong Kong profits tax	**718,853**	2,203,488
– Macau corporate income tax	**194,208**	–
– (Over)/under provision in prior year	**(74,676)**	34,587
	838,385	2,238,075
Deferred income tax *(Note 13)*	**176,337**	38,959
Income tax expense	**1,014,722**	2,277,034

20 INCOME TAX EXPENSE (continued)

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2017: 16.5%) during the year.

(ii) Macau corporate income tax

Macau corporate income tax has been provided at the applicable rate of 12% on the estimated assessable profit in excess of HK$582,524 (approximately MOP600,000) of the Group's operation in Macau.

The taxation on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using weighted average tax rate applicable to profit/(loss) of the consolidated entities as follows:

	Year ended 31 March	
	2018	2017
	HK$	HK$
Profit/(loss) before income tax	**7,661,375**	(561,059)
Tax calculated at applicable tax rates	**1,165,086**	(92,575)
Expenses not deductible for taxation purposes	**25,885**	2,353,722
(Over)/under provision in prior year	**(74,676)**	34,587
Tax deduction	**(99,903)**	(20,000)
Others	**(1,670)**	1,300
Income tax expense	**1,014,722**	2,277,034

The weighted average applicable tax rate was 15.2% (2017: 16.5%). The decrease is primarily due to changes in the profitability of the Group companies in the respective jurisdictions.

21 DIVIDENDS

	2018 HK$	2017 HK$
Proposed final dividend – HK1.4 cents per share	8,400,000	–
	8,400,000	–

A final dividend in respect of the financial year ended 31 March 2018 of HK1.4 cents per share (2017: nil), amounting to a total dividend of HK$8,400,000 (2017: nil), is to be proposed at the forthcoming annual general meeting, The amount of 2018 proposed final dividend is based on 600,000,000 shares in issue as at 31 March 2018. These consolidated financial statements do not reflect this dividend payable.

22 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2018 HK$	2017 HK$
Profit/(loss) attributable to owners of the Company	6,646,653	(2,838,093)
Weighted average number of ordinary shares in issue	600,000,000	519,863,014
Basic earnings/(loss) per share (HK cents)	1.11	(0.55)

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share/increase loss per share. As at 31 March 2018 and 2017, diluted earnings/(loss) per share is equal to basic earnings/(loss) per share as there were no dilutive potential shares.

23 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP.622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP.622G))

(a) Directors' emoluments (equivalent to key management compensation)

The remuneration of the directors is set out below:

For the year ended 31 March 2018:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Name	Fees HK$	Salary HK$	Discretionary bonuses HK$	Housing allowance HK$	Estimated money value of other benefits HK$	Employer's contribution to a retirement benefit scheme HK$	Remunerations paid or receivable in respect of accepting office as director HK$	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$	Total HK$
Executive Directors									
Mr. Kwong Chi Man (Chief Executive Officer)	-	964,600	100,000	-	11,539	18,000	-	-	1,094,139
Mr. Yip Wai Man	-	436,496	100,000	-	-	18,000	-	-	554,496
Independent non-executive Directors									
Ms. Yu Wan Wah, Amparo	100,000	-	-	-	-	-	-	-	100,000
Mr. Law Pui Cheung	100,000	-	-	-	-	-	-	-	100,000
Mr. Wat Hiu Yan Danny	100,000	-	-	-	-	-	-	-	100,000
	300,000	1,401,096	200,000	-	11,539	36,000	-	-	1,948,635

23 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP.622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP.622G)) (continued)

(a) Directors' emoluments (equivalent to key management compensation) (continued)

For the year ended 31 March 2017:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Executive Directors									
Mr. Kwong Chi Man (Chief Executive Officer)	–	858,400	–	–	–	18,000	–	–	876,400
Mr. Yip Wai Man	–	465,223	177,500	–	–	17,880	–	–	660,603
Independent non-executive Directors									
Ms. Yu Wan Wah, Amparo	50,000	–	–	–	–	–	–	–	50,000
Mr. Law Pui Cheung	50,000	–	–	–	–	–	–	–	50,000
Mr. Wat Hiu Yan Danny	50,000	–	–	–	–	–	–	–	50,000
	150,000	1,323,623	177,500	–	–	35,880	–	–	1,687,003

During the year end 31 March 2018, none of the directors of the Company waived their emoluments nor agreed to waive their emoluments for the year (2017: nil).

(b) Directors' retirement benefits and termination benefits

Save as disclosed in Note 23(a), the directors did not receive any other retirement benefits or termination benefits during the year (2017: nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2018, the Group did not pay consideration to any third parties for making available the directors' services (2017: nil).

23 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP.622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP.622G) (continued)

(d) Information about loans, quasi-loans and other dealings in favour of the directors, bodies corporate controlled by and connected entities with such directors

As at 31 March 2018, there are no loans, quasi-loans and other dealing arrangements in favour of the directors, bodies corporate controlled by and controlled entities with such directors (2017: nil).

(e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in Note 26, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2018 (2017: nil).

24 COMMITMENTS

(a) Capital commitments

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

	Year ended 31 March	
	2018	2017
	HK$	HK$
Property, plant and equipment	**618,047**	23,984,000

(b) Operating lease commitments – Group as lessee

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

	Year ended 31 March	
	2018	2017
	HK$	HK$
Within 1 year	**63,000**	310,400
Later than 1 year and no later than 5 years	**–**	20,000
	63,000	330,400

25 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash flows from operating activities

	Year ended 31 March	
	2018	2017
	HK$	HK$
Cash flows from operating activities		
Profit/(loss) before income tax	**7,661,375**	(561,059)
Adjustments for:		
– Interest income	**(28)**	(16,781)
– Interest expense	**233,876**	7,605
– Depreciation of property, plant and equipment	**1,428,417**	502,904
– Provision for impairment of trade receivables	**1,525,056**	1,740,946
– Provision for inventory obsolescence	**151,985**	83,379
– Write off of property, plant and equipment	**93,169**	–
– Gain on disposal of property, plant and equipment	**(90,839)**	–
Operating profit before working capital changes	**11,003,011**	1,756,994
Changes in working capital:		
– (Increase)/decrease in inventories	**(12,135,242)**	3,999,392
– Increase in trade and retention receivables	**(9,054,606)**	(18,022,561)
– (Increase)/decrease in prepayments and other receivables	**(168,123)**	114,874
– (Increase)/decrease in amounts due from customers for contract work	**(4,935,525)**	785,944
– Increase/(decrease) in amounts due to customer for contract work	**8,710,419**	(867,668)
– Increase/(decrease) in trade payables	**8,606,376**	(1,708,654)
– Increase/(decrease) in accruals and other payables	**1,204,761**	(3,222,606)
Net cash generated from/(used in) operations	**3,231,071**	(17,164,285)

25 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 March	
	2018	2017
	HK$	HK$
Net book amount *(Note 6)*	**–**	–
Gain on disposal of property, plant and equipment	**90,839**	–
Proceeds from disposal of property, plant and equipment	**90,839**	–

(c) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the years presented.

	Year ended 31 March	
	2018	2017
	HK$	HK$
Cash and cash equivalents	**17,977,073**	35,085,289
Bank borrowings – variable interest rate	**(11,431,894)**	–
Net cash	**6,545,179**	35,085,289

	Other assets – Cash and cash equivalents	**Liabilities from financing activities – Bank borrowings**	**Total**
	HK$	HK$	HK$
Net cash as at 1 April 2017	35,085,289	–	35,085,289
Cash flows	(17,108,216)	(11,431,894)	(28,540,110)
Net cash as at 31 March 2018	**17,977,073**	**(11,431,894)**	**6,545,179**

26 RELATED PARTY TRANSACTIONS

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

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

(a) During the years ended 31 March 2018 and 2017, the Group had the following significant transactions with its related parties:

	Year ended 31 March	
	2018	2017
	HK$	HK$
Rental expense paid in relation to rental contract entered into with		
Mr. Kwong	**–**	40,000
Mrs. Kwong and Ms. Kwong W.Y.	**60,000**	220,000
Mrs. Kwong and Ms. Kwong	**–**	5,600
Ms. Li	**–**	6,200
Mr. Kwong and Mr. Yip *(Note b)*	**84,000**	–

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

(b) The transaction represents rental expense paid in relation to rental agreement entered into with related parties from 1 August 2017 to 31 July 2019. On 8 February 2018, the Group purchased the warehouse at a consideration of HK$4,180,000 from Mr. Kwong and Mr. Yip. The consideration was referenced to the valuation of the property as at 15 January 2018 by an independent property valuer and the market value of similar properties in the locality.

27 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 March 2018 HK$	2017 HK$
ASSETS			
Non-current asset			
Investment in a subsidiary	(a)	**27,008,999**	27,008,999
Current assets			
Prepayments and other receivables		**304,077**	185,813
Amounts due from fellow subsidiaries		**59,002,102**	58,273,721
Cash and cash equivalents		**1,921**	23,421
		59,308,100	58,482,955
Total assets		**86,317,099**	85,491,954
Liabilities			
Current liabilities			
Accrued expenses		**750,145**	–
Amounts due to fellow subsidiaries		**75,000**	–
Total liabilities		**825,145**	–
EQUITY			
Share capital		**6,000,000**	6,000,000
Reserves	(b)	**79,491,954**	79,491,954
Total equity		**85,491,954**	85,491,954
Total equity and liabilities		**86,317,099**	85,491,954

The statement of financial position of the Company was approved by the Board of Directors on 22 June 2018 and was signed on its behalf.

Mr. Kwong Chi Man	**Mr. Yip Wai Man**
Director	*Director*

27 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Particulars of subsidiaries

Company name	Place of incorporation/ establishment	Issued and fully paid up share capital	Principal activities and place of operation	Interest held (%) 2018	Interest held (%) 2017
Victor Ease Limited	British Virgin Islands	US$10,000	Investment holding in Hong Kong	**100**	100
Kwong Man Kee Engineering Limited	Hong Kong	HK$100	Provision of engineering services in flooring, screeding, anti-skid surfacing and concrete repairing in Hong Kong	**100**	100
Charter Ease International Limited	British Virgin Islands	US$10,000	Investment holding in Macau	**100**	100
Luxury Sense Holdings Limited	British Virgin Islands	US$10,000	Investment holding in Macau	**100**	100
Kwong Man Kee (Macau) Engineering Limited	Macau	MOP30,000	Provision of engineering services in flooring, screeding, anti-skid surfacing and concrete repairing in Macau	**100**	100
Sino Ocean International Limited	Hong Kong	HK$10,000	Dormant	**100**	–
Prolific Harvest International Limited	British Virgin Islands	US$10,000	Investment holding in Hong Kong	**100**	–

27 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Share premium HK$	Capital reserve HK$	Total HK$
At 30 May 2016 (date of incorporation)	–	–	–
Issuance of shares pursuant to a group reorganisation *(Note (i))*	–	27,008,999	27,008,999
Issuance of shares pursuant to capitalisation	(4,499,900)	–	(4,499,900)
Issuance of ordinary share pursuant to Listing	63,000,000	–	63,000,000
Listing expenses charged to share premium	(6,017,145)	–	(6,017,145)
At 31 March 2017, 1 April 2017 and 31 March 2018	**52,482,955**	**27,008,999**	**79,491,954**

Note (i)

Capital reserve of the Company represented the difference between the net asset value of Victor Ease acquired over the nominal value of the share capital of the Company issued in exchange thereof.

THREE-YEAR FINANCIAL SUMMARY

	For the year ended		
	2018	2017	2016
	HK$	HK$	HK$
	Note (a)	*Note (a)*	*Note (b)*
Revenue	**77,094,366**	72,362,730	68,575,030
Profit/(loss) before taxation	**7,661,375**	(561,059)	20,911,099
Profit/(loss) attributable to equity holders of the Company	**6,646,653**	(2,838,093)	16,797,818
Cash flows			
Net cash inflow/(outflow) from operating activities	**1,796,322**	(22,853,802)	9,566,475
At year end			
Total assets	**122,273,410**	85,070,994	41,136,489
Total liabilities	**39,523,410**	8,967,647	17,178,004
Total equity	**82,750,000**	76,103,347	23,958,485
Cash and bank balances	**17,977,073**	35,085,289	14,172,321
Per share data			
Earnings per share-basic *(HK cents)*	**1.11**	(0.55)	3.73

Notes

(a) The financial figures were extracted from the consolidated financial statements in the annual report.

(b) The financial figures were extracted from the Listing Document dated 30 September 2016.