KPa-BM Holdings Limited
應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock code: 2663

ANNUAL REPORT 2018

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS (THE "BOARD")

Executive Directors

Mr. Yip Pak Hung *(Chairman)*
Mr. Wai Yat Kin *(Chief Executive Officer)*
Mr. Lui Bun Yuen, Danny

Independent Non-Executive Directors

Ms. Lai Pik Chi, Peggy
Mr. Lam Chi Wai, Peter
Dr. Yeung Kit Ming

AUDIT COMMITTEE

Ms. Lai Pik Chi, Peggy *(Chairman)*
Mr. Lam Chi Wai, Peter
Dr. Yeung Kit Ming

NOMINATION COMMITTEE

Dr. Yeung Kit Ming *(Chairman)*
Ms. Lai Pik Chi, Peggy
Mr. Lam Chi Wai, Peter

REMUNERATION COMMITTEE

Mr. Lam Chi Wai, Peter *(Chairman)*
Ms. Lai Pik Chi, Peggy
Dr. Yeung Kit Ming

COMPANY SECRETARY

Mr. Chan Sun Kwong *FCPA FCA FCCA FCIS FCS*

PRINCIPAL BANKERS

Hang Seng Bank Limited
9/F., 83 Des Voeux Road Central
Hong Kong

The Hong Kong and Shanghai Banking Corporation Limited
Level 10, HSBC Main Building
1 Queen's Road Central
Hong Kong

Citibank N.A.
21/F., Tower 1
The Gateway, Harbour City
Kowloon, Hong Kong

REGISTERED OFFICE

P.O. Box 1350
Clifton House, 75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1907–1915, The Octagon
6 Sha Tsui Road
Tsuen Wan, New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Messis Capital Limited
Room 1606, 16/F., Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Yip Pak Hung
Mr. Chan Sun Kwong

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY'S WEBSITE

www.kpa-bm.com.hk

STOCK CODE

2663

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of KPa-BM Holdings Limited (the "**Company**") together with its subsidiaries (the "**Group**") for the year ended 31 March 2018.

The successful listing transfer from GEM to the Main Board of the Stock Exchange on 24 October 2017 (the "**Transfer of Listing**") indicated another significant milestone in the history of the Group since our listing on GEM on 8 October 2015 (the "**Listing**"). We believe that the Transfer of Listing will further enhance our corporate profile and strengthen our financial position for our future expansion.

The Group maintained a revenue of approximately HK$378.4 million for the year ended 31 March 2018 as compared to approximately HK$381.4 million for the year ended 31 March 2017. The slight drop in our otherwise steady performance was mainly due to the slow progress of 2 key projects in the stage prior to the Group's scope of work, which caused the work done by the Group during the year ended 31 March 2018 falling short of expectation.

The construction market has been steadily growing in 2018 due to the Hong Kong Government's implementation of long-term policies on housing supply, mass transit railway extension and infrastructural development. The Group is confident in the industry outlooks and prospects of the construction market in Hong Kong. The Group will focus on its core business as well as exploring new opportunities that are beneficial to the Group and our shareholders.

The Group's balanced approach between expanding our workbook with premium projects and maintaining a reasonable profit margin since 2016 has given us satisfactory results. Subsequent to 31 March 2018, the Group further secured new contracts with a total value of approximately HK$73.4 million and the total value of outstanding contract works on hand is approximately HK$447.5 million.

I would like to take this opportunity to express my respect and appreciation to my fellow Board members, management team, staff members for their hard work and dedication. I would also like to thank our suppliers, subcontractors, other business partners and, most importantly, our shareholders and customers for their continuous support.

The Board is pleased to share the Group's performance with our shareholders and recommends the payment of a final dividend of HK1.6 cents per share.

On behalf of the Board,

Yip Pak Hung
Chairman and Executive Director

Hong Kong, 14 June 2018

Management Discussion and Analysis

The Board is pleased to present the annual results of the Group for the year ended 31 March 2018 (the "**Year**" or "**FY2018**"), together with the comparative figures for the corresponding year ended 31 March 2017 (the "**Previous Year**" or "**FY2017**").

BUSINESS ACTIVITIES

The Group is principally engaged in (i) provision of structural engineering works with a focus on design and build projects in Hong Kong; (ii) supply of building material products together with installation services of such products in Hong Kong; and (iii) trading of building material products predominately in Hong Kong. Since the Listing, there has been no significant change in the business operations of the Group. During the Year, the Group recognised revenue from rendering structural engineering works and supply and installation of building material products as well as trading of building material products.

BUSINESS REVIEW

During the Year, the Group achieved a stable performance in revenue of approximately HK$378.4 million (FY2017: HK$381.4 million). The following table sets forth the major projects undertaken by the Group during the Year.

Major projects undertaken by the Group during the Year	**Revenue recognised during the Year** HK$ million	**Status as at 31 March 2018**	**Expected completion date**
Structural Steel and Roof Work in Lamma Island	94.6	Ongoing	August 2018
Noise Barrier Project in Tuen Mun	41.1	Ongoing	December 2019
Curtain Wall Project in Central	49.3	Ongoing	June 2018
Noise Barrier Project in Fu Tei	34.1	Ongoing	January 2020
Facade Project in Mongkok	17.8	Ongoing	June 2018

FUTURE PROSPECTS

In addition to the above major projects undertaken by the Group during the Year, the Group have the following projects with outstanding contract sum over HK$50 million each as at 31 March 2018:

Projects with outstanding contract sum over HK$50 million as at 31 March 2018	Status as at 31 March 2018	Expected completion date
Noise Barrier Project in Tuen Mun	Ongoing	December 2019
Noise Barrier Project in Kwun Tong	Ongoing	December 2020
Noise Barrier Project in Fu Tei	Ongoing	January 2020

As at 31 March 2018, the aggregate outstanding contract sum of the Group's ongoing projects amounted to approximately HK$447.5 million. Subsequent to the end of FY2018 and up to the date of this report, the Group secured new contracts with an aggregate awarded contract sum of approximately HK$73.4 million. Meanwhile, the Group is in the process of bidding for or pending the results of 5 sizeable project tenders with an estimated total contract value of over HK$669.4 million.

The Group also remains vigilant on a number of large scale infrastructure projects for which tender will be launched in the foreseeable future, including various construction of bridge, noise barrier, curtain walls and roofing.

Having achieved an enhanced financial strength and credibility with the Transfer of Listing, the Group has added confidence to take on the various large scale projects mentioned above and has a promising prospect ahead.

FINANCIAL HIGHLIGHTS

	Year ended 31 March		
	2018	2017	**Percentage**
	HK$'000	HK$'000	**change**
Revenue	**378,433**	381,394	(0.8)%
Cost of revenue	**304,483**	312,282	(2.5)%
Gross profit	**73,950**	69,112	7.0%
Profit before income tax	**32,506**	37,776	(14.0)%
Net profit	**26,220**	30,964	(15.3)%
Earnings per share (HK cents)	**4.37**	5.16	(15.3)%

	As at 31 March		
	2018	2017	**Percentage**
	HK$'000	HK$'000	**change**
Current assets	**242,344**	216,580	11.9%
Current liabilities	**98,487**	92,572	6.4%
Total assets	**270,925**	248,708	8.9%
Total equity	**171,541**	154,805	10.8%

	Year ended 31 March	
	2018	2017
Key Performance Indices		
Gross profit margin (%)	**19.5**	18.1
Net profit margin (%)	**6.9**	8.1
Return on equity (%)	**15.3**	20.0
Return on total assets (%)	**9.7**	12.4

	As at 31 March	
	2018	2017
Current ratio (times)	**2.5**	2.3
Gearing ratio (%)	**10.8**	13.2

FINANCIAL REVIEW

Revenue

For the Year, the Group recorded revenue of approximately HK$378.4 million, remained relatively stable as compared to that of approximately HK$381.4 million for the Previous Year.

Cost of Revenue and Gross Profit

The Group's cost of revenue mainly comprised material and processing charges and subcontracting charges. For the Year, the Group's cost of revenue amounted to approximately HK$304.5 million, representing a decrease of approximately 2.5% as compared to that of approximately HK$312.3 million for the Previous Year.

The Group recorded gross profit of approximately HK$74.0 million for the Year, representing an increase of approximately 7.0% as compared to that of approximately HK$69.1 million for the Previous Year. Gross profit margin of the Group increased to approximately 19.5% for the Year from approximately 18.1% for the Previous Year. Such increase in the gross profit margin was due to the smooth negotiation process with the Group's customers in respect of the compensation for variation works and/or urgent work orders completed by the Group during the Year.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Year were approximately HK$39.3 million, representing an increase of approximately HK$11.2 million from the Previous Year. Such increase was mainly due to the combined effect of (i) the professional fees of approximately HK$2.8 million incurred in relation to the Transfer of Listing during the Year; (ii) increase in rent and rates of approximately HK$1.1 million; (iii) increase in Directors' remuneration of approximately HK$3.2 million; (iv) a charitable donation of HK$1.0 million; and (v) the expenses of approximately HK$0.4 million incurred in relation to the Group's 25th anniversary corporate event.

Finance Costs

For the Year, the Group's finance costs were approximately HK$1.5 million (FY2017: HK$1.4 million), representing an increase of approximately HK$0.1 million or 8.7%, which was mainly due to imputed interest of retention payables for the Year while the impact was insignificant in the Previous Year.

Income Tax Expense

The Group incurred income tax expense of approximately HK$6.3 million and HK$6.8 million for the Year and the Previous Year, respectively, representing effective tax rate of approximately 19.3% and 18.0%, respectively. Such slight increase in effective tax rate was primarily due to the non-tax deductible professional fees incurred for the Transfer of Listing for the Year.

Profit for the Year

Due to the slight decrease in revenue together with the increase in administrative and other operating expenses as mentioned above, the Group's profit for the year decreased from approximately HK$31.0 million for the Previous Year to approximately HK$26.2 million for the Year, representing a decrease of approximately HK$4.8 million or 15.3%.

After adding back the professional fees incurred for the Transfer of Listing of approximately HK$2.8 million, which is non-recurrent in nature, the Group's normalised profit for the Year will be approximately HK$29.0 million, representing a net profit margin of approximately 7.7%.

Dividend

On 14 June 2018, the Board recommended a final dividend of HK1.6 cents (FY2017: HK1.6 cents) per share, totalling HK$9.6 million for the Year (FY2017: HK$9.6 million).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 30 September 2015 (the "**Prospectus**") with the Group's actual business progress for the period from the Listing Date to 31 March 2018 is set out below:

Business objectives	Actual business progress up to 31 March 2018
Further expanding the Group's capacity to capture more business opportunities	For undertake more Work Branch of Development Bureau project, the Group has used HK$6.0 million in the paid-up share capital of KPa Engineering Limited, a wholly owned subsidiary of the Group, from HK$3.0 million to HK$9.0 million to enlarge the Group's capacity to capture more business opportunities. The Group has used approximately HK$2.3 million for recruiting 1 project manager and 11 middle to senior level engineering staff to cope with the business development up to 30 September 2016. The Directors had evaluated the Group's business plan and on 9 November 2016 approved to extend the use of the remaining unutilised proceeds to include acquisition of plant and equipment for operational needs.
Further development of the Group's structural engineering business	Following the Listing and the enhancement of the Group's financial strength, the customers of our newly contracted projects did not require from us a surety bond. The Directors had evaluated the Group's business plan and on 9 November 2016 approved to extend the use of the remaining unutilised proceeds to include acquisition of plant and equipment for operational needs.
Enhancing the Group's design and customisation capabilities	The Group has used approximately HK$2.5 million for recruiting 1 design manager and 8 draftsmen. The Group had arranged training and classes to relevant staff members according to their duty needs and skills. The Group has used approximately HK$3.9 million for setting up a new office premise to accommodate the enlarged work force and associated facilities.
Expanding the Group's capacity to capture more business, developing structural engineering business and acquisition of plant and equipment for operational needs	In respect of the revision of the use of proceeds on 9 November 2016, the Group has (i) used approximately HK$7.9 million for recruiting 1 project manager and 15 middle to senior level staff to cope with the business development; and (ii) acquired a crane of approximately HK$1.8 million for operational use during the period since then and up to 31 March 2018.

USE OF PROCEEDS

The estimated net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK$27.0 million, which are intended to be applied in the manner as disclosed in the section "Statement of business objectives and use of proceeds" of the Prospectus. The net proceeds from the Listing were approximately HK$28.9 million, which was different from the estimated net proceeds of approximately HK$27.0 million. The difference of approximately HK$1.9 million had been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus.

Subsequently, the Directors had evaluated the Group's business plan and, as disclosed in the announcement of the Company published on 9 November 2016, resolved to combine use of the remaining unutilised proceeds from "further expanding the Group's capacity to capture more business opportunities" and "further development of the Group's structural engineering business" and extend it to include "acquisition of plant and equipment for operational use". The Board believes that the combined and extended the use of remaining unutilised proceeds will be cost effective and optimal for the Group's development.

The Group had utilised approximately HK$27.3 million of the net proceeds as at 31 March 2018. The unutilised net proceeds of approximately HK$1.6 million have been placed as interest bearing deposits with licensed bank in Hong Kong and is intended to be applied in the manner consistent with the proposed allocations.

As at 31 March 2018, the net proceeds had been utilised as follows:

Use of proceeds	**Revised use of proceeds** HK$ million	**Utilised** HK$ million	**Unutilised** HK$ million
Further expanding the Group's capacity to capture more business opportunities	8.3	8.3	—
Further development of the Group's structural engineering business	—	—	—
Enhancing the Group's design and customisation capabilities	6.4	6.4	—
General working capital	2.9	2.9	—
Expanding the Group's capacity to capture more business, developing structural engineering business and acquisition of plant and equipment for operational needs	11.3	9.7	1.6
	28.9	27.3	1.6

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March	
	2018	2017
	HK$'000	HK$'000
Current assets	**242,344**	216,580
Current liabilities	**98,487**	92,572
Current ratio (times)	**2.5**	2.3

The Group generally meets its working capital requirements by cash flows generated from its operations and short term borrowings. During the Year, the Group generated net cash inflow from operating activities of approximately HK$19.6 million, together with the availability of short term bank loans and overdrafts, the Group has been financially sound in its daily operations throughout the Year.

During the Year, the Group financed its operations by its internal resources and banking facilities. As at 31 March 2018, the Group had net current assets of approximately HK$143.9 million (31 March 2017: HK$124.0 million). The Group's current ratio as at 31 March 2018 was approximately 2.5 times (31 March 2017: 2.3 times).

As at 31 March 2018, the Group had a total cash and bank balances of approximately HK$41.4 million (31 March 2017: HK$36.7 million), mainly denominated in HK$.

As at 31 March 2018, the Group had a total available banking facilities of approximately HK$114.5 million, of which approximately HK$19.3 million was utilised and approximately HK$95.2 million was unutilised and available for use.

The shares of the Company were listed on GEM of the Stock Exchange on 8 October 2015 and 150,000,000 of the Company's shares at a placing price of HK$0.30 per share were issued on the same day. There has been no change in capital structure of the Company since the Listing Date. The listing of the Company's shares has been transferred from GEM to the Main Board of the Stock Exchange since 24 October 2017. As at 31 March 2018, the equity attributable to owners of the Company amounted to approximately HK$171.5 million (31 March 2017: HK$154.8 million).

Gearing Ratio

The gearing ratio is calculated as total debts to equity. Total debts include bank borrowings and obligation under finance leases of the Group. Equity represents the total equity of the Group.

The Group is able to generate net cash from operating activities of approximately HK$19.6 million for the Year to finance the net repayment of bank borrowings (excluding bank overdrafts) of approximately HK$1.1 million. Coupled with increase in equity which is mainly attributable to the net profit generated for the Year, the gearing ratio of the Group decreased from approximately 13.2% as at 31 March 2017 to approximately 10.8% as at 31 March 2018.

Foreign Currency Exposure and Treasury Policy

Operations of the Group are mainly conducted in HK$, United States dollars ("**US$**"), Euro ("**EUR**") and Renminbi ("**RMB**"). It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group and will closely monitor its foreign exchange position. During the Year, the Group did not engage in any hedging activities.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. 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 other commitments can meet its funding requirements from time to time.

Pledged of Assets

As at 31 March 2018, the Group had bank borrowings of approximately HK$18.1 million (31 March 2017: HK$19.9 million) and banking facilities are secured by the followings:

— land and buildings with net carrying amount of approximately HK$1.5 million (31 March 2017: HK$1.6 million);

— investment properties with net carrying amount of approximately HK$21.1 million (31 March 2017: HK$21.1 million); and

— bank deposits of approximately HK$19.2 million (31 March 2017: HK$16.2 million).

In addition, the Group has pledged deposits of approximately HK$3.7 million as at 31 March 2018 (31 March 2017: HK$3.7 million) to an insurance company as collaterals for the surety bonds issued in favour of the customers of certain construction contracts. The aggregate bond values of the surety bonds arranged by the insurance company as at 31 March 2018 were approximately HK$10.7 million (31 March 2017: HK$10.7 million). The surety bonds are required for the entire period of the relevant construction contracts in practice. Pledged deposits as at 31 March 2018 amounting to HK$2,200,000 are expected to be released in year 2019 whereas the remaining balance of HK$1,500,000 is expected to be released after year 2019.

Significant Investments

Other than the investment in its subsidiaries, the Group did not hold any significant investments during the Year.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary during the Year.

Contingent Liabilities

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

Employees and Remuneration Policies

As at 31 March 2018, the Group had 90 staff (31 March 2017: 97). The total employee benefit expenses for the Year (including Directors' emoluments, salaries to staff and other staff benefits included provident fund contributions, medical insurance coverage and other staff benefits) were approximately HK$45.1 million (FY2017: HK$46.3 million). The Group determines the salaries of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee. During the Year, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

EVENTS AFTER THE YEAR

No event has occurred after the Year and up to the date of this report which would have a material effect on the Group.

EXECUTIVE DIRECTORS

Mr. YIP Pak Hung (葉柏雄), aged 59, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director, chairman of the Board and the compliance officer of the Company on 26 June 2015. Mr. Yip is primarily responsible for the overall management and corporate policy making of the Group's business operations. He is also a director of eight wholly-owned subsidiaries of the Company, namely (i) AcouSystem Limited; (ii) BuildMax Limited; (iii) KPa Contracting Limited; (iv) KPa Engineering Limited; (v) KPa Engineering (HK) Limited; (vi) Light Dimension Limited; (vii) Sun Pool Engineering Limited; and (viii) Youkang Limited.

Mr. Yip obtained a bachelor degree of arts from the faculty of science and mathematics of University of Windsor in Canada in June 1983. He joined the Group and was appointed as a director of KPa Engineering on 16 January 1993. Prior to joining the Group, Mr. Yip has accumulated approximately 8 years of sales experience in different industries from 1984 to 1992. Mr. Yip has more than 20 years of experience in the structural engineering and construction industry. He has held a leadership role in the overall management and administration of the Group's business operation since he joined the Group.

Mr. WAI Yat Kin (韋日堅), aged 58, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director and the chief executive officer of the Company on 26 June 2015. Mr. Wai is the co-founder of the Group and is primarily responsible for the overall strategic planning, management and administration of the Group's business operations. He is also a director of eight wholly-owned subsidiaries of the Company, namely (i) AcouSystem Limited; (ii) BuildMax Limited; (iii) KPa Contracting Limited; (iv) KPa Engineering Limited; (v) KPa Engineering (HK) Limited; (vi) Light Dimension Limited; (vii) Sun Pool Engineering Limited; and (viii) Youkang Limited.

Mr. Wai completed his secondary education in Hong Kong in 1978. He has more than 25 years of experience in the structural engineering and construction industry. Prior to founding the Group, Mr. Wai was employed by Tak Cheong (Yau Kee) Engineering Limited as a sales manager for the department of waterproofing product and skylight and metal work product during November 1988 to January 1992. Mr. Wai has handled and overseen numerous construction projects undertaken by the Group and he has extensive knowledge in business development of building material products.

Mr. LUI Bun Yuen, Danny (呂品源), aged 54, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director of the Company on 26 June 2015. Mr. Lui is primarily responsible for the overall management of the Group's business operations and development. He is also a director of nine wholly-owned subsidiaries of the Company, namely (i) AcouSystem Limited; (ii) BuildMax Limited; (iii) KPa Contracting Limited; (iv) KPa Engineering Limited; (v) KPa Engineering (HK) Limited; (vi) 應力恒富設計貿易(深圳)有限公司; (vii) Light Dimension Limited; (viii) Sun Pool Engineering Limited; and (ix) Youkang Limited.

Mr. Lui completed his secondary education in Hong Kong in 1981. Mr. Lui has more than 30 years of experience in the structural engineering and construction industry. Prior to joining the Group, Mr. Lui has served as a draftsman in several construction and drafting companies. Mr. Lui was employed by Brian Clouston and Partners Hong Kong as a draftsman from October 1982 to February 1985. Mr. Lui was employed by Tak Cheong (Yau Kee) Engineering Limited as a contract co-ordinator in June 1985 and was subsequently promoted to the position as a sales engineer in June 1986 and remained in that position until he left such company in May 1989. From 1990 to 1992, Mr. Lui worked for a foreign exchange company as a broker and a Japanese glass trading company as a sales executive. He joined the Group and was appointed as a director of KPa Engineering on 14 January 1992. Mr. Lui has handled and overseen numerous construction projects undertaken by the Group, he is responsible for the overall management of the Group's operations and development.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Ms. Lai has over 20 years of auditing, accounting, financial management experience. Ms. Lai served as an executive director from October 2008 to May 2011, and the chairman of the board from January 2009 to May 2011 of Mandarin Entertainment (Holdings) Limited (now known as Nine Express Limited) (stock code: 9), a company listed on the Main Board of the Stock Exchange. She was the chief financial officer and company secretary from May 2012 to May 2016 and remains as the company secretary until 30 June 2016 of CIG Yangtze Ports PLC (stock code: 1719), a company listed on the Main Board of the Stock Exchange since 29 January 2018. She is the Company Secretary of OCI International Holdings Limited (stock code: 329), a company listed on the Main Board of the Stock Exchange.

Mr. LAM Chi Wai, Peter (林志偉), aged 58, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the remuneration committee and a member of both the audit committee and the nomination committee of the Company. Mr. Lam obtained a diploma in business administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1986. Mr. Lam also obtained a bachelor degree of business administration from Hong Kong Shue Yan University in October 2010. He is an affiliate member of the Chartered Institute of Marketing.

Mr. Lam has approximately 20 years of experience in sales and marketing in the timepiece industry. From 1986 to 1995, he worked in the sales and/or marketing department for various watch trading companies. In 1995, Mr. Lam and his business partners set up a watch-selling business and its holding company, Powerwell Pacific Holdings Limited (stock code: 8265), subsequently listed on GEM of the Stock Exchange on 26 January 2011 and he was appointed as an executive director of that holding company from July 2010 to September 2014.

Dr. YEUNG Kit Ming (楊傑明), aged 60, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the nomination committee and a member of both the audit committee and the remuneration committee of the Company. Dr. Yeung obtained his bachelor degree of science from the University of Hong Kong in November 1981 and a doctoral degree in philosophy from University of California, San Diego in the US in June 1987. From August 1990 to September 2004, Dr. Yeung worked at the Chinese University of Hong Kong as a lecturer and later became a teaching fellow.

SENIOR MANAGEMENT

Mr. LIU Yuen Wai (廖遠維), aged 45, is the general manager of the Group and is primarily responsible for overseeing the management and operation of the Group's business segment in relation to trading of building material products. Mr. Liu is also a director of BuildMax (HK).

Mr. Liu obtained a diploma in civil engineering technology from Humber College in Canada in June 1994. He has over 14 years of experience in the building material products industry. Prior to joining the Group, he worked as a project engineer and a project manager in an engineering company.

Mr. CHAN Chi Ming (陳志明), aged 47, is a project manager of the Group and is primarily responsible for the overall management of site works, quality control and work safety supervision in relation to the design and build projects of the Group. Mr. Chan is also a director of BuildMax (HK) and is primarily responsible for the supervision of the operation of the Group's business segment in relation to trading of building material products.

Mr. Chan completed his secondary education in Hong Kong in 1988. He has over 20 years of experience in the structural engineering and building material products industry. Mr. Chan was first employed by the Group as a draftsman in August 1992 and was subsequently promoted to the position as an assistant project manager and project manager in July 1997 and May 2004 respectively.

COMPANY SECRETARY

Mr. CHAN Sun Kwong (陳晨光), aged 51, is the company secretary of the Group. He is primarily responsible for the company secretarial matters of the Group. Mr. Chan has over 25 years of experience in accounting, auditing, banking and company secretarial fields.

Mr. Chan obtained a diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1990. He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Chan is also an accredited mediator of The Hong Kong Mediation Centre.

The Board is pleased to present the corporate governance report of the Company for the Year. The Directors and the management of the Group recognise the importance of sound corporate governance to the long term and continuing success of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures for the best interest of the Company's shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices. It met all the code provisions of the Corporate Governance Code (the "**Code**") set out in Appendix 14 of the Listing Rules during the Year. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors. In accordance to the requirements of the Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference.

Chairman and Chief Executive

Mr. Yip Pak Hung is the chairman of the Board and an executive Director and is primarily responsible for formulating the corporate strategy and managing overall business operations. Mr. Wai Yat Kin, is the chief executive officer of the Company and an executive Director. He is responsible for formulating the corporate strategies, implementing the corporate strategies and overseeing the daily management.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should not be performed by the same person. Decisions of the Company are made either collectively or individually by the executive Directors and are discussed with the management. The Board believes that this arrangement enables the Company to make decisions, operate and implement actions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the fast changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**"). Further details of the Board Committees are set out in this annual report. The duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

COMPOSITION OF THE BOARD

During the Year and up to the date of this report, the number of independent non-executive Directors was in compliance with the requirement under Rules 3.10 and 3.10A of the Listing Rules. The composition of the Board and the attendance record of each Director at board meetings and general meetings held during the Year are set out as follow:

	Attendance/ Board meetings	Attendance/ General meetings
Executive Directors		
Mr. Yip Pak Hung *(Chairman)*	4/4	2/2
Mr. Wai Yat Kin *(Chief Executive Officer)*	4/4	2/2
Mr. Lui Bun Yuen, Danny	4/4	2/2
Independent Non-executive Directors		
Ms. Lai Pik Chi, Peggy	4/4	2/2
Mr. Lam Chi Wai, Peter	4/4	2/2
Dr. Yeung Kit Ming	4/4	2/2

Each of the executive Directors had entered into a service contract with the Company for an initial term of three years, which may be terminated by not less than three months' notice in writing by either party.

Each of the independent non-executive Directors was appointed for an initial term of three years, and may be terminated by either party giving not less than one month's notice in writing. All Directors are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Memorandum and Articles of Association of the Company. Biographic details of the Directors are presented in the "Biography of Directors and Senior Management" section of this annual report. The composition of the Board represents diversified background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of various stakeholders of the Company.

Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They ensure that proper internal control system is in place and the Group's business conforms with applicable laws and regulations. Ms. Lai Pik Chi Peggy, one of the independent non-executive Directors possesses the appropriate professional qualifications, accounting or related financial management expertise as required under 3.10(2) of the Listing Rules. All independent non-executive Directors bring their wealth of experience to the Board and serve the important function of advising the management on strategy development to ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks for safeguarding the interests of the shareholders and the Company as a whole.

All independent non-executive Directors confirmed their independence to the Group during the Year and the Company consider them to be independent by reference to Rule 3.13 of the Listing Rules.

During the Year, all Directors have participated in continuing professional development by attending training course organised by the Company and reading relevant materials on topics related to corporate governance and regulatory matters.

BOARD COMMITTEES

The Company has established four board committees with written terms of reference for each committee for purpose of overseeing the performance of specific functions; such terms of reference are available for inspection on the Company's website at www.kpa-bm.com.hk.

The composition of each committee and the attendance of members at committee meetings held during the Year are as follow.

Composition of Board committees	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Independent Non-executive Directors			
Ms. Lai Pik Chi, Peggy	3/3 (C)	1/1	2/2
Mr. Lam Chi Wai, Peter	3/3	1/1	2/2(C)
Dr. Yeung Kit Ming	3/3	1/1(C)	2/2

C — denotes chairman of the respective committee

Audit Committee

The audit committee is chaired by Ms. Lai Pik Chi, Peggy who has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The duties of the audit committee include oversight of the engagement of auditor, reviewing the annual report and the interim report and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, the senior management and auditor. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and give consideration to any matters that have been raised by the accounting staff, compliance adviser or auditor. Members of the committee are also responsible for reviewing the Group's financial reporting process and internal control system.

During the Year, the audit committee has reviewed, assessed and commented on the Group's financial reports, results announcements and continuing connected transactions undertaken. It has also reviewed the risk management and internal control system.

Remuneration Committee

The primary duties of the remuneration committee are to make recommendation to the Board on the remuneration packages of Directors and senior management, including benefits in kind, pension rights and compensation payments, and to ensure that no Director is involved in deciding his/her own remuneration.

The remuneration committee has reviewed the salary adjustment of and payment of discretionary to the Group's staff in general, assessed the performance and remuneration of Directors and made recommendations to the Board thereon.

Nomination Committee

The nomination committee is mainly responsible for making recommendations to the Board on composition of the Board and appointment of Directors and succession planning for the Directors.

The nomination committee has reviewed the composition of the Board and the retirement and re-election of Directors at the forthcoming annual general meeting and is satisfied that the Board represents diversified background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of various stakeholders of the Company.

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

1. selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

2. the nomination committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

AUDITORS REMUNERATION

For the year ended 31 March 2018, the fees in respect of the audit and non-audit services provided to the Group by the Company's auditor, BDO Limited, is set out as follows:

Fee Amount	HK$'000
Audit service	650
Non-audit services	81
Total	731

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge the responsibility for the preparation of financial statements which give a true and fair view of the affairs of the Group. The responsibility of the Company's auditor on the financial statements of the Group is set out in the independent auditor's report on pages 37 to 41 of this annual report.

COMPANY SECRETARY

The company secretary of the Company, Mr. Chan Sun Kwong, is an external service provider has been engaged by the Company as its company secretary. The Company's primary contact with the company secretary is our chairman, Mr. Yip Pak Hung. Please refer to his biographical details as set out on page 15 of this annual report.

During the Year, Mr. Chan has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

A separate ESG report will be published by the Company in due course in accordance with the relevant requirement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "**Required Standard of Dealings**").

Having made specific enquiries of all the Directors, each of them have confirmed that they have compiled with the Required Standard of Dealings throughout the Year and to the date of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for evaluating and determining the nature and extent of risks associated with the Group's operation.

The Company has developed system of internal control and risk management for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. The Company has not established a separate internal audit department; instead, an external consultant was engaged to review the Group's internal control and risk management system and support the Board in assessing the effectiveness of such system annually.

INVESTORS' RELATIONS

The Company encourages two way communications with its investors. Extensive information about the Company's activities is provided in the annual report and the interim report which are sent to shareholders. Enquiries from individuals on matters relating to their shareholdings and the business of the company are welcomed and are dealt with in an informative and timely manner. In order to promote effective communication, the Company maintains its website on which financial and other information relating to the Group and its business are disclosed.

SHAREHOLDERS' RIGHTS TO NOMINATE A DIRECTOR

If a shareholder of the Company (the "**Shareholder**") wishes to propose a person for election as a new Director of the Company, the Shareholder must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at 1907–1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong for the attention of the company secretary of the Company (the "**Company Secretary**").

The Notice must state clearly the name, the contact information of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice will commence no earlier than the day after the dispatch of the notice by the Company of the general meeting appointed for election of Directors and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the nomination committee of the Company and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

SHAREHOLDERS' RIGHTS ON CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 64 of the Memorandum and Articles of Association of the Company, any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requested shareholder(s) ("**Requested Shareholders**") himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requested Shareholders as a result of the failure of the Board shall be reimbursed to the Requested Shareholders by the Company.

ENQUIRES TO THE BOARD

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available to the Company Secretary who is responsible for forwarding communications relating to matters within the Board and communication relating to ordinary business matters, such as suggestions, inquiries and complaints, to the Directors.

PUTTING FORWARD PROPOSALS AT A GENERAL MEETING

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Company Secretary or the share registrar of the Company by written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Shareholders' Rights on Convening an Extraordinary General Meeting" above.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Year, there had been no significant changes in the constitutional documents of the Company.

The Directors hereby present their report together with the audited consolidated financial statements for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of these activities, including a business review of the Group for the Year and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" as set out on pages 4 to 12 of this annual report. These discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group. Major risks are summarised below.

The Group may fail to maintain its reputation and brand name and this can adversely affect the Group's business, financial performance and results of operations

Reputation and brand name that the Group has built up over the years play a significant role in attracting customers and securing projects. The Group needs to provide quality and timely service to customers on an ongoing basis in order to maintain or promote its reputation and brand name. The brand name and reputation of the Group could be adversely affected if its customers no longer perceive products and services of the Group to be of a high quality or reliable or cost-effective. This will in turn negatively affect the Group's business, financial performance and results of operations.

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

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

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

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

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. The Group's in-house rules contain measures and work procedures governing environmental protection compliance that are required to be followed by the Group's employees. Such measures and procedures include air pollution control, noise control and waste disposal.

The Group and its activities are subject to requirements under various laws. The laws and regulations which have a significant impact on the Group include, among others, the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with applicable laws and regulations.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners, and improve the quality of services and products to the customers. Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and regular training courses are provided for its workers operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

RESULTS AND APPROPRIATIONS

The Group's results for the Year are set out in the Consolidated Statement of Comprehensive Income on page 42 of this annual report.

No interim dividend was paid during the Year.

The Board has proposed to declare a final dividend of HK1.6 cents per share for the Year (FY2017: HK1.6 cents) which, subject to the approval of shareholders at the forthcoming annual general meeting of the Company, will be payable to the shareholders of the Company whose names appear on the register of members of the Company on 19 September 2018. The total payout will amount to HK$9.6 million (FY2017: HK$9.6 million).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility to attend the annual general meeting to be held on 10 September 2018 (the "**AGM**"), the register of members of the Company will be closed from 5 September 2018 (Wednesday) to 10 September 2018 (Monday) (both days inclusive), during which period no transfer of the shares of the Company can be registered. In order to qualify for attending the AGM, all transfer of the shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 4 September 2018 (Tuesday).

In order to determine the entitlement to the final dividends for the Year the register of members of the Company will be closed from 17 September 2018 (Monday) to 19 September 2018 (Wednesday) (both days inclusive), during which period no transfer of the shares of the Company can be registered. In order to qualify for the final dividends for the Year all transfer of the shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on 14 September 2018 (Friday).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 109 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out in note 15 to the consolidated financial statements and on page 110 of this annual report.

SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2018 are set out in note 30 to the consolidated financial statements.

EMOLUMENT POLICY FOR DIRECTORS

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

RESERVES

Movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 45 of this annual report.

Movements in the reserves of the Company during the Year are set out in note 27 to the consolidated financial statements.

As at 31 March 2018, the reserves of the Company available for distribution was approximately HK$43.7 million (2017: HK$44.2 million) inclusive of share premium and retained profits.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 26 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally approved by the Company pursuant to the written resolutions of the then sole shareholder of the Company dated 22 September 2015. The following is a summary of the principal terms of the Share Option Scheme:

(1) Purpose of the Share Option Scheme

The Share Option Scheme enables the Company to grant options (the "**Options**") to any full-time or part-time employee of the Company or any member of the Group, including any executive Directors and independent non-executive Directors, advisors, consultants of the Company or any of its subsidiaries (the "**Eligible Persons**") as incentives or rewards for their contributions to the Group.

(2) Who may join

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (3) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 trading days from the date on which the Option is granted.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(3) Price of shares of the Company (the "Share(s)")

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(4) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

(5) Maximum number of Shares

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date. The Company may refresh this limit at any time, subject to the shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for such purpose, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Group) previously granted under the Share Option Scheme and any other share option schemes of the Group will not be counted. The above is subject to the condition that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not exceed 30% of the Share Capital of the Company in issue from time to time.

(6) Maximum entitlement of each Eligible Person

The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders of the Company and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(7) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(8) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Yip Pak Hung *(Chairman)*
Mr. Wai Yat Kin *(Chief Executive Officer)*
Mr. Lui Bun Yuen, Danny

Independent Non-executive Directors

Ms. Lai Pik Chi, Peggy
Mr. Lam Chi Wai, Peter
Dr. Yeung Kit Ming

The Directors' biographical details are set out in the section headed "Biography of Directors and Senior Management" in this annual report.

Information regarding Directors' emoluments is set out in note 11(a) to the consolidated financial statements. An annual confirmation of independence pursuant to the requirements under Rule 3.13 of the Listing Rules has been received from each of the independent non-executive Directors.

DIRECTORS' SERVICE CONTRACT

All executive Directors have entered into service agreements with the Company for a term of three years commencing from 8 October 2015 which may be terminated earlier by no less than three months written notice served by either party on the other. Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from 8 October 2015, which may be terminated earlier by no less than one month written notice served by either party on the other. All Directors are subject to retirement from office and re-election at the AGM of the Company in accordance with the Memorandum and Articles of Association of the Company.

No Director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

In accordance with Article 112 of the Memorandum and Articles of Association of the Company, any director appointed by the Board either to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 108 of the Memorandum and Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Two executive Directors, Mr. Lui Bun Yuen, Danny and Mr. Wai Yat Kin will retire from office at the Company's forthcoming annual general meeting ("AGM") according to the provisions of the Company's Articles of Association. Mr. Wai Yat Kin is eligible and has offered himself for re-election at the AGM while Mr. Lui Bun Yuen, Danny, despite also being eligible, has decided not to offer himself for re-election in order to focus his time on managing the Group's business on the subsidiary level. Mr. Lui Bun Yuen, Danny, has confirmed he has no disagreement with the Board and he will remain an employee of the Group and a director of certain subsidiaries of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2018, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") (including interests which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Exchange were as follows:

Long Positions In Shares Of The Company

(a) Interest in the shares of the Company

Director	Capacity/Nature of Interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Mr. Lui Bun Yuen, Danny	Corporate interest	369,000,000	61.5%
	Beneficial owner	9,000,000	1.5%
	Interests held jointly	54,000,000	9.0%
Mr. Wai Yat Kin	Corporate interest	369,000,000	61.5%
	Beneficial owner	27,000,000	4.5%
	Interests held jointly	36,000,000	6.0%
Mr. Yip Pak Hung	Corporate interest	369,000,000	61.5%
	Beneficial owner	27,000,000	4.5%
	Interests held jointly	36,000,000	6.0%

(b) Interest in the shares of as associated corporation

Name of associated corporations:
Success Wing Investments Limited

Director	Capacity/Nature of Interest	Number of shares	Percentage of Shareholding
Mr. Lui Bun Yuen, Danny	Beneficial owner	240	29.3%
Mr. Wai Yat Kin	Beneficial owner	240	29.3%
Mr. Yip Pak Hung	Beneficial owner	240	29.3%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of a Director, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Success Wing Investments Limited	Beneficial owner	369,000,000	61.5%
Ms. Lam Suk Lan Bonnie	Interest of spouse	432,000,000	72.0%
Ms. Wu Janet	Interest of spouse	432,000,000	72.0%

Save as disclosed above, as at 31 March 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

MAJOR CUSTOMERS

During the Year, the Group's five largest customers accounted for approximately 73.5% (2017: 72.0%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 28.1% (2017: 36.7%) of the total revenue.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

MAJOR SUPPLIERS

During the Year, the Group's five largest suppliers accounted for approximately 51.2% (2017: 37.6%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 17.1% (2017: 11.8%) of the total purchases.

Mr. Lui Bun Yuen, Danny, Mr. Wai Yat Kin and Mr. Yip Pak Hung, being the executive Directors, have beneficial interest in one of the five largest suppliers disclosed above during the Year. The transactions have been detailed under the below section headed "Continuing Connected Transactions".

Save as disclosed above, none of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

MAJOR SUBCONTRACTORS

During the Year, the Group's five largest subcontractors accounted for approximately 68.3% (2017: 63.7%) of the total subcontracting charges of the Group and the largest subcontractor of the Group accounted for approximately 20.3% (2017: 27.8%) of the total subcontracting charges.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest subcontractors.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the related party transactions disclosed in note 35 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, or holding company was a party and in which a Director or controlling Shareholder, or an entity connected with a Director or controlling Shareholder, had a material interests, whether directly or indirectly, subsisted during or at the end of the Year.

PERMITTED INDEMNITY PROVISIONS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Directors of Subsidiaries

Up to the date of this report, the subsidiaries of the Company (the "**Subsidiaries**") and the particulars of the Subsidiaries are listed out as follows:

Name of subsidiary	Place/Country of incorporation	Place of operations	Principal activities	List of directors
Light Dimension Limited ("**Light Dimension**")	British Virgin Islands (the "**BVI**")	Hong Kong	Investment holding	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny
AcouSystem Limited ("**AcouSystem**")	Hong Kong	Hong Kong	Trademark Holding	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny
BuildMax Limited ("**BuildMax (HK)**")	Hong Kong	Hong Kong	Provision of structural engineering works and trading of building material products	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny Mr. Liu Yuen Wai Mr. Chan Chi Ming
KPa Contracting Limited ("**KPa Contracting**")	Hong Kong	Hong Kong	Provision of structural engineering works	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny
KPa Engineering Limited ("**KPa Engineering**")	Hong Kong	Hong Kong	Provision of structural engineering works and trading of building material products	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny
KPa Engineering (HK) Limited ("**KPa (HK)**")	Hong Kong	Hong Kong	Provision of structural engineering works and trading of building material products	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny

Name of subsidiary	Place/Country of incorporation	Place of operations	Principal activities	List of directors
Sun Pool Engineering Limited ("**Sun Pool**")	Hong Kong	Hong Kong	Provision of management services, property investment and investment holding	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny
Youkang Limited ("**Youkang**")	The BVI	Hong Kong	Investment holding	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny
應力恒富設計貿易(深圳)有限公司 ("**KPa (SZ)**")	The People's republic of China (the "**PRC**")	PRC	Provision of fabrication drawing	Mr. Lui Bun Yuen, Danny

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Year set out in note 35 to the consolidated financial statements include transactions that constitute connected transactions and continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

CONTINUING CONNECTED TRANSACTIONS

The following transactions are continuing connected transactions which are subject to the requirements under Chapter 14A of the Listing Rules.

On 15 September 2015, the Company (for itself and other group companies) entered into a master supply agreement (the "**Master Supply Agreement**") with BuildMax Technology (Shenzhen) Limited ("**BuildMax (SZ)**"), pursuant to which BuildMax (SZ) agreed to sell and/or supply and the Company (for itself and other group companies) agreed to purchase on an non-exclusive basis building material products, which have been processed, fabricated or manufactured by BuildMax (SZ) in accordance with the specifications provided by the Group at the purchase price set out in each individual purchase order (the "**Purchaser Order**") as may from time to time be offered by the Group and accepted by BuildMax (SZ).

BuildMax (SZ) is owned as to 75.0% by Hillford Trading Limited (the "**Hillford**") and 25.0% by Shenzhen Hengyauyuan. Shenzhen Hengyauyuan is a limited liability company established in the PRC, which is owned as to 60.0% by Mr. Liu Jian Heng and 40.0% by Mr. Xu Zu Jia, both of them are independent third parties. Hillford is owned as to approximately 26.7% by Mr. Lui Bun Yuen, Danny, approximately 26.7% by Mr. Wai Yat Kin, approximately 26.7% by Mr. Yip Pak Hung, 15.0% by Mr. Liu Yuen Wai and 5.0% by Mr. Chan Chi Ming. Mr. Liu Yuen Wai is the general manager of the Group and Mr. Chan Chi Ming is a project manager of the Group. As (i) Mr. Lui, Mr. Wai and Mr. Yip are executive Directors and controlling Shareholders of the Company and hence are connected persons of the Company; (ii) Mr. Lui, Mr. Wai and Mr. Yip together hold over 30.0% shareholding interest in Hillford; and (iii) over 30.0% equity interest of BuildMax (SZ) is held by Hillford, BuildMax (SZ) is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip. and a connected person of the Company under Chapter 14A of the Listing Rules.

The purchase price in each Purchase Order placed by the Group to BuildMax (SZ) include (i) the cost of the raw materials procured by BuildMax (SZ); and (ii) the fees charged by BuildMax (SZ) for the processing, fabricating or manufacturing of the building material products in accordance with the specifications provided by the Group. The purchase price shall be determined after arm's length negotiations between BuildMax (SZ) and the Group from time to time with reference to the then prevailing market price of similar products in the market and that in any event shall be no less favourable to the Group than that offered to independent third parties (as defined in the Listing Rules) by BuildMax (SZ). The Directors confirmed that the transactions with BuildMax (SZ) during the Year were (i) conducted on normal commercial terms; (ii) carried out in the Group's ordinary and usual course of business; and (iii) fair and reasonable, and in the interest of the Shareholders as a whole.

The terms of the Master Supply Agreement commenced on the Listing Date and expired on 31 March 2018. Either party may terminate the Master Supply Agreement by serving a notice of not less than three months to the other.

Under the Master Supply Agreement for the three years ending 31 March 2018 will not exceed HK$15.0 million, HK$15.0 million and HK$15.0 million, respectively.

On 28 April 2017, the Company (for itself and other group companies) entered into a supplemental agreement ("**Supplemental Agreement**") with BuildMax (SZ), pursuant to which the parties agreed to revise the annual cap under the Master Supply Agreement for the year ended 31 March 2018 to HK$25.0 million. The Supplement Agreement was subsequently approved by independent shareholders of the Company at an extraordinary general meeting held on 3 July 2017.

The total amount paid/payable by the Group to BuildMax (SZ) for purchase of building material products and processing charges for the year ended 31 March 2018 was approximately HK$20.4 million.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the above mentioned continuing connected transaction in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the Year.

The Master Supply Agreement was expired on 31 March 2018. As the Group intends to continue carrying out the transactions under the Master Supply Agreement in the ordinary and usual course of business of the Group, the Company (for itself and other group companies) entered into a new master supply agreement ("**2018 Master Supply Agreement**") on 20 April 2018 with BuildMax (SZ) for a term of three years ending 31 March 2021. The proposed annual caps for the transactions under and contemplated under the 2018 Master Supply Agreement for the three years ending 31 March 2021 will not exceed HK$24.0 million, HK$27.0 million and HK$30.0 million, respectively. The 2018 Master Supply Agreement was subsequently approved by the independent shareholders of the Company at an extraordinary general meeting held on 14 June 2018.

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders, namely Success Wing Investments Limited, Mr. Lui Bun Yuen, Danny, Mr. Wai Yat Kin and Mr. Yip Pak Hung (collectively the "**Controlling Shareholders**") has made an annual declaration to the Company that during the Year, they have complied with the terms of non-competition undertakings ("**Non-Competition Undertakings**") dated 22 September 2015 given in favour of the Company.

The independent non-executive Directors have also reviewed the status of compliance with the Non-Competition Undertakings by each of the Controlling Shareholders and have confirmed that, as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings in the Non-Competition Undertakings.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors of the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this annual report.

AUDITOR

The consolidated financial statements of the Group for the Year have been audited by BDO Limited, who will retire, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

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

Hong Kong, 14 June 2018

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TO THE SHAREHOLDERS OF KPa-BM HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KPa-BM Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 108, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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, we do not provide a separate opinion on these matters.

Recognition of contract revenue and amounts due from/to customers for contract works

Refer to notes 2(i) and 4(i) to the consolidated financial statements

For the year ended 31 March 2018, the Group recognised revenue from rendering of structural engineering works and supply and installation of building material products amounting to HK$357,637,000 in aggregate and as at 31 March 2018, the Group recorded amounts due from and amounts due to customers for contract works of HK$69,015,000 and HK$7,788,000 respectively. Construction revenue is recognised by applying percentage of completion method, which is measured by reference to the contract costs incurred to date as a proportion to the total estimated contract costs, whereas amounts due from/to customers for contract works are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profits which is also dependent on estimation of contract costs. As disclosed in note 4(i) to the consolidated financial statements, the estimation of contract costs for an individual contract, which mainly comprise subcontracting charges, materials and processing charges and direct labour, is based on quotations provided by subcontractors and suppliers/vendors as well as from the experience of the directors, which is revised regularly as the contract progresses. This involves the use of significant management judgments and involves estimation uncertainty.

Our audit procedures in relation to the recognition of contract revenue and amounts due from/to customers for contract works included:

- Understanding the procedures and relevant controls of the Group in preparing and updating budget for construction works and recording contract costs.

- Agreeing budgeted costs, on a sample basis, to respective contract budgets.

- Evaluating reasonableness of contract budgets through discussion with management about preparation of those budgets.

- Testing contract costs incurred to date and estimated total costs, on a sample basis, to underlying supporting evidence.

- Assessing reliability of contract budgets by comparing actual contract costs against budgeted costs of completed projects.

- Checking calculations of percentage of completion of individual contracts and the amounts of contract revenue and gross profit recognised.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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 skepticism 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.

- 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 directors, 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.

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 14 June 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**378,433**	381,394
Cost of revenue		**(304,483)**	(312,282)
Gross profit		**73,950**	69,112
Other income and gains	7	**2,723**	166
Marketing and distribution expenses		**(3,353)**	(1,997)
Administrative and other operating expenses		**(39,338)**	(28,147)
Finance costs	8	**(1,476)**	(1,358)
Profit before income tax	9	**32,506**	37,776
Income tax expense	10	**(6,286)**	(6,812)
Profit for the year		**26,220**	30,964
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		**116**	(106)
Items that will not be reclassified to profit or loss			
Revaluation gain on self-occupied properties	14(c)	**—**	15,646
Other comprehensive income for the year		**116**	15,540
Total comprehensive income for the year		**26,336**	46,504
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	13	**4.37**	5.16

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	5,892	7,259
Investment properties	15	21,100	21,100
Pledged deposits	16	1,500	3,700
Deferred tax assets	25	89	69
		28,581	32,128
Current assets			
Inventories	17	1,875	2,606
Amounts due from customers for contract works	18	69,015	58,748
Trade and other receivables, deposits and prepayments	19	107,091	101,404
Tax recoverable		1,544	934
Pledged deposits	16	2,200	—
Pledged bank deposits	20	19,218	16,209
Cash and bank balances	21	41,401	36,679
		242,344	216,580
Current liabilities			
Amounts due to customers for contract works	18	7,788	4,096
Trade and other payables	22	69,699	67,891
Tax payable		2,793	579
Bank borrowings	23	18,054	19,857
Obligations under finance leases	24	153	149
		98,487	92,572
Net current assets		143,857	124,008
Total assets less current liabilities		172,438	156,136
Non-current liabilities			
Obligations under finance leases	24	263	416
Deferred tax liabilities	25	634	915
		897	1,331
Net assets		171,541	154,805

	Notes	2018 HK$'000	2017 HK$'000
CAPITAL AND RESERVES			
Share capital	*26*	**6,000**	6,000
Reserves	*27*	**165,541**	148,805
Total equity		**171,541**	154,805

On behalf of the directors

Yip Pak Hung
Director

Wai Yat Kin
Director

Consolidated Statement of Changes In Equity

For the year ended 31 March 2018

	Share capital HK$'000 *(note 26)*	Share premium* HK$'000 *(note 27)*	Merger reserve* HK$'000 *(note 27)*	Asset revaluation reserve* HK$'000 *(note 27)*	Exchange reserve* HK$'000 *(note 27)*	Retained profits* HK$'000 *(note 27)*	Total HK$'000
At 1 April 2016	6,000	33,942	7,437	—	(28)	69,950	117,301
Profit for the year	—	—	—	—	—	30,964	30,964
Other comprehensive income							
Exchange differences arising from translation of foreign operations	—	—	—	—	(106)	—	(106)
Revaluation gain on self-occupied properties *(note 14(c))*	—	—	—	15,646	—	—	15,646
Other comprehensive income for the year	—	—	—	15,646	(106)	—	15,540
Total comprehensive income for the year	—	—	—	15,646	(106)	30,964	46,504
Transactions with owners							
Final dividend in respect of 2016 *(note 12(b))*	—	—	—	—	—	(9,000)	(9,000)
At 31 March 2017 and 1 April 2017	**6,000**	**33,942**	**7,437**	**15,646**	**(134)**	**91,914**	**154,805**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**26,220**	**26,220**
Other comprehensive income							
Exchange differences arising from translation of foreign operations	**—**	**—**	**—**	**—**	**116**	**—**	**116**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**116**	**26,220**	**26,336**
Transactions with owners							
Final dividend in respect of 2017 *(note 12(b))*	**—**	**—**	**—**	**—**	**—**	**(9,600)**	**(9,600)**
At 31 March 2018	**6,000**	**33,942**	**7,437**	**15,646**	**(18)**	**108,534**	**171,541**

* The total of these equity accounts at the end of the reporting period represents "Reserves" in the consolidated statement of financial position

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Operating activities			
Profit before income tax		**32,506**	37,776
Adjustments for:			
Depreciation on property, plant and equipment		**1,724**	1,479
Write-off of property, plant and equipment		**65**	—
Allowance for inventories		**117**	40
Write-off of inventories		**17**	10
Reversal of provision for impairment on receivables		**(39)**	—
Write-off of receivables		**640**	—
Write back of payables		**(1,170)**	—
Interest income		**(576)**	(84)
Finance costs		**1,476**	1,358
Exchange differences		**80**	(99)
Operating profit before working capital changes		**34,840**	40,480
Decrease in inventories		**597**	183
Increase in amounts due from customers for contract works		**(10,267)**	(21,678)
(Increase)/Decrease in trade and other receivables, deposits and prepayments		**(5,730)**	22,711
Increase/(Decrease) in amounts due to customers for contract works		**3,692**	(6,081)
Increase/(Decrease) in trade and other payables		**2,772**	(3,721)
Decrease in pledged deposits		**—**	200
Net cash generated from operations		**25,904**	32,094
Interest paid on bank borrowings		**(1,296)**	(1,339)
Interest element of finance lease payments		**(14)**	(19)
Interest received		**42**	84
Income tax paid, net		**(4,997)**	(10,742)
Net cash from operating activities		**19,639**	20,078
Investing activities			
Increase in pledged bank deposits		**(3,009)**	(3,008)
Decrease in short-term time deposits with maturity beyond three months but within one year		**—**	15,000
Purchase of property, plant and equipment		**(363)**	(4,672)
Net cash (used in)/from investing activities		**(3,372)**	7,320

	Notes	2018 HK$'000	2017 HK$'000
Financing activities	34		
Dividends paid	12(b)	**(9,600)**	(9,000)
Proceeds from new bank borrowings		**57,990**	63,184
Repayment of bank borrowings		**(59,075)**	(77,905)
Capital element of finance lease payments		**(149)**	(144)
Net cash used in financing activities		**(10,834)**	(23,865)
Net increase in cash and cash equivalents		**5,433**	3,533
Cash and cash equivalents at the beginning of year		**35,961**	32,439
Effect of exchange rate changes on cash and cash equivalents		**7**	(11)
Cash and cash equivalents at the end of year		**41,401**	35,961
Analysis of the balances of cash and cash equivalents			
Cash and bank balances as stated in the consolidated statement of financial position		**41,401**	36,679
Less: Bank overdrafts	23	**—**	(718)
Cash and cash equivalents at the end of the year		**41,401**	35,961

1. GENERAL INFORMATION

KPa-BM Holdings Limited (the "Company") was incorporated as an exempted company in the Cayman Islands with limited liability on 15 May 2015. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 October 2015 and were transferred to the Main Board of the Stock Exchange with effect on 24 October 2017. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 1907–1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in (i) provision of structural engineering works; (ii) supply and installation of building material products; and (iii) trading of building material products.

The Company's parent is Success Wing Investments Limited ("Success Wing"), a company incorporated in the British Virgin Islands ("BVI"). In the opinion of the directors, Success Wing is also the ultimate parent of the Company.

The financial statements for the year ended 31 March 2018 were approved and authorised for issue by the directors on 14 June 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair value. The measurement basis are fully described in the accounting policies below.

The financial statements are presented in Hong Kong dollars ("HK$"), which is same as the functional currency of the Company and its major subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately different from those estimates and assumptions. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in note 4.

(b) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs 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. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis as follows:

Leasehold land and buildings	Over the shorter of 50 years or the remaining lease terms
Leasehold improvements	Over the shorter of 5 years or the remaining lease terms
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicles	5 years

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 2(o)).

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Investment property

Investment property is interest in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

For property previously occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 2(d)) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in asset revaluation reserve. On disposal of the property, the asset revaluation reserve is transferred to retained profits as a movement in reserves.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

The Group as lessee under finance lease

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases.

Subsequent accounting for assets held under finance lease arrangement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The Group as lessor under operating lease

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors) and also incorporated other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; or

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of loans and receivables is reduced through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realised or has been transferred to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method. The related interest expense is accounted for in accordance with the accounting policy as set out in note 2(p).

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Recognition of revenue and other income

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

(i) When the outcome of construction contracts, including those related to structuring engineering works and supply and installation of building material products, can be estimated reliably, revenue from these contract construction works is recognised according to the percentage of completion of individual contract at the end of the reporting period (note 2(i)).

(ii) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

(iii) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(iv) Interest income is recognised on a time proportion basis by reference to the principal outstanding and using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Construction contracts

When the outcome of construction contracts can be estimated reliably, revenue from construction works and the associated contract costs are recognised according to the stage of completion of individual contract at the end of the reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion to the total estimated contract costs.

When the outcome of construction contracts cannot be estimated reliably, no profit is recognised and revenue is recognised only to the extent of contract costs incurred that would probably be recoverable.

Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.

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

Retention monies, representing amounts of progress billings which are payable to sub-contractors or receivable from customers when conditions specified in the contracts undertaken are satisfied, are included in the consolidated statement of financial position under "Trade and other payables" and "Trade and other receivables, deposits and prepayments" respectively.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit or tax loss of the periods in which the temporary differences are expected to reverse. The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of taxable income in those years. The estimate of future taxable includes income or loss excluding reversals of temporary differences; and reversals of existing temporary differences.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 *Investment Property*. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the end of the reporting period. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(m) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of preparing the consolidated financial statements, income and expense items of foreign operations are translated into the functional currency of the Company (i.e. HK$) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the period when the employees render the related service.

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 end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution retirement plans

Retirement benefits to employees are provided through defined contribution retirement plans. The Group operates a defined contribution retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income. Contributions are recognised as an expense in profit or loss when the services are rendered by the employees.

The employees of a subsidiary of the Company which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group's obligations under these plans are limited to the fixed percentage contribution payable.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries are subject to impairment testing. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or cash-generating unit's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(p) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new or revised HKFRSs — effective on 1 April 2017

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Asset for Unrealised Losses

Amendments to HKAS 7 Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in note 34 — note to the consolidated statement of cash flows.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

The Group anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Except as described below, other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's financial statements upon application.

HKFRS 9 Financial Instruments

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

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

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

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but not are yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9.

The Group's financial assets including trade and bills receivables, other receivables and deposits, pledged deposits, pledged bank deposits and cash and bank balances which are currently carried at amortised cost are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

There will 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.

Except for the expected credit loss model which may result in earlier provision of credit losses, the directors do not anticipate that the application of HKFRS 9 will have material impact on the Group's financial statements.

HKFRS 15 Revenue from Contracts with Customers and amendments to HKFRS 15 Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

In 2016, the HKICPA issued clarifications to HKFRS 15. The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but not are yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers and amendments to HKFRS 15 Revenue from Contracts with Customers (Clarifications to HKFRS 15) (Continued)

As assessed by the directors, there are significant integration of different elements underlying a structural engineering contract and supply and installation contract and thus such contracts are considered to contain only a single performance obligation. In addition, the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced and thus the performance obligation of these contracts is satisfied over time. Moreover, currently the stage of completion of the structural engineering contracts and supply and installation contracts is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion to the total estimated contract costs of the relevant contracts which is the input method under HKFRS 15. The directors have assessed that input method is appropriate in depicting the performance obligation of the structural engineering contracts and supply and installation contracts. Based on the above assessment, the directors consider that the Group's current accounting policies on recognising contract revenue and contract costs are consistent with the relevant requirements under HKFRS 15.

Regarding variation orders, under HKFRS 15, approval is required for a contract modification to be recognised. In addition, under HKFRS 15, variation orders are included in revenue only when it is highly probable that revenue will not reverse in the future. Regarding warranties, under HKFRS 15, assurance-type warranties do not provide an additional good or service to customer and the estimated costs of satisfying this warranty obligation are accrued as part of the contract costs. For service-type warranties which provide service to customer in addition to the assurance that the delivered good or service is to be provided as specified in the contract, such warranties represent separate performance obligation which is to be accounted for separately. A portion of the contract sum is allocated to that separate performance obligation at contract inception. The Group's current accounting policies on recognising variation orders and accounting for warranties are consistent with the requirements under HKFRS 15.

In respect of sales of building material products, the timing of revenue recognition, which is currently upon transfer of the significant risks and rewards of ownership of the products to the customer, will be recognised when the customer obtains control of the goods under HKFRS 15. The directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised for trading of building material products.

Based on the above, the directors anticipate that the application of HKFRS 15 in the future would not result in significant impact on the amounts of revenue and gross profit reported. Nevertheless, the application of HKFRS 15 in the future would result in more disclosures in the Group's financial statements.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but not are yet effective (Continued)

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 31, the Group leases office premises, car parks, warehouse and office equipment under operating lease arrangements, which are currently accounted for under the accounting policy as set out in note 2(f). As at 31 March 2018, the total operating lease commitment in respect of these lease arrangements amounted to HK$4,284,000. The directors have performed a preliminary assessment and consider that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of these lease arrangements upon the application of HKFRS 16. In the income statement, as the lease will be capitalised in future, operating lease expense will no longer be recorded for these leases while depreciation and interest expense will increase due to the depreciation charge on the right-of-use asset and the interest expense on the lease liability. The new standard is not expected to apply until the financial year ending 31 March 2020 and the impact on the Group’s financial position and results upon the adoption of HKFRS 16 on these leases are not expected to be material. In addition, more quantitative and qualitative disclosures about the leases will be made following the requirements of HKFRS 16.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Construction contracts

Construction contract revenue is recognised according to the percentage of completion of individual construction contract, which is measured by reference to the contract costs incurred to date as a proportion to total estimated contract costs. Amounts due from/to customers for contract works are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and amounts due from/to customers for contract works requires significant management judgment and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and processing charges and direct labour, are supported by contract budget which was prepared by the directors on the basis of estimated subcontracting charges, cost of materials and processing charges, and cost of direct labour based on quotations provided by subcontractors and suppliers/vendors as well as from the experience of the directors. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. For the purpose of updating the contract budget, the management may request for updated quotations from counterparties. Recognition of variations and claims also requires estimation and judgment by the management. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(ii) Recoverability of trade receivables

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of trade receivables taking into account the specific circumstances for each account. Judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or debtor. If the financial condition of the customers or debtors was to deteriorate resulting in an impairment of their ability to make payments, additional provision will be required.

(iii) Fair value of investment properties

The fair values of the Group's investment properties were determined by management with reference to valuation carried out by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might differ from the actual results. In making the estimates, management considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the valuation date.

Please refer to note 15 for more detailed information in relation to the fair value measurement of investment properties.

5. SEGMENT INFORMATION

(a) Operating segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker, i.e. executive directors of the Company who are used to make strategic decisions.

The business of the Group had previously been managed under two separate business segments, namely structural engineering works and trading of building material products. Having reassessed the business and operational information that is periodically available to management, the executive directors determined that the nature of certain of the Group's business previously classified under structural engineering works segment is warranted to be and identifiable as a separate business segment. Such refinement in business segment reporting is beneficial for the management to monitor and assess the Group's performance and to formulate business strategies accordingly. As a result of this change in reportable segments during the year, for the purposes of disclosing segment information in these financial statements, a new reportable segment "Supply and installation of building material products" is identified. Certain comparative figures in the segment information for the year ended 31 March 2017 have been restated to conform to current year's presentation.

5. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

The following summary describes the operations in each of the Group's reportable operating segments:

Structural Engineering Works	—	This segment mainly engages in provision of structural engineering works for the public and private sectors in Hong Kong and the Group mainly acts as a subcontractor.
Supply and Installation of Building Material Products	—	This segment engages in supply of building material products with installation services provided in Hong Kong. In some circumstances, the Group designs and supplies building material products without providing installation works.
Trading of Building Material Products	—	This segment engages in sales of building material products in Hong Kong, the PRC (other than Hong Kong) and overseas.

Revenue and costs/expenses are allocated to the operating segments with reference to sales generated by those segments and the costs/expenses incurred by those segments. Corporate income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit or loss that is used by the chief operating decision-maker for assessment of segment performance.

Segment assets include all assets with the exception of tax assets and corporate assets, including pledged bank deposits, cash and bank balances, investment properties and other assets that are not directly attributable to the business activities of the operating segments as these assets are managed on a group basis.

Information of the operating segments of the Group reported to the chief operating decision-maker for the purposes of resources allocation and performance assessment does not include liabilities. Accordingly, no information of segment liabilities is presented.

5. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

Segment results, segment assets and other segment information

Information regarding the Group's reportable segments including the reportable segment revenue, segment profit, segment assets, reconciliations to revenue, profit before income tax and total assets and other segment information are as follows:

	Structural Engineering Works HK$'000	Supply and Installation of Building Material Products HK$'000	Trading of Building Material Products HK$'000	Total HK$'000
Year ended 31 March 2018				
Segment revenue				
Sales to external customers	336,135	21,502	20,796	378,433
Intersegment sales	—	—	1,525	1,525
	336,135	21,502	22,321	379,958
Elimination of intersegment sales				(1,525)
				378,433
Segment profit	55,385	8,149	8,183	71,717
Corporate and unallocated income				1,019
Corporate and unallocated expenses				
— Marketing and distribution expenses				(540)
— Administrative and other operating expenses *				(38,380)
— Finance costs				(1,310)
Profit before income tax				32,506

5. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

Segment results, segment assets and other segment information (Continued)

	Structural Engineering Works HK$'000 (Restated)	Supply and Installation of Building Material Products HK$'000 (Restated)	Trading of Building Material Products HK$'000	Total HK$'000
Year ended 31 March 2017				
Segment revenue				
Sales to external customers	349,204	20,756	11,434	381,394
Intersegment sales	—	—	3,933	3,933
	349,204	20,756	15,367	385,327
Elimination of intersegment sales				(3,933)
				381,394
Segment profit	53,413	9,782	4,667	67,862
Corporate and unallocated income				166
Corporate and unallocated expenses				
— Marketing and distribution expenses				(836)
— Administrative and other operating expenses *				(28,058)
— Finance costs				(1,358)
Profit before income tax				37,776

* Administrative and other operating expenses mainly comprise employee costs, rental and related expenses and legal and professional fees

5. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

Segment results, segment assets and other segment information (Continued)

	Structural Engineering Works HK$'000	Supply and Installation of Building Material Products HK$'000	Trading of Building Material Products HK$'000	Total HK$'000
As at 31 March 2018				
Segment assets	**172,359**	**5,837**	**2,593**	**180,789**
Property, plant and equipment				**4,563**
Investment properties				**21,100**
Tax assets				**1,633**
Pledged bank deposits				**19,218**
Cash and bank balances				**41,401**
Other corporate assets				**2,221**
Total consolidated assets				**270,925**

	Structural Engineering Works HK$'000 (Restated)	Supply and Installation of Building Material Products HK$'000 (Restated)	Trading of Building Material Products HK$'000	Total HK$'000
As at 31 March 2017				
Segment assets	157,323	3,559	3,370	164,252
Property, plant and equipment				5,575
Investment properties				21,100
Tax assets				1,003
Pledged bank deposits				16,209
Cash and bank balances				36,679
Other corporate assets				3,890
Total consolidated assets				248,708

5. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

Segment results, segment assets and other segment information (Continued)

	Structural Engineering Works HK$'000	Supply and Installation of Building Material Products HK$'000	Trading of Building Material Products HK$'000	Corporate/ Unallocated HK$'000	Total HK$'000
Year ended 31 March 2018					
Other information					
Interest income	**534**	**—**	**—**	**42**	**576**
Interest expense	**166**	**—**	**—**	**1,310**	**1,476**
Depreciation	**355**	**—**	**—**	**1,369**	**1,724**
(Reversal of impairment loss)/ Impairment loss on inventories	**—**	**(7)**	**141**	**—**	**134**
Impairment loss on receivables	**552**	**49**	**—**	**—**	**601**
Write back of payables	**1,170**	**—**	**—**	**—**	**1,170**
Additions to specified non-current assets # ^	**—**	**—**	**—**	**363**	**363**

	Structural Engineering Works HK$'000 (Restated)	Supply and Installation of Building Material Products HK$'000 (Restated)	Trading of Building Material Products HK$'000	Corporate/ Unallocated HK$'000	Total HK$'000
Year ended 31 March 2017					
Other information					
Interest income	—	—	—	84	84
Interest expense	—	—	—	1,358	1,358
Depreciation	89	—	—	1,390	1,479
Impairment loss on inventories	—	44	6	—	50
Additions to specified non-current assets # ^	1,773	—	—	2,899	4,672

Specific non-current assets include all non-current assets but exclude financial instruments and deferred tax assets

^ Additions to specified non-current assets exclude those transfer among specified non-current assets

5. SEGMENT INFORMATION (Continued)

(b) Geographical segment information

The Company is an investment holding company and the principal place of the Group's operations are in Hong Kong. Accordingly, management determines that the Group is domiciled in Hong Kong.

The following table provides analysis of the Group's revenue from external customers, determined based on location of the customers:

	2018 HK$'000	2017 HK$'000
Hong Kong	372,393	380,067
Macau	6,040	873
United Kingdom	—	429
Others	—	25
	378,433	381,394

All of the Group's specified non-current assets amounting to HK$26,992,000 as at 31 March 2018 (2017: HK$28,359,000) are located in Hong Kong.

(c) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2018 HK$'000	2017 HK$'000
Customer A	106,239	140,110
Customer B	79,835	N/A
Customer C	57,857	N/A

N/A: not applicable as revenue generated from the customer is less than 10% of the Group's revenue

Revenue from Customer A was generated by all three operating segments. Revenue from Customer B was generated by Structural Engineering Works whereas revenue from Customer C was generated by Structural Engineering Works and Supply and Installation of Building Material Products.

6. REVENUE

The Group is principally engaged in (i) provision of structural engineering works; (ii) supply and installation of building material products; and (iii) trading of building material products. Revenue derived from these principal activities comprises the followings:

	2018 **HK$'000**	2017 HK$'000
Revenue from rendering structural engineering works and supply and installation of building material products	**357,637**	369,960
Revenue from trading of building material products	**20,796**	11,434
	378,433	381,394

7. OTHER INCOME AND GAINS

	2018 **HK$'000**	2017 HK$'000
Bank interest income	**42**	84
Imputed interest income on retention receivables	**534**	—
Rental income	**754**	31
Write-back of payables	**1,170**	—
Others	**223**	51
	2,723	166

8. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interest on bank borrowings	**1,296**	1,339
Interest element of finance lease payments	**14**	19
Imputed interest on retention payables	**166**	—
	1,476	1,358

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following:

	2018 HK$'000	2017 HK$'000
Auditor's remuneration *(note (a))*	731	605
Reversal of provision for impairment on receivables, net	(39)	—
Write-off of receivables	640	—
Cost of inventories recognised as expense		
— Carrying amount of inventories consumed	119,155	122,599
— Allowance for inventories	117	40
— Write-off of inventories	17	10
	119,289	122,649
Depreciation in respect of:		
— Owned assets	1,563	1,317
— Leased assets	161	162
	1,724	1,479
Employee costs (including directors' emoluments *(note 11(a))*)		
— Salaries, allowances and other benefits	43,070	44,174
— Contribution to defined contribution retirement plans *(note (b))*	2,026	2,143
	45,096	46,317
Exchange loss/(gain), net *	480	(276)
Operating lease charges in respect of:		
— Land and buildings	3,670	2,624
— Office equipment	244	224

* Included in "Administrative and other operating expenses"

Notes:

(a) Auditor's remuneration included remuneration paid/payable for audit service of HK$650,000 (2017: HK$605,000) and non-audit services of HK$81,000 (2017: nil).

(b) In respect of the Group's contribution to defined contribution retirement plans, no contribution is available for reducing the Group's existing level of contribution for the year ended 31 March 2018 (2017: nil).

10. INCOME TAX EXPENSE

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

	2018 **HK$'000**	2017 HK$'000
Current tax for the year		
— Hong Kong Profits Tax	**6,375**	5,989
— Other regions of the PRC — Enterprise Income Tax ("EIT")	**—**	—
Under/(Over) provision in respect of prior years	**212**	(23)
	6,587	5,966
Deferred tax *(note 25)*	**(301)**	846
	6,286	6,812

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax regime, the first HK$2 million of profits of qualifying entities will be taxed at 8.25% whereas profits above HK$2 million will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime will be applicable to a nominated qualifying entity in the Group for its annual reporting periods beginning on or after 1 April 2018.

EIT arising from other regions of the PRC is calculated at 25% on the estimated assessable profits.

The income tax expense for the year can be reconciled to the profit before income tax in the consolidated statement of comprehensive income as follows:

	2018 **HK$'000**	2017 HK$'000
Profit before income tax	**32,506**	37,776
Tax calculated at rates applicable to profits in the jurisdictions concerned	**5,302**	6,228
Tax effect of revenue not taxable for tax purposes	**(5)**	(11)
Tax effect of expenses not deductible for tax purposes	**952**	115
Tax effect of temporary differences not recognised	**(175)**	503
Under/(Over) provision in respect of prior years	**212**	(23)
Income tax expense	**6,286**	6,812

11. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Year ended 31 March 2018					
Executive directors					
Mr. Lui Bun Yuen, Danny ("Mr. Lui")	**—**	**2,088**	**1,470**	**18**	**3,576**
Mr. Wai Yat Kin ("Mr. Wai")	**—**	**2,088**	**1,470**	**18**	**3,576**
Mr. Yip Pak Hung ("Mr. Yip")	**—**	**2,088**	**1,470**	**18**	**3,576**
Independent non-executive directors					
Ms. Lai Pik Chi, Peggy	**205**	**—**	**—**	**—**	**205**
Mr. Lam Chi Wai, Peter	**205**	**—**	**—**	**—**	**205**
Dr. Yeung Kit Ming	**205**	**—**	**—**	**—**	**205**
Total	**615**	**6,264**	**4,410**	**54**	**11,343**
Year ended 31 March 2017					
Executive directors					
Mr. Lui	—	2,025	500	18	2,543
Mr. Wai	—	2,025	500	18	2,543
Mr. Yip	—	2,025	500	18	2,543
Independent non-executive directors					
Ms. Lai Pik Chi, Peggy	180	—	—	—	180
Mr. Lam Chi Wai, Peter	180	—	—	—	180
Dr. Yeung Kit Ming	180	—	—	—	180
Total	540	6,075	1,500	54	8,169

No directors waived or agreed to waive any emoluments in the current year and in prior year.

No emolument was paid by the Group to any of the directors as an inducement to join or upon joining the Group, or as compensation of loss of office in the current year and in prior year.

11. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2018 included three (2017: three) directors whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining two (2017: two) highest paid individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	**1,586**	1,507
Discretionary bonus	**607**	519
Contribution to pension scheme	**36**	36
	2,229	2,062

Their emoluments were within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**2**	1

No emolument was paid by the Group to any of the non-director highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office in the current year and in prior year.

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1

12. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year

	2018 HK$'000	2017 HK$'000
Proposed final dividend — HK1.6 cents (2017: HK1.6 cents) per ordinary share	9,600	9,600

The final dividend in respect of the financial year ended 31 March 2018 of HK1.6 cents (2017: HK1.6 cents) per ordinary share, amounting to HK$9,600,000 (2017: HK$9,600,000) has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

The final dividend declared subsequent to 31 March 2018 has not been recognised as a liability as at 31 March 2018.

(b) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year

	2018 HK$'000	2017 HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK1.6 cents (2017: HK1.5 cents) per ordinary share	9,600	9,000

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2018 HK$'000	2017 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	26,220	30,964

	2018 '000	2017 '000
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue during the year	600,000	600,000

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the year or in prior year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2016							
Cost	7,388	186	2,313	1,266	1,954	2,779	15,886
Accumulated depreciation	(2,365)	(186)	(2,235)	(1,121)	(1,508)	(1,176)	(8,591)
Net carrying amount	5,023	—	78	145	446	1,603	7,295
Year ended 31 March 2017							
Opening net carrying amount	5,023	—	78	145	446	1,603	7,295
Exchange adjustment	—	—	—	—	(11)	—	(11)
Additions	2,236	1,703	578	48	570	1,773	6,908
Revaluation gain on self-occupied properties *(note (c))*	15,646	—	—	—	—	—	15,646
Transfer to investment properties *(note (c))*	(21,100)	—	—	—	—	—	(21,100)
Depreciation	(209)	(276)	(176)	(65)	(193)	(560)	(1,479)
Closing net carrying amount	1,596	1,427	480	128	812	2,816	7,259
At 31 March 2017							
Cost	1,920	1,889	2,765	1,146	2,512	4,552	14,784
Accumulated depreciation	(324)	(462)	(2,285)	(1,018)	(1,700)	(1,736)	(7,525)
Net carrying amount	1,596	1,427	480	128	812	2,816	7,259
Year ended 31 March 2018							
Opening net carrying amount	**1,596**	**1,427**	**480**	**128**	**812**	**2,816**	**7,259**
Exchange adjustment	**—**	**27**	**—**	**—**	**32**	**—**	**59**
Additions	**—**	**—**	**—**	**8**	**165**	**190**	**363**
Write-off	**—**	**—**	**—**	**—**	**—**	**(65)**	**(65)**
Depreciation	**(53)**	**(352)**	**(195)**	**(65)**	**(291)**	**(768)**	**(1,724)**
Closing net carrying amount	**1,543**	**1,102**	**285**	**71**	**718**	**2,173**	**5,892**
At 31 March 2018							
Cost	**1,920**	**1,743**	**2,765**	**1,154**	**2,727**	**4,627**	**14,936**
Accumulated depreciation	**(377)**	**(641)**	**(2,480)**	**(1,083)**	**(2,009)**	**(2,454)**	**(9,044)**
Net carrying amount	**1,543**	**1,102**	**285**	**71**	**718**	**2,173**	**5,892**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) The Group has pledged its leasehold land and buildings with net carrying amount as at 31 March 2018 of HK$1,543,000 (2017: HK$1,596,000) to secure the bank borrowings and banking facilities granted to the Group (note 23).

(b) The net carrying amount of the Group's property, plant and equipment at the end of the reporting period included the following amount in respect of assets held under finance leases (note 24):

	2018 **HK$'000**	2017 HK$'000
Motor vehicle	**416**	577

(c) During the year ended 31 March 2017, the Group leased out certain formerly self-occupied properties and reclassified them as investment properties (note 15). These properties were previously occupied by the Group for administrative purpose and were classified as leasehold land and buildings under property, plant and equipment. The difference on the date of reclassification between the carrying value of those properties of HK$5,454,000 and their fair value of HK$21,100,000, which amounted to HK$15,646,000, represented revaluation gain which had been dealt with in asset revaluation reserve.

15. INVESTMENT PROPERTIES

	2018 **HK$'000**	2017 HK$'000
Fair value		
At the beginning of the reporting period	**21,100**	—
Transfer from property, plant and equipment *(note 14(c))*	**—**	21,100
At the end of the reporting period	**21,100**	21,100

Notes:

(a) The fair value of investment properties as at 31 March 2018 and 2017 is a level 2 recurring fair value measurement.

No fair value gain or loss arose from remeasurement of the investment properties as at 31 March 2018 and 2017.

15. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) The fair value of the Group's investment properties has been determined by the directors with reference to the valuation carried out by Asset Appraisal Limited, which is an independent firm of professionally qualified valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in nearby location.

Below is a summary of the valuation technique used and the key inputs to the valuation.

Property	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial premises	Hong Kong	Comparison method	Premium/Discount to the unit selling price per unit of market comparables, taking into account differences such as size, character and location, etc.	2018: –0.2% to 2.1% (2017: 3.7% to 4.2%)	The higher the premium/ discount, the higher/lower the fair value

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

Under comparison method, fair value is estimated by comparison based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

(c) The investment properties are leased to a third party under operating lease to earn rental income, further details of which are included in note 31.

(d) Investment properties with net carrying amount of HK$21,100,000 as at 31 March 2018 (2017: HK$21,100,000) were pledged to a bank to secure the bank borrowings and banking facilities granted to the Group (note 23).

16. PLEDGED DEPOSITS

Balances as at 31 March 2018 of HK$3,700,000 (2017: HK$3,700,000) represent deposits placed by the Group with an insurance company as collaterals for the surety bonds issued in favour of the customers of certain construction contracts. The aggregate bond values of the surety bonds arranged by the insurance company as at 31 March 2018 were HK$10,739,000 (2017: HK$10,739,000). The surety bonds are required for the entire period of the relevant construction contracts in practice. Pledged deposits as at 31 March 2018 amounting to HK$2,200,000 are expected to be released in year 2019 whereas the remaining balance of HK$1,500,000 is expected to be released after year 2019. Pledged deposits as at 31 March 2017 were expected to be released in year 2019.

17. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials and supplies	1,875	2,606

18. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2018 HK$'000	2017 HK$'000
Costs incurred to date plus recognised profits	876,667	712,296
Less: Progress billings to date	(815,440)	(657,644)
	61,227	54,652
Amounts due from customers for contract works	69,015	58,748
Amounts due to customers for contract works	(7,788)	(4,096)
	61,227	54,652

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Trade and bills receivables	**56,429**	59,982
Less: Provision for impairment	**(621)**	(575)
Trade and bills receivables, net *(note (a))*	**55,808**	59,407
Retention receivables	**46,793**	38,376
Less: Provision for impairment	**(184)**	(269)
Retention receivables, net *(note (b))*	**46,609**	38,107
Other receivables	**2,401**	1,273
Deposits	**1,221**	1,221
Prepayments	**1,052**	1,396
	4,674	3,890
	107,091	101,404

Notes:

(a) The movements in the allowance for impairment of trade and bills receivables during the year are as follows:

	2018 HK$'000	2017 HK$'000
At the beginning of the year	**575**	575
Provision for impairment	**46**	—
At the end of the year	**621**	575

Trade and bills receivables as at 31 March 2018 of HK$621,000 (2017: HK$575,000) were impaired and full provision have been made for the balances.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(a) (Continued)

The ageing analysis of trade and bills receivables (net), based on invoice date, as at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
0 – 30 days	38,131	41,466
31 – 60 days	3,172	5,225
61 – 90 days	9,903	3,981
Over 90 days	4,602	8,735
	55,808	59,407

The ageing analysis of trade and bills receivables (net), based on due date, as at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	35,121	14,746
Past due but not impaired		
Past due for less than 30 days	15,348	31,879
Past due for 30 days or more but less than 90 days	781	4,391
Past due for 90 days or more but less than one year	618	624
Past due for one year or more but less than two years	987	4,016
Past due for more than two years	2,953	3,751
	20,687	44,661
	55,808	59,407

Bills receivable are subject to tenor of 30 to 60 days. Credit periods granted to other trade debtors range from 30 to 60 days.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(a) (Continued)

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) The terms and conditions in relation to the release of retention monies vary from contract to contract, which may be subject to practical completion of contracts, expiry of defect liability period and rectification of defects to the satisfaction of customers.

The movements in the allowance for impairment of retention receivables during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
At the beginning of the year	**269**	269
Reversal of impairment loss	**(85)**	—
At the end of the year	**184**	269

The retention receivables as of the end of the reporting period are to be settled, based on the terms and conditions in relation to the release of the retention monies by customers and taking into account the status of rectification work, as follows:

	2018 **HK$'000**	2017 HK$'000
On demand or within one year	**17,798**	18,077
After one year or more	**28,811**	20,030
	46,609	38,107

As at 31 March 2018, based on due date, the Group's retention receivables of approximately HK$36,321,000 (2017: HK$35,304,000) were not yet past due and the remaining balance of approximately HK$10,288,000 (2017: HK$2,803,000) were past due, of which approximately HK$1,288,000 (2017: HK$2,803,000) were past due for over one year. Based on the assessment of the directors, no impairment allowance is necessary for the retention receivables outstanding at the end of the reporting period as those balances are due from customers with long business relationship and there has not been a significant change in their credit quality.

20. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 March 2018 amounting to HK$19,218,000 (2017: HK$16,209,000) are interest-bearing at fixed rates ranged from 0.01% to 1.10% (2017: 0.001% to 0.17%) per annum and have maturity period of one month to three months (2017: seven days to three months). All of the Group's pledged bank deposits are denominated in HK$.

Pledged bank deposits were placed in banks to secure the bank borrowings and banking facilities of the Group (note 23).

21. CASH AND BANK BALANCES

Cash at banks earns interest at floating rate based on daily bank deposit rates. Short-term time deposits are made for periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

As at 31 March 2018, the Group had time deposits of HK$20,103,000 (2017: HK$20,073,000) placed with a bank with original maturity of three months (2017: three months) and earn interest income at interest rate at 0.15% (2017: 0.15%) per annum.

As at 31 March 2018, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$73,000 (2017: HK$55,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. TRADE AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables *(note (a))*	**42,690**	39,735
Bills payable	**—**	8,355
Trade and bills payables *(note (b))*	**42,690**	48,090
Retention payables *(note (c))*	**16,908**	11,755
Receipts in advance	**263**	677
Other payables, accruals and deposits received	**9,838**	7,369
	69,699	67,891

22. TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) Included in trade payables as at 31 March 2018 were balances due to related companies amounting to HK$3,584,000 (2017: HK$1,140,000) which arose from the trading transactions as disclosed in note 35(a). These balances are unsecured, interest-free and due for settlement within 30 days from invoice date.

(b) For trade payables, the credit period granted by suppliers and contractors is normally 30 to 60 days. The Group's bills payable as at 31 March 2017 were subject to a tenor of up to 120 days.

The ageing analysis of trade and bills payables, based on invoice date, as at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
0 – 30 days	27,222	36,058
31 – 60 days	8,570	6,353
61 – 90 days	3,497	1,415
Over 90 days	3,401	4,264
	42,690	48,090

(c) Based on the terms and conditions agreed in relation to the release of retention monies to subcontractors and taking into account the status of rectification work, the retention payables as at the end of the reporting period are to be settled as follows:

	2018 HK$'000	2017 HK$'000
On demand or within one year	1,619	4,306
After one year or more	15,289	7,449
	16,908	11,755

23. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
Bank overdrafts	—	718
Bank loans subject to repayment on demand clause		
— Bank loans due for repayment within one year	15,842	16,507
— Bank loans due for repayment after one year	2,212	2,632
	18,054	19,139
	18,054	19,857

Bank borrowings, including trade financing, are interest bearing at the banks' prime rates or cost of funds or Hong Kong Inter-Bank Offered Rate or London Inter-Bank Offered Rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 March 2018 granted under banking facilities ranged from 3.44% to 4.92% (2017: 3.22% to 5.25%) per annum.

Included in bank borrowings as at 31 March 2018 are bank loans of HK$2,212,000 (2017: HK$2,632,000) that are not scheduled to repay within one year after the end of the reporting period. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

The carrying amounts of bank borrowings are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	16,134	14,720
United States dollars ("US$")	1,920	5,137
	18,054	19,857

23. BANK BORROWINGS (Continued)

The Group's bank borrowings and banking facilities are secured by the followings:

— land and buildings with net carrying amount of HK$1,543,000 as at 31 March 2018 (2017: HK$1,596,000);

— investment properties with net carrying amount of HK$21,100,000 as at 31 March 2018 (2017: HK$21,100,000); and

— bank deposits of HK$19,218,000 as at 31 March 2018 (2017: HK$16,209,000).

As at the end of the reporting period, the Group's bank loans and overdrafts were scheduled to repay as follows:

	2018 **HK$'000**	2017 HK$'000
On demand or within one year	**15,842**	17,225
More than one year, but not exceeding two years	**436**	423
More than two years, but not exceeding five years	**1,402**	1,355
More than five years	**374**	854
	18,054	19,857

The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

24. OBLIGATIONS UNDER FINANCE LEASES

The Group leases a motor vehicle and the lease is classified as finance lease. The lease obligations are secured by the leased asset.

The future lease payments under the finance lease are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 March 2018			
Not later than one year	**163**	**(10)**	**153**
Later than one year but not later than five years	**269**	**(6)**	**263**
	432	**(16)**	**416**

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 March 2017			
Not later than one year	163	(14)	149
Later than one year but not later than five years	432	(16)	416
	595	(30)	565

The present value of future lease payments are analysed as follows:

	2018 HK$'000	2017 HK$'000
Current liabilities	**153**	149
Non-current liabilities	**263**	416
	416	565

The finance lease obligations under this arrangement is subject to corporate guarantee provided by the Company.

25. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised by the Group and movements during the current year and prior year are as follows:

	Accelerated tax depreciation HK$'000	Allowance for inventories HK$'000	Total HK$'000
At 1 April 2016	—	—	—
Charged/(Credited) to profit or loss *(note 10)*	928	(82)	846
At 31 March 2017 and 1 April 2017	**928**	**(82)**	**846**
Credited to profit or loss *(note 10)*	**(282)**	**(19)**	**(301)**
At 31 March 2018	**646**	**(101)**	**545**

Represented by:

	2018 HK$'000	2017 HK$'000
Deferred tax liabilities	**634**	915
Deferred tax assets	**(89)**	(69)
	545	846

The two-tiered profits tax rates regime have no material impact on the deferred tax balances of the Group as at 31 March 2018 as the qualifying entity nominated by the Group did not have material temporary differences as at 31 March 2018. Deferred tax assets and liabilities of other group entities were continued to be measured using a flat tax rate of 16.5%.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable tax rate is 5%. The Group is therefore liable for withholding taxes on dividend distributed by the subsidiary in the PRC in respect of earnings generated from 1 January 2008.

At 31 March 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiary established in the PRC that are subject to withholding taxes, which amounted to HK$633,000. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. As at 31 March 2018, there was no temporary difference associated with investment in the PRC subsidiary.

26. SHARE CAPITAL

Ordinary shares	Par value HK$	Number of shares	Amount HK$'000
Authorised:			
At the beginning and the end of the reporting period	0.01	2,000,000,000	20,000
Issued and fully paid:			
At the beginning and the end of the reporting period	0.01	600,000,000	6,000

27. RESERVES

The Group

The following describes the nature and purpose of each reserve within owners' equity.

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Merger reserve

Merger reserve mainly arose from the transactions under the reorganisation which took place during the year ended 31 March 2016 in connection to the listing of the Company's shares on the Stock Exchange.

Asset revaluation reserve

Asset revaluation reserve arises from revaluation of assets (excluding investment properties).

Exchange reserve

Exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policies adopted in note 2(m).

Retained profits

Retained profits is the cumulative net gains and losses recognised in profit or loss.

27. RESERVES (Continued)

The Company

The movements of the Company's reserves during the current year and prior year are as follows:

	Share premium HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
As 1 April 2016	33,942	(8,750)	25,192
Profit for the year	—	27,968	27,968
Final dividend in respect of 2016 *(note 12(b))*	—	(9,000)	(9,000)
As at 31 March 2017 and 1 April 2017	**33,942**	**10,218**	**44,160**
Profit for the year	**—**	**9,149**	**9,149**
Final dividend in respect of 2017 *(note 12(b))*	**—**	**(9,600)**	**(9,600)**
As at 31 March 2018	**33,942**	**9,767**	**43,709**

28. SHARE OPTION SCHEME

Pursuant to resolutions passed by the shareholder of the Company on 22 September 2015, the shareholder of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). The Share Option Scheme enables the Company to grant options to eligible persons as incentives or rewards for their contributions to the Group.

The Share Option Scheme will be valid and effective for a period of 10 years commencing from 8 October 2015, after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The board of directors may, at its absolute discretion, invite any eligible persons to take up options at a price determined by the board of directors which shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) nominal value of a share. Upon acceptance of the offer of an option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

No option has been granted under the Share Option Scheme since its adoption.

29. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*30*	—	—
Current assets			
Other receivables, deposits and prepayments		244	267
Amounts due from subsidiaries		49,350	50,144
Cash and bank balances		278	225
		49,872	50,636
Current liabilities			
Other payables and accruals		163	476
Net current assets/Net assets		49,709	50,160
CAPITAL AND RESERVES			
Share capital	*26*	6,000	6,000
Reserves	*27*	43,709	44,160
Total equity		49,709	50,160

On behalf of the directors

Yip Pak Hung
Director

Wai Yat Kin
Director

30. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries as at 31 March 2018 are as follows:

Name of subsidiary	Place of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company Directly	Effective interest held by the Company Indirectly	Principal activities
Light Dimension Limited	The BVI/ Limited liability company	Hong Kong	16 shares of US$1 each	100%	—	Investment holding
AcouSystem Limited	Hong Kong/ Limited liability company	Hong Kong	300 shares of HK$300	—	100%	Trademark Holding
BuildMax Limited	Hong Kong/ Limited liability company	Hong Kong	50,000 shares of HK$50,000	—	100%	Supply and installation of building material products and trading of building material products
KPa Contracting Limited	Hong Kong/ Limited liability company	Hong Kong	300 shares of HK$300	—	100%	Provision of structural engineering works
KPa Engineering Limited	Hong Kong/ Limited liability company	Hong Kong	9,000,000 shares of HK$9,000,000	—	100%	Provision of structural engineering works and trading of building material products
KPa Engineering (HK) Limited	Hong Kong/ Limited liability company	Hong Kong	300 shares of HK$300	—	100%	Provision of structural engineering works and trading of building material products
Sun Pool Engineering Limited	Hong Kong/ Limited liability company	Hong Kong	150,000 shares of HK$150,000	—	100%	Property investment and investment holding
Youkang Limited	The BVI/ Limited liability company	Hong Kong	10 shares of US$1 each	—	100%	Investment holding
應力恒富設計貿易(深圳)有限公司	The PRC/ Wholly foreign-owned enterprise	The PRC	HK$1,000,000	—	100%	Provision of fabrication drawing

None of the subsidiaries had any debt securities in issue at the end of the reporting period.

31. OPERATING LEASE COMMITMENTS

Operating leases — The Group as lessee

The Group leases office premises, car parks, warehouse and office equipment under operating lease arrangement. The leases run for an initial period of one to five years (2017: one to five years) and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**3,325**	3,175
Later than one year and not more than five years	**959**	3,892
	4,284	7,067

Operating leases — The Group as lessor

The Group leases its investment properties (note 15) to a third party tenant. The leases run for an initial period of three years (2017: three years). As at 31 March 2018, the Group had the following future minimum lease payments receivables:

	2018 **HK$'000**	2017 HK$'000
Within one year	**754**	754
Later than one year and not more than five years	**692**	1,446
	1,446	2,200

32. GUARANTEE

The Group provided guarantee in respect of the surety bonds issued in favour of the customers of the Group's certain construction contracts. The Group has unconditionally and irrecoverably agreed to indemnify the insurance company and the bank as issuers of the bonds for claims and losses they may incur in respect of the bonds. Details of these guarantees at the end of the reporting period are as follows:

	2018 **HK$'000**	2017 HK$'000
Aggregate value of the surety bonds issued in favour of customers	**11,824**	10,739

32. GUARANTEE (Continued)

As assessed by the directors, it is not probable that the insurance company and the bank would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made.

33. LITIGATIONS

A number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding at the end of the reporting period. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the directors, sufficient insurance coverage are maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have material adverse impact on the financial position of the Group.

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings (excluding bank overdrafts) HK$'000 *(note 23)*	Obligations under finance leases HK$'000 *(note 24)*
At 1 April 2017	**19,139**	**565**
Changes from cash flows		
Proceeds from new bank borrowings	57,990	—
Repayment of bank borrowings	(59,075)	—
Capital element of finance lease payments	—	(149)
	(1,085)	(149)
At 31 March 2018	**18,054**	**416**

35. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these financial statements, the Group has the following significant transactions with related parties.

(a) The Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount 2018 HK$'000	2017 HK$'000
BuildMax Technology (Shenzhen) Limited ("BuildMax (SZ)")	Directors and key management have equity interest	Purchase of building material products and processing charges paid/payable	**20,406**	10,300
BuildMax (SZ)	Directors and key management have equity interest	Rental expenses paid/ payable	**—**	38

Mr. Lui, Mr. Wai and Mr. Yip, who are directors and shareholders of the Company and Mr. Liu Yuen Wai and Mr. Chan Chi Ming, who are key management of the Group having indirect equity interests in the Company, have equity interest in BuildMax (SZ).

The transactions were conducted on the basis of mutually agreed terms.

(b) Previously, Mr. Lui, Mr. Wai and Mr. Yip provided personal guarantees in favour to certain suppliers or vendors in respect of the agreements entered into by the Group with these suppliers or vendors. Such personal guarantees provided by Mr. Lui, Mr. Wai and Mr. Yip were fully released during the year ended 31 March 2017.

(c) As at 31 March 2018 and 2017, certain of the Group's lease arrangements are subject to the personal guarantees provided by directors of the Company.

(d) The remuneration of directors and other members of key management were as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	**13,880**	10,855
Contributions to defined contribution retirement plan	**124**	108
	14,004	10,963

36. CAPITAL MANAGEMENT

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

The Group monitors capital using gearing ratio, which is total debt to equity. Total debt includes bank borrowings and obligations under finance leases. Equity represents total equity of the Group.

The directors of the Company actively and regularly reviews and manages the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. 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, raise new debt or sell assets to reduce debt.

The gearing ratios at the end of the reporting period were as follows:

	2018 **HK$'000**	2017 HK$'000
Bank borrowings	**18,054**	19,857
Obligations under finance leases	**416**	565
	18,470	20,422
Total equity	**171,541**	154,805
Gearing ratio	**10.8%**	13.2%

The Group targets to maintain a gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the year.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables		
— Trade and bills receivables	55,808	59,407
— Retention receivables	46,609	38,107
— Other receivables and deposits	3,622	2,494
— Pledged deposits	3,700	3,700
— Pledged bank deposits	19,218	16,209
— Cash and bank balances	41,401	36,679
	170,358	156,596
Financial liabilities		
Financial liabilities at amortised cost		
— Trade and other payables	69,436	67,214
— Bank borrowings	18,054	19,857
— Obligations under finance leases	416	565
	87,906	87,636

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, retention receivables, other receivables and deposits, pledged deposits, pledged bank deposits, cash and bank balances, trade and other payables, bank borrowings and obligations under finance leases. Due to their short-term nature, the carrying values of the above financial instruments except for the non-current obligations under finance leases approximate their fair values.

For disclosure purpose, the fair values of non-current obligations under finance leases are not materially different from their carrying values. Their fair values have been determined by using discounted cash flow model and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rates used to reflect the credit risk of the Group.

(b) Financial instruments measured at fair value

As at 31 March 2018 and 2017, the Group did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

38. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise credit risk, market risk (mainly interest rate risk and foreign currency risk) and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors of the Company meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligations under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

In respect of trade and other receivables, it is the Group's policy to deal only with creditworthy counterparties. In order to minimise credit risk, management has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from the counterparties.

In respect of cash and bank balances, pledged bank deposits and pledged deposits, the credit risk is limited because majority of the deposits are placed with reputable banks and financial institutions.

The Group provided guarantees in respect of the surety bonds issued in favour of several customers (note 32). As at 31 March 2018, the maximum exposure to credit risk arising from guarantees provided by the Group was the value of the surety bonds of HK$11,824,000 (2017: HK$10,739,000), which represented the maximum amount the Group could be required to pay if the guarantees were called on. Management considers that it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits, bank borrowings and finance lease liabilities. Amounts arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

All of the Group's bank borrowings as at 31 March 2018 and 2017 bore interest at floating rates whereas its finance lease liabilities bear interest at fixed rates. Details of bank borrowings and finance lease liabilities are disclosed in notes 23 and 24 respectively.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Company consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	2018	2017
	HK$'000	HK$'000
Changes in interest rate		
+ 1%	**(151)**	(166)
– 1%	**151**	166

The changes in interest rates do not affect the Group's other components of equity. The above sensitivity analysis is prepared for bank borrowings outstanding at the end of the reporting period assuming they would be outstanding in the next financial year. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to foreign currency risk are primarily US$, Euro ("EUR") and RMB. Sales are mainly denominated in HK$ while some of the purchases are denominated in US$, EUR and RMB. The management monitors foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

The following table disclosed the carrying amounts of the foreign currency denominated monetary assets and liabilities in net position at the end of the reporting period. As HK$ is pegged to US$ and thus subject to minimal currency risk, the relevant monetary assets and liabilities are excluded from the following table.

	2018 **HK$'000**	2017 HK$'000
Net monetary assets/(liabilities)		
HK$	**588**	1,000
RMB	**(826)**	(110)
EUR	**(513)**	(188)

In the opinion of the directors, the Group's current exposure to foreign currency risk would not result in significant effect to the Group's financial statements.

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities including bank loans with repayment on demand clause, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain repayment on demand clause which can be exercised at 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 lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 March 2018					
Trade and other payables	69,436	70,855	54,166	9,703	6,986
Bank borrowings subject to repayment on demand clause	18,054	18,054	18,054	—	—
Obligations under finance leases	416	432	163	163	106
	87,906	89,341	72,383	9,866	7,092

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 March 2017					
Trade and other payables	67,214	67,214	59,765	5,481	1,968
Bank borrowings subject to repayment on demand clause	19,857	19,857	19,857	—	—
Obligations under finance leases	565	595	163	163	269
	87,636	87,666	79,785	5,644	2,237

The following tables summarise the maturity analysis of the Group's bank loans (excluding bank overdrafts) with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "within one year or on demand" time band in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within one year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**
Bank loans subject to repayment on demand clause						
As at 31 March 2018	**18,054**	**18,429**	**16,029**	**505**	**1,516**	**379**
As at 31 March 2017	19,139	19,621	16,735	502	1,506	878

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements in this annual report and prior year financial statements, is as follows:

RESULTS

	2018 HK'000	2017 HK'000	2016 HK'000	2015 HK'000	2014 HK'000
Revenue	**378,433**	381,394	343,806	197,435	205,285
Cost of revenue	**(304,483)**	(312,282)	(276,478)	(158,702)	(176,391)
Gross profit	**73,950**	69,112	67,328	38,733	28,894
Other income and gains	**2,723**	166	250	351	489
Marketing and distribution expenses	**(3,353)**	(1,997)	(1,526)	(1,221)	(621)
Administrative and other operating expenses	**(39,338)**	(28,147)	(32,338)	(19,036)	(15,913)
Finance costs	**(1,476)**	(1,358)	(1,246)	(767)	(620)
Profit before income tax	**32,506**	37,776	32,468	18,060	12,229
Income tax expense	**(6,286)**	(6,812)	(6,812)	(3,501)	(2,044)
Profit for the year	**26,220**	30,964	25,656	14,559	10,185
Other comprehensive income for the year					
Exchange differences arising from translation of foreign operations	**116**	(106)	(42)	—	—
Revaluation gain on self-occupied properties	**—**	15,646	—	—	—
Other comprehensive income for the year	**116**	15,540	(42)	—	—
Total comprehensive income for the year	**26,336**	46,504	25,614	14,559	10,185

ASSET AND LIABILITIES

	2018 HK'000	2017 HK'000	2016 HK'000	2015 HK'000	2014 HK'000
Total assets	**270,925**	248,708	238,457	147,440	99,147
Total liabilities	**(99,384)**	(93,903)	(121,156)	(80,695)	(43,962)
Net assets	**171,541**	154,805	117,301	66,745	55,185

Particulars of Principal Properties

As at 31 March 2018

INVESTMENT PROPERTIES

Location	Lot No.	Gross floor area (square feet ("**sq.ft.**"))	Effective % held	Type	Lease term
Workshop B on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	120/999 3rd shares of and in Lot No. 312 in D. D. 444	1,050 sq.ft.	100%	Commercial premises	Long-term lease
Workshop C on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	243/999 3rd shares of and in Lot No. 312 in D. D. 444	2,235 sq.ft.	100%	Commercial premises	Long-term lease
Workshop A on 4/F & Flat Roof A and Workshop B on 4/F & Flat Roof B, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	395/999 3rd shares of and in Lot No. 312 in D. D. 444	workshop area and roof area is 3,000 sq.ft. and 1,437 sq.ft. respectively	100%	Commercial premises	Long-term lease