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 2019

* For identification purpose only

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Corporate Information

BOARD OF DIRECTORS (THE "BOARD")

Executive Directors

Mr. Yip Pak Hung *(Chairman)*
Mr. Wai Yat Kin *(Chief Executive Officer)*

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

27/F, 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

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 of directors ("**Board**") of KPa-BM Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company together with its subsidiaries (the "**Group**") for the year ended 31 March 2019 (the "**Year**" or "**FY2019**").

The Group continues to achieve revenue growth for the year ended 31 March 2019 and recorded a revenue of approximately HK$415.0 million, as compared to approximately HK$378.4 million for the year ended 31 March 2018. The increase in our performance was mainly due to three key projects that were still at the design and preliminary stage in the previous year had started to generate more revenue during the Year.

The outstanding contract sum of the Group's contracts on hand grew to HK$844.9 million as at 31 March 2019. The construction market has been steadily growing in 2019 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.

In order to capture the most benefits from business expansion, it is pivotal to enhance the Group's operational efficiency and project execution capacity. Considering that costs of building materials and processing charges accounted for a significant proportion of the Group's cost of revenue for the Year, the Group made a strategic decision to acquire 100% ownership in BuildMax Technology (Shenzhen) Limited ("**BuildMax (SZ)**"), which is one of the Group's largest suppliers of building material products in the past few years, from our controlling shareholders (and other vendors). The acquisition of BuildMax (SZ) will afford the Group more control over the steady supply of building material products, greater flexibility in project planning and execution, higher product development capability and more efficient control over costs. The acquisition of BuildMax (SZ) was completed in April 2019 and it is envisaged the Group's competitiveness can be enhanced accordingly.

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, 26 June 2019

The Board is pleased to present the annual results of the Group for the year ended 31 March 2019 (the "**Year**" or "**FY2019**"), together with the comparative figures for the corresponding year ended 31 March 2018 (the "**Previous Year**" or "**FY2018**").

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. 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 an improved performance in revenue of approximately HK$415.0 million (FY2018: HK$378.4 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 recognized during the Year** HK$ million	**Status as at 31 March 2019**	**Expected completion date**
Noise Barrier Project in Fu Tei	49.1	Ongoing	January 2020
Structural Steel and Roof Work in Hong Kong International Airport	43.6	Ongoing	March 2020
Structural Steel and Roof Work in Lamma Island Unit L10	41.5	Ongoing	August 2019
Noise Barrier Project in Tuen Mun	38.1	Ongoing	December 2019
Noise Barrier Project in Kwun Tong	33.0	Ongoing	June 2020

FUTURE PROSPECTS

The Group have the following projects with outstanding contract sum of over HK$50 million each as at 31 March 2019:

Projects with outstanding contract sum over of HK$50 million as at 31 March 2019	Status as at 31 March 2019	Expected completion date
Glass Panels Project in Hung Hom	Ongoing	December 2019
Structural Steel and Roof Work in Hong Kong International Airport	Ongoing	March 2020
Structural Steel and Roof Work in Lamma Island Unit L11	Ongoing	June 2020

As at 31 March 2019, the aggregate outstanding contract sum of the Group's ongoing projects amounted to approximately HK$844.9 million. Subsequent to the end of FY2019 and up to the date of this report, the Group secured new contracts with an aggregate awarded contract sum of approximately HK$43.5 million. Meanwhile, the Group is in the process of bidding for or pending the results of 12 sizeable project tenders with an estimated total contract value of over HK$1,297.7 million.

In order to enhance the Group's operational efficiency and project execution capacity to capture the most benefits from business expansion, the Group made a strategic decision to acquire 100% ownership in BuildMax Technology (Shenzhen) Limited ("BuildMax (SZ)"), which is one of the Group's largest suppliers of building material products in the past few years, from our controlling shareholders (and other vendors). The acquisition of BuildMax (SZ) will afford the Group more control over the steady supply of building material products, greater flexibility in project planning and execution, higher product development capability and more efficient control over costs. The acquisition of BuildMax (SZ) was completed in April 2019 and it is envisaged the Group's competitiveness can be enhanced accordingly.

FINANCIAL HIGHLIGHTS

	Year ended 31 March		
	2019	2018	**Percentage**
	HK$'000	HK$'000	**change**
Revenue	**414,990**	378,433	9.7%
Cost of revenue	**342,816**	304,483	12.6%
Gross profit	**72,174**	73,950	(2.4)%
Profit before income tax	**33,257**	32,506	2.3%
Net profit	**28,302**	26,220	7.9%
Earnings per share (HK cents)	**4.72**	4.37	8.0%

	As at 31 March		
	2019	2018	**Percentage**
	HK$'000	HK$'000	**change**
Current assets	**298,887**	242,344	23.3%
Current liabilities	**138,621**	98,487	40.8%
Total assets	**327,974**	270,925	21.1%
Total equity	**188,529**	171,541	9.9%

	Year ended 31 March	
	2019	2018
Key Performance Indices		
Gross profit margin (%)	**17.4**	19.5
Net profit margin (%)	**6.8**	6.9
Return on equity (%)	**15.0**	15.3
Return on total assets (%)	**8.6**	9.7

	As at 31 March	
	2019	2018
Current ratio (times)	**2.2**	2.5
Gearing ratio (%)	**13.6**	10.8

FINANCIAL REVIEW

Revenue

For the Year, the Group recorded revenue of approximately HK$415.0 million, which was slightly increased as compared to that of approximately HK$378.4 million for the Previous Year.

Such increase is mainly attributable to favourable progress achieved during the Year on three key projects which were still in the design and preliminary stage in 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$342.8 million, representing an increase of approximately 12.6% as compared to that of approximately HK$304.5 million for the Previous Year.

The Group recorded gross profit of approximately HK$72.2 million for the Year, representing a decrease of approximately 2.4% as compared to that of approximately HK$74.0 million for the Previous Year. Gross profit margin of the Group decreased to approximately 17.4% for the Year from approximately 19.5% for the Previous Year. The increase in material cost and labour cost outweighed the increase in revenue during the Year and led to a decrease in the gross profit margin because (i) the Group's purchases of building material products from BuildMax (SZ) had nearly reached the annual cap for continuing connected transactions as approved by independent shareholders and the Group had to source its purchases from alternative suppliers at higher prices in general; and (ii) relatively more subcontracting works were engaged for the projects during the year which led to higher subcontracting changes.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Year were approximately HK$36.4 million, representing a decrease of approximately HK$2.9 million from the Previous Year. Such decrease 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 recorded in the Previous Year; (ii) decrease in Directors' remuneration of approximately HK$2.7 million being offset by; (iii) increase in loss on write-off of fixed assets of approximately HK$0.6 million in relation to moving head office and (iv) increase in rental expenses of head office of approximately HK$0.6 million.

Finance Costs

For the Year, the Group's finance costs were approximately HK$0.6 million (FY2018: HK$1.5 million), representing an decrease of approximately HK$0.9 million or 60.0%, which was mainly due to decrease in borrowing for operational needs for the Year.

Income Tax Expense

The Group incurred income tax expense of approximately HK$5.0 million and HK$6.3 million for the Year and the Previous Year, respectively, representing effective tax rate of approximately 14.9% and 19.3%, respectively. Such moderate decrease in effective tax rate was primarily due to the non-tax deductible professional fees incurred for the Transfer of Listing recorded for the Previous Year.

Profit for the Year

As the decrease in administrative and other operating expenses and finance costs as mentioned above outweighed the slight decrease in gross profit, the Group's profit for the year increased from approximately HK$26.2 million for the Previous Year to approximately HK$28.3 million for the Year, representing a increase of approximately HK$2.1 million or 8.0%.

Dividend

On 26 June 2019, the Board recommended a final dividend of HK1.6 cents (FY2018: HK1.6 cents) per share, totalling HK$9.6 million for the Year (FY2018: HK$9.6 million) which is subject to the approval of shareholders at the forthcoming annual general meeting of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Current assets	**298,887**	242,344
Current liabilities	**138,621**	98,487
Current ratio (times)	**2.2**	2.5

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$38.4 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 2019, the Group had net current assets of approximately HK$160.3 million (31 March 2018: HK$143.9 million). The Group's current ratio as at 31 March 2019 was approximately 2.2 times (31 March 2018: 2.5 times).

As at 31 March 2019, the Group had a total cash and bank balances of approximately HK$82.5 million (31 March 2018: HK$41.4 million), mainly denominated in HK$.

As at 31 March 2019, the Group had a total available banking facilities of approximately HK$121.3 million, of which approximately HK$34.1 million was utilised and approximately HK$87.2 million was unutilised and available for use.

There has been no change in capital structure of the Company during the year. As at 31 March 2019, the equity attributable to owners of the Company amounted to approximately HK$188.5 million (31 March 2018: HK$171.5 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$38.4 million for the Year and net proceeds from bank borrowings of approximately HK$7.3 million. Despite the increase in equity which is mainly attributable to the net profit generated for the Year, the gearing ratio of the Group increased from approximately 10.8% as at 31 March 2018 to approximately 13.6% as at 31 March 2019 as more banking facilities were drawn down near the end of the Year to finance for the launch of two relatively sizeable projects.

Foreign Currency Exposure and Treasury Policy

Operations of the Group are mainly conducted in HK$, United States dollars ("**US$**"), British Pound ("**GBP**"), Euro ("**EUR**") and Renminbi ("**RMB**"). It is the Group's treasury police 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 2019, the Group had bank borrowings of approximately HK$25.4 million and banking facilities are secured by the bank deposits of HK$10.0 million.

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

- land and buildings with net carrying amount of HK$1.5 million;
- investment properties with net carrying amount of HK$21.1 million; and
- bank deposits of HK$19.2 million.

In addition, the Group has pledged deposits of approximately HK$3.0 million as at 31 March 2019 (31 March 2018: 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 2019 were approximately HK$10.1 million (31 March 2018: 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 2019 are expected to be released in year 2020.

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 2019, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policies

As at 31 March 2019, the Group had 93 staff (31 March 2018: 90). 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$46.3 million (FY2018: HK$45.1 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

The Company entered into an agreement on 9 March 2019 to conditionally acquire 100% interests in Hillford Trading Limited ("Hillford") and its subsidiary, BuildMax Technology (Shenzhen) Limited, together with the amounts owed by Hillford to its then shareholders, from certain connected parties at a total consideration of HK$12.2 million. The acquisition was subsequently approved by the independent shareholders of the Company at an extraordinary general meeting held on 29 April 2019 and completion of the acquisition took place on 29 April 2019. Details of the acquisition were set out in the Company's circular to shareholders dated 9 April 2019.

No other 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 60, 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 all subsidiaries of the Company, except 應力恒富設計貿易(深圳)有限公司.

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 59, 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 all subsidiaries of the Company, except 應力恒富設計貿易(深圳)有限公司.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LAI Pik Chi, Peggy (黎碧芝), aged 54, 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 (now known as China Infrastructure & Logistics Group Ltd.) (stock code: 1719), a company listed on the Main Board of the Stock Exchange. 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 59, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the 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 61, 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. LUI Bun Yuen, Danny (呂品源), aged 55, is primarily responsible for the overall management of the business operations and development of key operating subsidiaries of the Company. He is a director of a majority of the subsidiaries of the Company and was a Director of the Company from May 2015 to September 2018.

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.

Mr. LIU Yuen Wai (廖遠維), aged 46, 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 48, is a commercial 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 52, 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 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)*	5/5	2/2
Mr. Wai Yat Kin *(Chief Executive Officer)*	5/5	2/2
Mr. Lui Bun Yuen, Danny (retired on 10 September 2018)	2/2	2/2
Independent Non-executive Directors		
Ms. Lai Pik Chi, Peggy	5/5	1/2
Mr. Lam Chi Wai, Peter	5/5	1/2
Dr. Yeung Kit Ming	5/5	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 Diversity Policy

The Company has a policy on diversity of Directors to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. In determining the Board's composition and selection of candidates to the Board, the nomination committee will consider one or more of the following attributes to achieve a sufficient balance of knowledge and perspectives in discharging the Board's duties:

– management skills and experience;

– industry specific knowledge and experience relevant to the Group;

– financial management skills and experience;

– academic and professional qualifications; and

– governance and compliance expertise.

The Company does not discriminate on the basis of gender, age, cultural and other personal backgrounds in assessing the suitability of candidates for appointment to the Board. The nomination committee shall take the opportunity to enhance diversity at the Board over time in the selection of candidates amongst those who are equally competent and possess the desired attributes.

BOARD COMMITTEES

The Company has established three 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	2/2 (C)	1/1	2/2
Mr. Lam Chi Wai, Peter	2/2	1/1	2/2 (C)
Dr. Yeung Kit Ming	2/2	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 nomination committee will monitor the implementation of the policy on Board diversity from time to time to ensure its effectiveness.

AUDITORS REMUNERATION

For the year ended 31 March 2019, 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	680
Non-audit services	–
Total	680

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 62 to 66 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 13 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.

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 27/F, 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.

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OUR VISION:

MAKING HONG KONG A BETTER PLACE TO LIVE

Throughout the years, KPa-BM is engaging in areas of engineering project business in Hong Kong ranging from design and build structural engineering projects, supply and installation of building materials products, to trading of such building materials. We are a registered specialist contractor for the Development Bureau and have been supplying structural steelworks and noise barrier products on highways. We are also a registered minor work contractor for the Buildings Department. Our business is closely linked with the day-to-day life of people in Hong Kong. Apart from business development, we have committed to creating a better living environment for the society with quality and sustainability, since we were listed in the HKSE in 2015. Our vision is to make the society where we operate a better place to live.

We have set up an Environmental, Social and Governance ("**ESG**") working group in 2016 to take initiatives and to implement our principles of sustainability development into our business operations. By aiming to be a socially responsible corporate, we link our business with sustainability. The ESG working group is responsible for integrating individual corporate social responsibilities ("**CSR**") initiatives into strategic plan under our ESG framework with clear objectives and actions.

We want to be a good corporate citizen. Our talent's passion, enthusiasm and commitment make this happen, and this report shows our output. We will continue to embed CSR into our business strategy, making it inherent within our company culture. As we further develop our policies and initiatives with CSR goals, we will be better equipped to meet the sustainability challenges of today and those of the future.

About This Report

We are pleased to present our annual Environmental, Social and Governance ("**ESG**") report ("**Report**") for KPa-BM Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**KPa-BM**"). We recognise the environmental, social and governance values and it is our commitment to create sustainable values through taking care of our stakeholders. This Report aims to provide an annual update on our sustainability performance and it discloses KPa-BM's policies, guidelines, actions and performance over the past year on various sustainable development issues in a transparent manner.

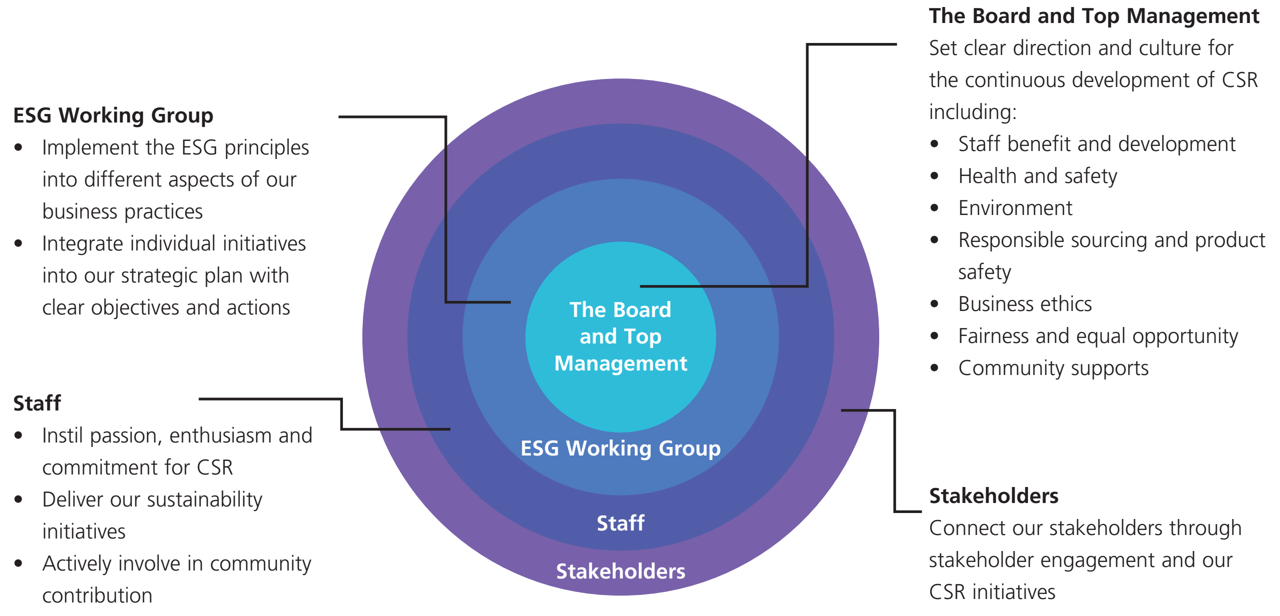
This Report covers the reporting period from 1 April 2018 to 31 March 2019 (the "**Reporting Period**") and has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") in Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited ("**HKSE**") and has complied with all the "comply or explain" provisions of the Guide. The Guide encourages a listing company to identify and disclose ESG information that is material and relevant to both its business and its stakeholders. This Report has embedded the principles of materiality, quantitative, balance and consistency in presenting the ESG information in a way that can meet better the expectation of our stakeholders.

This Report covers all our main operations in Hong Kong, which include the provision of one-stop structural engineering design and build solutions for podium façade, roof, structural steelwork and noise barriers. It also includes our operations in the supply and installation of flagpoles and related services, and trading of building material products. There is no significant change in the scope of this Report from that of the ESG Report of last year.

Our ESG Strategy and Governance Structure

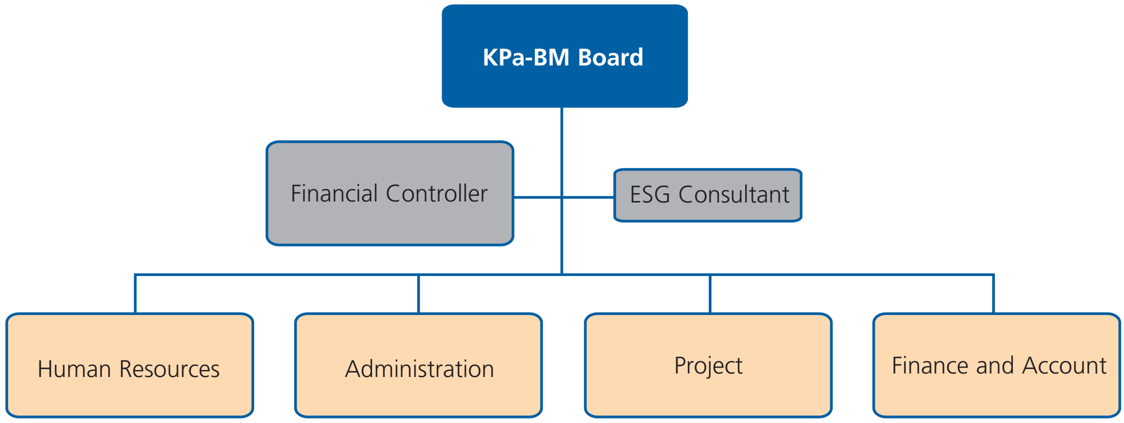
KPa-BM's ESG strategy is formulated by the top management with endorsement from the Board. The strategy is developed with the objectives of aligning the Group's philosophy and objectives of creating long-term value for our stakeholders. The Board oversees the ESG development of the Group and sets out ESG objectives and direction. It has delegated the day-to-day execution of all ESG related responsibilities to the ESG Working Group, through the responsible Financial Controller.

Our Governance Structure



Our ESG Working Group

The ESG Working Group has been in place since 2016 and currently it composes of department heads from major responsible departments in KPa-BM. Through the Financial Controller and with the assistance from the external ESG consultant, the ESG objectives and directions of the Board are effectively communicated to the Working Group.

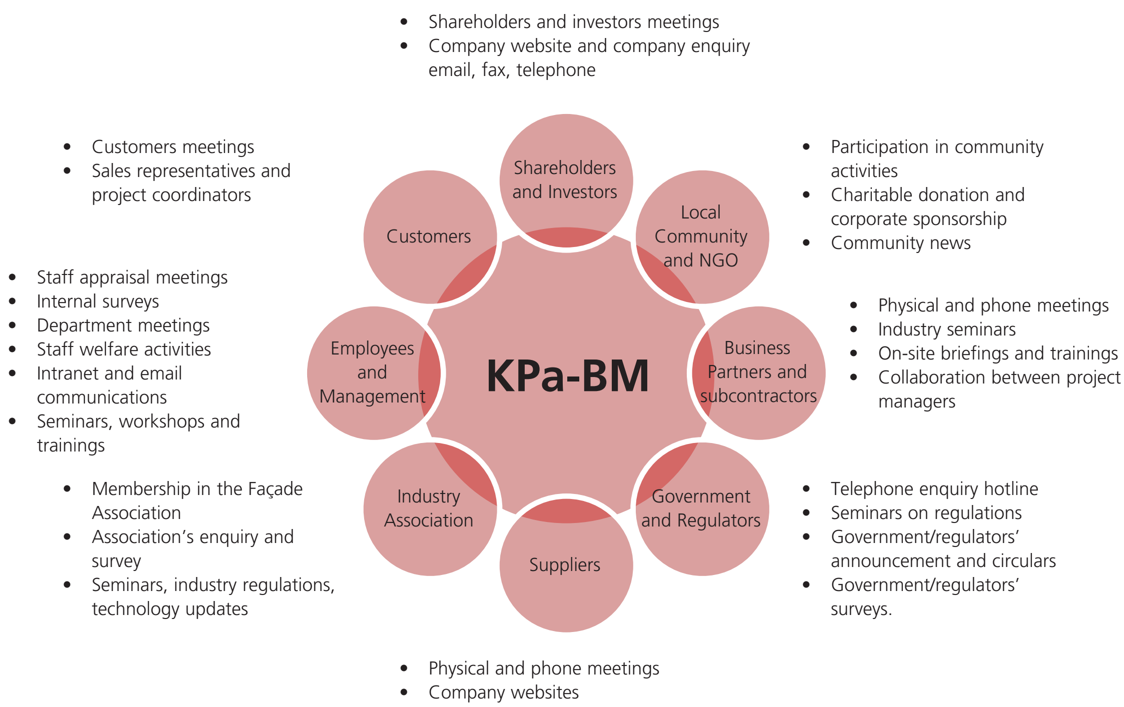


Objectives of Our ESG Working Group

- To advise and report to the top management and the Board on CSR strategies and propose CSR initiatives for achieving the sustainability objectives;
- To decide and put into practice the underlying values of sustainable development into various aspects of business;
- To determine the Key Performance Indicators ("**KPI**") and subsequent measurement of performance and action plans;
- To co-ordinate with all staff for delivery of the sustainability initiatives; and
- To monitor the CSR related activities for on-going development and improvement.

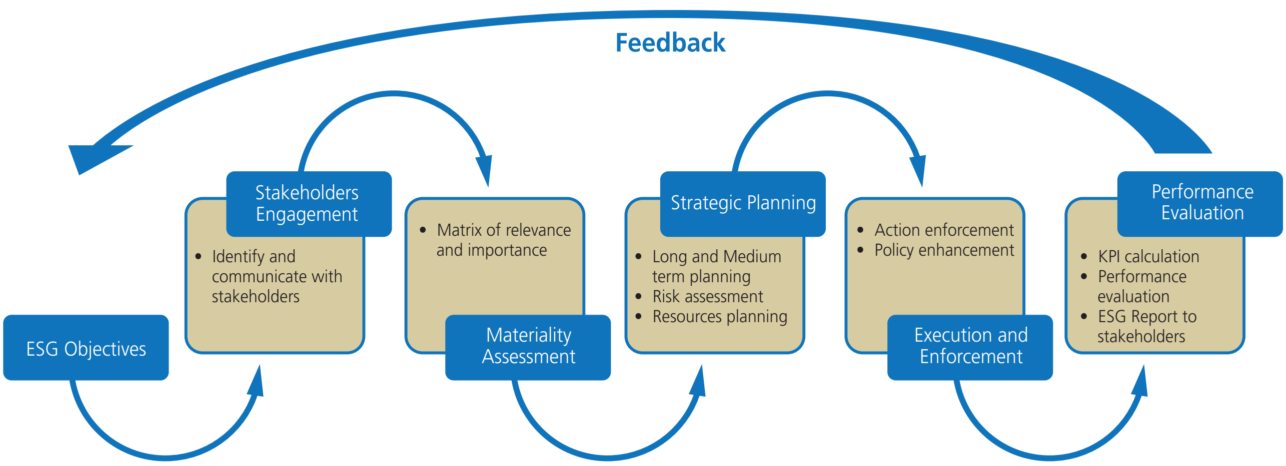
Stakeholders Engagement and Communication

We hope to enhance communication with stakeholders through this Report. To start with the value creation process on sustainable development, we have been engaging key stakeholders for understanding their concerns over our sustainability development and the engagement is crucial for us to assess the priority for developing and implementing the CSR strategies. Through a variety of communication channels, we have been able to get in touch with key stakeholders for better understanding their expectations. As a result, we not only can identify opportunities and challenges for developing our business strategies, but also can enhance our corporate social responsibilities as our continuous commitment to behave ethically and to contribute to the local community and the society at large, and at the same time to improve the quality of life of our employees and their families. The chart below highlighted the various communication channels with our stakeholders:



Identifying Priorities and Balances and Our Sustainable Value Creation Process

One of the key outcomes we expect from the stakeholders engagement process is materiality assessment where the views of what are important to business (in particular for internal stakeholders) and what are important to stakeholders (both internal and external stakeholders), are identified through plotting on a matrix of relevance and importance. Through the assessment result, we understand and identify the material ESG issues and the respective risks associated in our operations. We prioritise the material issues and focus these in the medium and long-term planning. Adequate manpower and financial resources are ensured to meet the strategic plans. Policies are enhanced and developed where they are inadequate to meet the ESG objectives. The ESG Working Group introduces ESG initiatives and arranges activities for achieving the ESG objectives, and ensures the initiatives and actions are properly executed by relevant staff. ESG data are analysed annually and KPI performances are evaluated by comparing with our initial objectives and with the previous period. Feedback on the performance enables the Board and the top management to revise and update the ESG objectives based on the ESG result, and the ESG process will be revisited periodically to reflect what we have learned during the process and to align with the changes on stakeholder expectations over time.



Stakeholders' Feedback

We welcome stakeholders' feedback on our environmental, social and governance approach and performance for enhancing our sustainable values. Please share your views with us via email at cosec@kpa.com.hk.

INVESTING IN OUR TALENTS

Recruiting, Retaining and Rewarding Our Talents

We value our talents and recognise that the fundamental of our business success and sustainability performance relies upon our ability to retain and inspire our talents for achieving our goals. We are committed to providing our talents with a positive working environment within which they can develop and contribute with their passions.

Above all assets of our business, our employees are irreplaceable assets for the Group. Our Talents are embraced with KPa-BM's vision of "making Hong Kong a better place to live", and we are striving to contribute to our society for this. In order to achieve this, we are devoted to providing a fair and harmonious working environment for our talents to develop their expertise and to grow with us. As at 31 March 2019, KPa-BM was employing 65 staff (2018: 58) in Hong Kong and 28 staff in the Shenzhen China (2018:32). We offer competitive salary package to recruit and retain staff and their salaries are determined on the basis of performance, qualification, relevant experience, position, and seniority. We treat our talents with respects and offer competitive employment benefits. Our staff appraisal system enables our talents to know all the contributions they make will be fairly rewarded. Performance review is conducted annually to evaluate our talents' performance and they are rewarded fairly with salary increase, discretionary bonus and promotion.

We recognize the role of human resources policies in enhancing the quality and stability of our workforce. The policies endeavour to foster a working environment with opportunity for challenges and creativity. The key fundamental principles outlined below illustrate the way such working environment is created.

KPa-BM Key Fundamental Human Resources Principles
We shall respect each employee's human rights and legally protected privacy.
We shall treat each individual employee in a fair and impartial manner. We shall not discriminate against the employees on their nationality, race, religion, age, gender, physical or mental disability that are irrelevant to their work performance.
We shall endeavour to provide workplaces where they can seek a good balance between their private and work lives, while accomplishing their work tasks with satisfaction and pride.
We shall comply with all applicable laws and regulations concerning the employment of our staff.
We shall endeavour to maintain a human resources system that is most reasonable and persuasive to the employees, and such system has to be open and clearly explained as far as practicable.
We shall not tolerate child labour or forced labour.
We shall endeavour to offer to our employees those terms and conditions for employment that are sufficiently competitive in the regions we operate.

Nurturing Young Talents

KPa-BM is committed to developing future talents within the project engineering industry in Hong Kong, and consequently we cooperate with the Child Development Initiative Alliance (青少年發展企業聯盟) to set up part-time employment programmes for university students to enable the university students to gain experience and to develop their interests in our industry. During the Reporting Period, two students had joined this programme for a term of several months.

We are also committed to creating apprenticeship opportunities for young talents. We have policy on employing young interns in our project engineering department and they are eligible for being our long-term employee. We hope our efforts are able to contribute by attracting young talents to the construction industry, and to ensure we have a pool of skilled and trained workforce required to manage demand for future projects.

Enhancing Work-Life Balance

It goes without saying that a healthy work-life balance and a fulfilling personal life are indispensable in maximising the potential of our talents' abilities, their motivation and passion. Considering "work-life balance" for our talents, KPa-BM is working on providing more paid leaves and establishing other staff benefits policies.

When our talents join KPa-BM, they are entitled 14 days of annual leaves while the statutory requirement is 7 days. We also provide paid leaves to our talents who need to attend examinations for certificate courses, or attend job-related short courses. Very often for big festive days, like Christmas Eve, Winter Solstice, New Year Eve, etc., our talents are allowed to have about half-day early leaves for celebration with their friends and families.

Also, we support and provide flexibility on attending works to our talents when they have needs to take leaves for personal matters. We are flexible to allow them to take reasonable no-pay leaves or to work part-time only when they have such urgency and necessity. For special circumstances, like the super typhoon Mangkhut in September 2018, Hong Kong was ravaged by the typhoon and it left widespread destruction that included landslides, collapsed trees and heavy flooding. The following working day was overwhelmed with chaos of public transport suspension. We provided flexibility to our staff to work from home if necessary.

The following list summarises some of our comprehensive benefits that are above the statutory obligation:

Annual Leave
14 days of paid leaves when joining

Festive Half-day Off
4-5 big festive days in a year

Examination Leaves
Up to **Half day** paid leave upon request

Part-time Working
No-pay leaves are granted when necessary

Flexibility on Working
When there is problem on public transportation

Hospital and Out-patient Medical benefits
Provide to all staff

Comfortable Working Environment

A comfortable working place for our talents can boost their potential and motivation, enable relaxation from work stress, and enhance stickiness to KPa-BM. In order to provide a more comfortable work place for our talents, we had moved to a new office with contemporary decoration and more than 50% increase in floor area in January 2019. We deliberately build a much larger pantry with more facilities and appliances in our new office for our talents to take a break and to refresh from their busy works.

In addition, we realise breastfeeding has been more common and the need of our female talents being a mother. We show our respect and care to them by making a breastfeeding room in the new office for providing a private and a comfortable place to our female talents for nursing their babies. The breastfeeding room is comfortably fit with tables, seats and sanitizers.

Staff Social Activities

We organise staff social activities to uphold our work-life balance. These activities can also enhance team cohesion, drive staff productivity and belonging. During the year, we arranged a short trip to Club Med in Guilin, China for our staff and their families. We also had one-day visit to Shenzhen Ecology Park (深圳生態園) in Shenzhen, China and a boat lounge in Sai Kung, Hong Kong for water sports activities.

To enhance working harmony, and to put into practise the work-life balance, and to provide an opportunity for the families of our staff to enjoy a short holiday, we arranged a leisure holiday trip at the expense of KPa-BM between 30 June to 2 July 2018 at the Club Med Guilin in China. Many of our talents brought together their families and it was a fun gathering.

Our talents enjoying water sports during the boat lounge in Sai Kung.

We are keen to promote healthy life for our talents and encourage them to participate in sports activities for maintaining both their mental and physical fitness. In this year, KPa-BM sponsored our talents to participate in the Race for Water (揹水一戰), and the Sowers Action Challenge 12 Hours Charity Marathon (苗圃挑戰12小時慈善越野馬拉松). Besides the sports activities, we hold birthday parties in each month to celebrate birthday of our talents. We also hold annual dinner annually for our talents and their families to participate and it provides us an opportunity to show our appreciation for their efforts and contribution to KPa-BM during the year.

We sponsored our talents participating in the Sowers Action Challenge 12 Hours Charity Marathon (苗圃挑戰12小時慈善越野馬拉松)

We sponsored Our talents participating in the Race For Water (揹水一戰)

The monthly birthday party for our talents held in our office

Compliance With Employment Regulations

KPa-BM has strictly complied with all relevant laws and regulations on staff employment.

The employment of staff in Hong Kong is subject to the:

- **Employment Ordinance**
- **Employees' Compensation Ordinance**
- **Minimum Wage Ordinance**

In the PRC the employment staff employment is subject to the:

- **Labour Law**
- **Labour Contract Law**

Talents Development

Training and competence of staff are keys to client satisfaction as well as the steady growth of our business, which are our foundation of success.

We recognise the value of investing in and developing our people's capabilities, and know that our business reputation and foundation are built on this. We believe in growing our people, and we offer a mix of formal training courses, and support them to pursue higher education on their relevant disciplines, while also encouraging coaching, learning through collaboration, and on-the-job learning opportunities. Trainings enable them to acquire necessary technical and professional knowledge and skill for improving their job competency, and hence enable them to pursue career development in their professions.

We advocate an approach to people development that is based on collaboration. We encourage teams to share knowledge, experiences and views that drive improved performance and teamwork.

Based on specific job requirements, our senior staff conduct internal training programmes to our talents for enhancing their job-related knowledge and safety practices. To encourage our talents to pursue continuing education and training, we have policy for providing annual subsidy to our talents for taking vocational training courses organised by qualified organisations and colleges. Upon satisfactory completion of the training courses recognised and approved by us, they can obtain continuing education allowance.

Our Training and Development Programmes Include	
(1)	Induction or orientation for new joiners to let them be familiar with the company policies and working environment;
(2)	In-house training programmes for target employees to catch up with essential knowledge and skills for performing jobs and enhancing safety practices;
(3)	External training courses for skills upgrading and preparing for future development in new capacity;
(4)	Apprenticeship programmes for the development of interns.

During the year, some of our talents had attended short technical training courses on such as "training on new accounting software" and "technically competent person training". On the other hand, some of our talents have enrolled in external certificate, and diploma courses, and university degree programmes in their area of specialisation, such as civil engineering, architectural studies and accounting and finance, etc.

Workplace Health & Safety – Building a Culture of Care

It is our ultimate objective that every person working at KPa-BM and on our projects, or anyone who could be affected by our activities, do not suffer any injury or ill health

KPa-BM's continued high level of health and safety performance is the result of our on-going implementation of a robust strategy based on:

- Our Company values, including our commitment to ensuring everyone's safety and wellbeing;
- Compliance with the Factories and Industrial Undertakings Ordinance; and
- Implementation of Occupational Health and Safety Management System, OHSAS 18001:2007 to identify and control our occupational risks and to improve our occupational safety and health performance.

Safety is our first priority in our operations. We are committed to operating at high safety, health and environment standards for all staff and persons likely to be affected by our operations, including subcontractors and the public where appropriate.

KPa-BM Key Health and Safety Principles
Observe the laws and regulations relating to occupational safety and health.
Set up initiatives based on KPa-BM's occupational safety and health policies, review their progress and endeavour to improve and enhance occupational safety and health activities.
Carry out occupational safety and health activities in both KPa-BM and its business partners on a full participation basis and keep good communication with stakeholders.
Identify and evaluate the risks for occupational safety and health of a workplace and take appropriate actions accordingly.
Actively promote employees' healthcare management.
Actively promote education, training and qualification acquisition necessary for employees' occupational safety and health activities.

We consider safety and health at work as an integral part of our business performance. We have established work safety rules and procedures to provide our staff with a safe and healthy working environment. Our safety supervisor is responsible for carrying out regular site safety inspection to ensure that the safety rules and measures are in place. Our staff and our subcontractors' workers working in the construction sites are required to attend safety training courses onsite arranged by the main contractor, and we are required to observe the occupational health and safety measures and policies posted up in the sites. Our directors, safety supervisor, project managers and site foreman have regular meetings for identifying occupational health and safety risks and deficiencies, and will take mitigation measures where necessary.

As KPa-BM engages subcontractors to carry out installation works, we require our subcontractors to abide all safety laws, rules, regulations, measures and procedures as well as all safety requirements relating to their works. Our project manager and the site foreman are responsible for monitoring the working process of the subcontractors to ensure that they have met the safety requirements in the construction sites.

Apart from safety working environment in our construction sites, we are also committed to provide safe and quality workplaces for our staff in Hong Kong and the PRC. We have complied with the Occupational Safety and Health Ordinance in Hong Kong and relevant laws and regulations in the PRC. Safety policies and procedures are implemented to protect our staff from injury at workplaces. Smoking is prohibited in our workplaces, and regular office cleaning is carried out to maintain the office hygiene.

Reducing Risk Through Design

To ensure the projects we build are suitable and safe for end users, we oversee an extensive process for ensuring risks are eliminated in the design stage whenever possible. Where risks cannot be designed out, we strive to identify suitable mitigation measures and incorporate into the build process, and make arrangement for subsequent monitoring of the finished projects and advise appropriate subsequent management of the project work.

During the Reporting Period, we are not aware of any major injury and accident.

We Listen

There is a strong link between high levels of employee engagement and organizational success. We know that seeking out our people’s opinions and fostering healthy debate will help us deliver our sustainable growth. Employees are encouraged to submit their opinions to the head of human resources department by filling in opinion forms, whenever they have any concern. Proper whistle blowing policy is in place to ensure the employees raising the concerns are properly protected. In addition, our annual performance review process fosters meaningful conversations between the Company and the talents about past and present performance, their potentials and their personal growth opportunities.

PROTECTING OUR WORLD

We Build and We Protect the World

We strive to be an environmentally responsible company and to maintain environmental friendly operating practices in order to prevent pollution, reduce waste and enhance energy conservation.

KPa-BM specialises in building service works and recognises that our construction activities in construction sites have an inevitable impact on the environment. We are always evaluating ways through which we can improve our environmental performance. Therefore we always integrate environmental considerations into our decision making process.

We have adopted an integrated management system ("**IMS**") for quality, environmental, health and safety in our structural engineering and installation operations. The IMS comprises of three international standards – ISO 9001:2015 Quality Management System ("**QMS**"), ISO 14001:2015 Environmental Management System ("**EMS**") and OHSAS 18001:2007 Occupational Health and Safety Management System ("**OHSAS**"). The IMS enables us to provide quality and safe products to the community in a socially responsible manner. The effectiveness of the IMS is reviewed by the top management on a regular basis.

We are also committed to complying with the applicable legislations and regulations for protecting our environment and achieving continual improvement of our environmental performance. Our construction sites are subject to certain laws and regulations on environmental protection in Hong Kong and we have complied with all such laws and regulations during the year:

- Air Pollution Control Ordinance;
- Noise Control Ordinance;
- Public Health and Municipal Services Ordinance; and
- Waste Disposal Ordinance.

As most of our installation works in the construction sites are carried out by subcontractors, we require our subcontractors to strictly comply with all the relevant environmental laws and regulations and to take mitigation measures and work procedures to reduce adverse impacts to the environment. We also exercise stringent controls by our project manager to ensure our subcontractors have fully complied with the relevant environmental laws and regulations. In addition, we have adopted ISO14001:2015 (EMS) in our operations and it helps us identify and evaluate the environmental impact of our construction activities effectively and as such take mitigating actions.

Managing Emissions

As KPa-BM engages subcontractors to carry out installation works, our operations does not directly generate air pollutants, greenhouse gas, non-hazardous waste and hazardous waste in the construction sites. Our emissions mainly come from the usage of vehicles and consumption of electricity.

Air Emissions and Greenhouse Gas ("GHG") Emissions

Air emissions come from fuel combustion of our vehicles. Trucks are used for delivering building material products from our warehouse to the construction sites, and private cars are used for our staff to travel between construction sites. Our business has grown significantly during the year and we travelled a lot for long-term construction contracts. In line with the business growth, the usage of trucks and private cars increased significantly during the year. As a result, fuel consumption and mileage incurred were also increased, that caused the emissions of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matter ("**PM**") to have increased by 10%, 16% and 8% respectively.

Fuel consumption is directly related to carbon emissions and as such we have to monitor the use of vehicles. The transportation routes of our trucks are planned ahead to avoid unnecessary mileage incurred. In addition, when we buy new vehicles for our business, we only select those more environmental friendly vehicles. Our vehicles are required to take regular check and maintenance in order to reduce pollutant emissions.

Electricity consumption is indirectly related to carbon emissions. We inevitably used more electricity for our head office in Hong Kong as we renovated a new office and moved into it in January 2019. Our new head office has 50% more floor area than the old one for providing a better working environment for our increasing work force. Therefore, we had consumed 21% more electricity in this year as compared with last year due to the increase in number of staff, the office area and the need for renovation. Because of the increase in fuel and electricity consumption, our total GHG emissions was increased by 25% in this year, however the intensity of GHG emissions per staff was increased by 12% only due to the number of staff increased.

Measures for carbon reduction

We strive to minimise our impacts on environment while we grow our business. Several mitigation measures were taken to save electricity consumption in order to reduce GHG emissions when we designed our new office fitting. In our new office, we use energy-saving LED bulbs for office lighting and we try to maximise the use of natural daylight for the office when designing our office layout. Independent temperature control for air conditioning are installed in every room and in different zones of the new office to enable setting of appropriate temperature for different areas.

KEY PERFORMANCE INDICATORS – AIR AND GHG EMISSIONS					
	AIR EMISSIONS			GHG EMISSIONS	
	NOx (kg)	SOx (kg)	PM (kg)	GHG (tonnes CO_2-e)	GHG Intensity (tonnes CO_2-e/staff)
2019	**178.36**	**0.3653**	**13.77**	**111.57**	**1.716**
2018	161.37	0.3139	12.68	88.75	1.530
Change*	**⬆10%**	**⬆16%**	**⬆8%**	**⬆25%**	**⬆12%**

* Air Emissions increased due to more motor vehicles usage as the result of the growth in business. Our revenue had grown by 10% for 2019 as compared with last year.

* GHG Emissions increased due to more electricity consumption as the result of more staff and office areas.

Optimising Usage of Energy and Water

Being an environmentally responsible company, we strive to preserve environment by saving natural resources and using resources efficiently. In our structural engineering business, we adopt EMS to identify opportunities for conservation of energy and materials. We reuse residue materials from construction sites to minimise the environmental impacts of construction wastes.

Electricity and fuel are our major energy consumption for our offices and warehouses in Hong Kong. For this year, the total electricity and fuel consumption had inevitably increased as the result of expansion in our business and the increase in office space and office staff. However the intensity for fuel and electricity consumption were slightly increased only by 4% and 8% respectively as compared with last year as the result of increase in the number of staff in this year.

KEY PERFORMANCE INDICATORS – USE OF RESOURCES				
	Direct Energy Consumption		Indirect Energy Consumption	
	Gasoline (litre)	Intensity (litre/staff)	Electricity (kWh)	Intensity (kWh/staff)
2019	**23,220**	**357**	**76,400**	**1,175**
2018	19,870	343	62,865	1,084
Change	**⬆17%**	**⬆4%**	**⬆21%**	**⬆8%**

Green Management

We have adopted green management policies and procedures to enhance efficiency in the consumption of energy and to reduce wastes in our offices and warehouses. In our offices, we set indoor temperature between 24 to 26°C during summer time, and in winter where appropriate, air conditioners are set in fan mode to reduce the electricity consumption. We require our staff to switch off electrical equipment, such as air-conditioning, computer, printer, photocopier, lighting, etc., whenever they are away from office for longer period.

For our office in China, electricity is provided by the property management company and it is not feasible to measure the electricity consumption. However, green management policies and procedures are also implemented in our PRC office to enhance the efficiency in electricity consumption.

Save fuel

For minimising fuel consumption, we monitor through checking the travel logs to avoid unnecessary usage of our vehicles. Car pool is arranged as possible for our staff to visit construction sites. We also encourage our staff to take public transportation to construction sites where feasible.

Water Resource Management

In the construction sites, water is supplied by the main contractor and our sub-contractors are responsible for the usage, as such we do not have control over the usage nor have record on the consumption. In our Hong Kong head office and the PRC office, water is supplied through the respective property management company where we locate and it is not possible for us to quantify the amount we use. Although it is not feasible to measure our water consumption, we still promote the awareness of water conservation by reminding our staff to reduce unnecessary usage of water. In the construction sites, we have not encountered any issue in sourcing appropriate type of water for our project purpose.

Waste Management

Our subcontractors are responsible for collecting the construction wastes and hazardous wastes generated in the construction sites, and disposing to the spots designated by the main contractor. To reduce construction wastes and to lessen the impact to our environment, we collect the useful residual materials, such as iron blocks and auxiliary materials, from the construction sites and reuse for our other projects.

KPa-BM's main source of non-hazardous wastes comes from the packing materials of the building material products procured from our suppliers for protecting the products in transport. In this year, the non-hazardous wastes produced from trading segment amounted to about 24 tonnes and the intensity of non-hazardous wastes produced was 1.7 kg per unit of revenue (in kg per HK$'000). The significant decrease in the non-waste produced was due to the decrease in the revenue of trading business segment. Due to the nature of our operations model, we do not produce any hazardous waste.

KEY PERFORMANCE INDICATORS – NON-HAZARDOUS WASTE		
	Non-hazardous waste (tonnes)	**Non-hazardous waste intensity** (kg/HK$'000)
2019	**24**	**1.7**
2018	48	2.2
Change*	**⬇23%**	**⬇50%**

* Non-hazardous waste decreased due to the decrease of our building product materials.

Measures for waste reduction

Non-hazardous wastes generated from our offices in Hong Kong and the PRC are mainly waste paper, office supplies and commercial wastes. Our offices produce only insignificant amount of non-hazardous wastes, however we are still trying to reduce as much wastes as possible.

- We advocate "reduce and reuse" to cut down the amount of wastes produced.
- Electronics documents are used for meetings and electronic files for storage to save paper.
- Waste paper is reused for printing draft documents.
- Old envelopes are used for internal circulations among departments.
- Most furniture and equipment in our old head office were reused in the new office.

During the Reporting Period, we are not aware of any non-compliance with relevant laws and regulations that has a significant impact on the Group relating to air emissions and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Enhance Environment Conservation

KPa-BM is committed to preventing adverse environmental impact and conserving natural resources by integrating green concept in our daily operations. Inevitably, our construction activities may have certain impacts to our environment, such as air pollution, noise pollution and construction waste disposal.

To lower the impacts on the environment, we have set policies for the measures and work procedures on environmental protection that are required to be followed by our staff and subcontractors. We care about the neighbours of the sites and we require the erection of hoarding along the site boundary with effective dust screens, sheeting or netting to avoid dispersion of construction dust out of the site areas. We use noise barrier or enclosure when applying noisy plant and equipment. Construction wastes are segregated into different categories so that disposal of such to appropriate spots can be arranged to lessen the environmental impact. For reusable construction and demolition materials, we collect and reuse in other projects. Furthermore, we use green building materials as much as possible, such as heat-insulation aluminium plates, low-emission energy saving glass, etc. in our construction projects to help reducing energy consumption of the buildings. For our offices, we take initiatives to procure green FSC certified paper for office use and install energy saving lighting to lower the impact to the natural resources.

We are dedicated to implementing and promoting environmental protection measures and practices to ensure the sustainable development for our business. We also hope to raise the awareness of environmental protection among our staff and other stakeholders, in particular the subcontractors and the suppliers.

QUALITY AND RELIABILITY – RESPONSIBLE COMMITMENT TO CUSTOMERS

Product Safety

Our innovation can bring about valuable ideas on environmental design and economic benefits. But above all, "Safety" is the priority. We are making use of innovation on safety as the priority to find ways for bringing best value to our customers. In particular for the structural projects of façade, roof and structural steelwork, providing a very safe product is our most important responsibility. When our engineers and architects design a project, on top of meeting all latest standards, like ISO 9001:2015 QMS and regulations, safety features are incorporated as the top considerations. Detailed proposals with structural calculation, shop drawings, fabrication techniques and installation methods have to be approved by qualified project architect.

Quality Assurance

The fundamental principle of KPa-BM lies to our commitment to quality and reliability to provide products that customers are happy to use and will last for years. To achieve this, we put our customer first aiming for maximum customer satisfaction. We have implemented a continuous process within various departments of KPa-BM to put this into practice, in the design and development, procurement, project construction, sales, after-sales service, and administration. We assign a project manager to every project who is responsible for the overall quality assurance, communicating and coordinating with project team members, customers' team, subcontractors and material procurement. The project proposals will be submitted to customers and the Building Department, if necessary, for approval.

KPa-BM Key Principles Governing Quality Assurance
Putting customers first to earn the customers' satisfaction is the fundamental to the job and responsibility of every employee.
Complying with international quality standards and legal requirements in order to provide products with safety and reliability, are fundamental to the job and responsibility of every employee.
Providing products and services that incorporate proper consideration for environmental conservation is fundamental to the job and responsibility of every employee.
Providing products and services that are creative and beneficial to the customers.
Give customers the comfort of safety, assurance, satisfaction and the ability to use the product for many years to come.

During the course of project execution, the works-in-progress are inspected constantly with our customers to ensure that the works are complied with the requirements of the proposal and the expectations of customers. Upon the completion of project, our customers need to inspect and certify that all works are completed in accordance with the contract and their requirements and are satisfactory. A defect liability period of normally one year is offered to our customers and subsequent after-sales service will be offer where required.

To ensure the quality of our building materials sourced, we partner with renowned international building material companies as the authorized distributor of their products in Hong Kong, Macau and the PRC. Sample inspection and testing will be carried out to ensure safety and reliability. We may also engage external testing laboratories to perform onsite inspection of the products on the request of our customers.

During the Reporting Period, we have not experienced any material claim by our customers in respect of the projects completed by us. We strictly comply with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

MANAGE OUR SUPPLY CHAIN

Managing our suppliers and subcontractors is crucial to KPa-BM's sustainable operations and commitment to our customers for quality and reliable products. We are committed to building long-term partnership with subcontractors and suppliers. We have stringent policy and procedures in selection of subcontractors and suppliers to ensure that only qualified subcontractors are included in our approved list of subcontractors and suppliers. Our subcontractors and suppliers are required to follow Hong Kong and their local applicable laws and regulations in relation to occupational health and safety and environmental protection.

Responsible Sourcing

We perform evaluation regularly for our subcontractors and suppliers not only on the basis of technical capability, labour resources, job reference, track records and pricing competitiveness, but also the safety performance and environmental management. We have priority to source from those subcontractors and suppliers who can demonstrate that they have the environmental management system in place, their products and materials are made from sustainable or recycled sources, and they are certified to recognised safety or environment standard.

Project manager or site foreman is responsible for the on-site inspection of the work process of subcontractors to ensure that they have met the safety, workmanship and environmental protection requirements. Our suppliers mainly provide aluminium, steel, glass and roof materials and they are from Hong Kong, the PRC and Germany. Our project engineers have to carry out sample inspection on materials received from suppliers to ensure the quality of materials meet our requirements.

OTHER SOCIAL COMMITMENTS

Fair Business – Anti-Corruption

Integrity, honesty and fairness are the core values of KPa-BM that must be upheld by directors and our staff at all times. We prohibit all forms of bribery and corruption. To ensure our business and workplace operate in a fair and transparent manner, the following policies and practices are in place:

- In conducting our business operations in Hong Kong or elsewhere, all directors and staff are prohibited from soliciting, accepting or offering any bribe and are required to comply with the Prevention of Bribery Ordinance of Hong Kong.

- Policies and guidelines on accepting advantages such as entertainment and gifts, and handling conflict of interests are set out in the Code of Conduct of the Group.

- Whistleblowing policy has been established to encourage our staff or other stakeholders to report suspected misconduct, malpractices or fraudulent activities. Cases reported are followed up independently and kept confidential.

Disciplinary actions are taken when misconduct is proven. In cases of suspected corruption or other criminal offences, report will be made to the appropriate authority.

During the Reporting period, we are not aware of any breach of law and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Upholding Labour Standard

We endeavour to protect human rights and create a workplace of respect, sincerity and fairness for our staff. We are fully aware that child labour and forced labour violate fundamental human rights and also pose threat to sustainable social and economic development. We strictly comply with the Employment Ordinance in Hong Kong, and the Labour Law, Labour Contract Law and the Provision on Prohibition of Using Child Labour in the PRC on this issue.

We have established policies and procedures for preventing the employment of children and ensuring there is no forced labour in our workplaces. During the recruitment process, we examine the candidates' identity documents and other relevant documents to verify their age. On employing staff, terms of employment are clearly set in the employment contracts and will be strictly followed by the Group. Any staff has the right to terminate the employment contract as long as it is in compliance with the terms of employment in the contract, the relevant laws and the Group polices.

During the Reporting Period, we have not experienced any case of child and forced labour.

CONNECTING TO COMMUNITIES

We are committed to creating social value as we build. We have learnt over the years that construction projects are not simply about brick and mortar, but they also have the ability to add value in communities and make people live better.

Our business and construction projects have positive impacts in the local community. In the employment side, we create employment in the construction industry both in KPa-BM and in our business partners. Our projects after completion are used by the local communities and they make the communities a better and happier place to live.

In addition to our positive influence on the communities directly through our business, we actively deliver care to the Hong Kong communities through two main channels:

- Money contribution to charity organisations that are in need for support, preferably with the participation of our staff in the fund raising activities; and

- Volunteering works delivered by our staffs to the local communities for helping the under-privileges.

We hope the activities can help our staff to strengthen the bond with KPa-BM, to enhance passion on CSR so that they are more connected to the communities, and to foster team-work spirit.

Sowers Action Challenging 12 Hours Charity Marathon 2018

The Group shows its continued support to the communities by sponsoring our staff to participate in charity fund raising activities for the purpose of helping under-privileged people. With the active support from our staff, 20 colleagues had taken part in the "Sowers Action Challenging 12 Hours Charity Marathon 2018", an annual fund raising campaign for promoting education in poor and rural regions. Under the lead of our Chairman Mr. Yip and our Director Mr. Wai, we formed 5 teams for the 12 km corporate team challenge. The challenge was started at Hong Kong Shing Mun Reservoir Main Dam and ended at Tai Po. Our teams finished 12 km within the time limit set by the organisation and we had raised HK$32,000 for the organiser.

Race for Water 2019

This is the third year we sponsored our colleagues to participate in the "Race for Water 2019" fund raising charity run. Fund raised is used to build water facilities in arid regions of Mainland China, Nepal and Cambodia. In this year, 12 colleagues participated and formed 3 teams in this challenging event. Participants are required to carry 5 litres of bottled water and run through arduous hilly trails along a 15 km route. We had successful raised HK$22,500 for this event.

Volunteer work partnering with J Life Foundation

We also encourage our staff to participate in volunteer services for our communities. In this year, we partnered with J Life Foundation ("**J Life**") to organise a Christmas event for the children of J Life's members. J Life is a privately funded non-profit organization that aims to empower at-risk children and families in under-privileged communities in Hong Kong. In this activity, 12 colleagues together with the volunteers of J Life took 20 children to visit The Mills, a landmark revitalization project located in Tsuen Wan Hong Kong. After the tour visit, we arranged a pizza cooking activity for the children in a coffee shop at The Mills. The children and our volunteers spent a happy morning together to celebrate Christmas.

We strive to create a culture for encouraging our staff to participate in the communities. We count on their passion and involvement in the communities to materialise our vision to make Hong Kong a better place to live.

HKSE ESG REPORTING GUIDE CHECKLIST

ASPECTS	DESCRIPTION	PAGE REF
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	34-38
KPI A1.1	The types of emissions and respective emissions data.	35
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	35
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable for disclosure
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	37
KPI A1.5	Description of measures to mitigate emissions and results achieved.	34-36
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	37-38
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	36-37
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	36
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not applicable for disclosure
KPI A2.3	Description of energy use, efficiency initiatives and results achieved.	36
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable for disclosure
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable for disclosure

HKSE ESG REPORTING GUIDE CHECKLIST (Continued)

ASPECTS	DESCRIPTION	PAGE REF
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	38
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	38
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	26-30
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	32-33
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	31
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	41

HKSE ESG REPORTING GUIDE CHECKLIST (Continued)

ASPECTS	DESCRIPTION	PAGE REF
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	40
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	39-40
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	41
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	42

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 10 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 67 of this annual report.

DIVIDEND POLICY AND DIVIDENDS

The Directors acknowledge the importance of stakeholders' engagement and would contemplate at least two times a year (prior to the announcement of annual and interim results) on the distribution of a dividend. While the Directors endeavour to share the Group's results with shareholders by way of a dividend, the portion and actual amount of distribution out of profits will be determined by the Directors having regard to a variety of factors, including but not limited to the Group's actual and expecting operating results and conditions, gearing level, general financial condition, availability of cash, future plans and funding needs for expansion.

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 (FY2018: 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 20 September 2019. The total payout will amount to HK$9.6 million (FY2018: HK$9.6 million).

As at the date of this annual report, the Board is not aware of any shareholders who have waived or agreed to waive any dividends

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 165 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 166 of this annual report.

SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2019 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 70 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 2019, the reserves of the Company available for distribution was approximately HK$43.6 million (2018: HK$43.7 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 (retired on 10 September 2018)

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.

Mr. Yip Pak Hung, an executive Director, and Ms. Lai Pik Chi, Peggy, an independent non-executive Director, will retire from office at the Company's forthcoming annual general meeting ("**AGM**") according to the provisions of the Company's Articles of Association and, being eligible, have offered themselves for re-election at the AGM.

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 2019, 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. Wai Yat Kin	Corporate interest	369,000,000	61.5%
	Beneficial owner	31,500,000	5.25%
	Interests held jointly	31,500,000	5.25%
Mr. Yip Pak Hung	Corporate interest	369,000,000	61.5%
	Beneficial owner	31,500,000	5.25%
	Interests held jointly	31,500,000	5.25%

(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. Wai Yat Kin	Beneficial owner	11,182	30.3%
	Interests held jointly	21,789	59.05%
Mr. Yip Pak Hung	Beneficial owner	11,182	30.3%
	Interests held jointly	21,789	59.05%

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

As at 31 March 2019, 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%
Mr. Lui Bun Yuen, Danny	Corporate interest	369,000,000	61.5%
	Interests held jointly	63,000,000	10.5%

Save as disclosed above, as at 31 March 2019, 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 72.8% (2018: 73.5%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 25.4% (2018: 28.1%) 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 50.0% (2018: 51.2%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 14.9% (2018: 17.1%) 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 68.9% (2018: 68.3%) of the total subcontracting charges of the Group and the largest subcontractor of the Group accounted for approximately 19.7% (2018: 20.3%) 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
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

Name of subsidiary	Place/Country of incorporation	Place of operations	Principal activities	List of directors
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
Buildmax Holdings Limited	The BVI	Hong Kong	Investment holding	Mr. Yip Pak Hung Mr. Wai Yat Kin
Hillford Trading Limited ("**Hillford**")	Hong Kong	Hong Kong	Investment holding	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny Mr. Liu Yuen Wai Mr. Chan Chi Ming
彪域科技(深圳)有限公司("**BuildMax (SZ)**")	PRC	PRC	Processsing, fabrication and manufacturing of building material products	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Liu Yuen Wai

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 20 April 2018, 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). The Master Supply Agreement was subsequently approved by the independent shareholders of the Company at an extraordinary general meeting held on 14 June 2018.

At the time of entering into the Master Supply Agreement, BuildMax (SZ) was 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 was 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 were 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 was holding over 30.0% shareholding interest in Hillford; and (iii) over 30.0% equity interest of BuildMax (SZ) was held by Hillford, BuildMax (SZ) was 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 duration of the Master Supply Agreement is from 1 April 2018 to 31 March 2021. Either party may terminate the Master Supply Agreement by serving a notice of not less than three months to the other.

The maximum aggregate amount of transactions contemplated under the Master Supply Agreement for each of the three years ending 31 March 2021 shall not exceed HK$24.0 million, HK$27.0 million and HK$30.0 million, respectively.

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 2019 was approximately HK$21.2 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 Company entered into an agreement on 9 March 2019 to conditionally acquire 100% interests in Hillford Trading Limited ("**Hillford**") and its subsidiary, BuildMax (SZ); the acquisition was subsequently approved by the independent shareholders of the Company at an extraordinary general meeting held on 29 April 2019 and completion ("**Completion**") of the acquisition took place on 29 April 2019. Upon Completion, BuildMax (SZ) became a wholly-owned subsidiary of the Company and ceased to be a connected party of the Company and future transactions between BuildMax (SZ) and the Group will no longer constitute continuing connected transactions of the Company. Therefore, the Company and BuildMax (SZ) entered into an agreement on 9 March 2019 to terminate the Master Supply Agreement with effect from the Completion. Details of the acquisition were set out in the Company's circular to shareholders dated 9 April 2019.

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 was 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, 26 June 2019

Independent Auditor's Report

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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 67 to 164 which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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, contract assets and contract liabilities for construction contracts

Refer to notes 2(h)(A)(i), 4(i) and 6 to the consolidated financial statements

For the year ended 31 March 2019, the Group recognised revenue from rendering of structural engineering works and supply and installation of building material products amounting to HK$400,668,000 in aggregate and as at 31 March 2019, the Group recorded contract assets and contract liabilities of HK$68,164,000 and HK$22,333,000 respectively. Contract revenue is recognised over time by measuring the progress towards complete satisfaction of the performance obligation on the basis of the contract costs incurred to date as a proportion to the total estimated contract costs, whereas the measurement of contract assets and contract liabilities 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. Apart from the above, variable considerations in construction contracts are recognised as contract revenue to the extent that the modification has been approved by the parties to the contracts and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

We identified recognition of contract revenue, contract assets and contract liabilities for construction contracts as a key audit matter because the estimation of contract costs and recognition of variable considerations involve the use of significant management judgments and involves estimation uncertainty.

Our audit procedures in relation to the recognition of contract revenue, contract assets and contract liabilities 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 construction 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.
- Testing material contract modifications, 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 progress towards complete satisfaction 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 responsibilities 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, 26 June 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	6	**414,990**	378,433
Cost of revenue		**(342,816)**	(304,483)
Gross profit		**72,174**	73,950
Other income and gains	7	**1,027**	2,723
Fair value gain on investment properties		**400**	–
Marketing and distribution expenses		**(3,265)**	(3,353)
Administrative and other operating expenses		**(36,445)**	(39,338)
Finance costs	8	**(634)**	(1,476)
Profit before income tax	9	**33,257**	32,506
Income tax expense	10	**(4,955)**	(6,286)
Profit for the year		**28,302**	26,220
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		**(56)**	116
Other comprehensive income for the year		**(56)**	116
Total comprehensive income for the year		**28,246**	26,336
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	13	**4.72**	4.37

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**7,470**	5,892
Investment properties	*15*	**21,500**	21,100
Pledged deposits	*16*	**–**	1,500
Deferred tax assets	*25*	**117**	89
		29,087	28,581
Current assets			
Inventories	*17*	**3,281**	1,875
Amounts due from customers for contract works	*18*	**–**	69,015
Contract assets	*18*	**68,164**	–
Trade and other receivables, deposits and prepayments	*19*	**130,129**	107,091
Tax recoverable		**1,713**	1,544
Pledged deposits	*16*	**3,044**	2,200
Pledged bank deposits	*20*	**10,014**	19,218
Cash and bank balances	*21*	**82,542**	41,401
		298,887	242,344
Current liabilities			
Amounts due to customers for contract works	*18*	**–**	7,788
Contract liabilities	*18*	**22,333**	–
Trade and other payables	*22*	**89,660**	69,699
Tax payable		**1,085**	2,793
Bank borrowings	*23*	**25,386**	18,054
Obligations under finance leases	*24*	**157**	153
		138,621	98,487
Net current assets		**160,266**	143,857
Total assets less current liabilities		**189,353**	172,438

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Obligations under finance leases	*24*	**107**	263
Deferred tax liabilities	*25*	**717**	634
		824	897
Net assets		**188,529**	171,541
CAPITAL AND RESERVES			
Share capital	*26*	**6,000**	6,000
Reserves	*27*	**182,529**	165,541
Total equity		**188,529**	171,541

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 2019

	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 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 as originally presented	**6,000**	**33,942**	**7,437**	**15,646**	**(18)**	**108,534**	**171,541**
Adjustment on initial adoption of HKFRS 9 *(note 3(A)(a)(v))*	**–**	**–**	**–**	**–**	**–**	**(1,658)**	**(1,658)**
Restated balance as at 1 April 2018	**6,000**	**33,942**	**7,437**	**15,646**	**(18)**	**106,876**	**169,883**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**28,302**	**28,302**
Other comprehensive income							
Exchange differences arising from translation of foreign operations	**–**	**–**	**–**	**–**	**(56)**	**–**	**(56)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(56)**	**28,302**	**28,246**
Transactions with owners							
Final dividend in respect of 2018 *(note 12(b))*	**–**	**–**	**–**	**–**	**–**	**(9,600)**	**(9,600)**
At 31 March 2019	**6,000**	**33,942**	**7,437**	**15,646**	**(74)**	**125,578**	**188,529**

* 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 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
Profit before income tax		**33,257**	32,506
Adjustments for:			
Depreciation on property, plant and equipment		**2,023**	1,724
Write-off of property, plant and equipment		**664**	65
Fair value gain on investment properties		**(400)**	–
Allowance for inventories		**184**	117
Write-off of inventories		**27**	17
Write-off of receivables		**–**	640
Write back of payables		**–**	(1,170)
Interest income		**(244)**	(576)
Finance costs		**634**	1,476
Exchange differences		**(35)**	80
Impairment loss on trade receivables		**242**	46
Reversal of impairment loss on retention receivables		**(8)**	(85)
Reversal of impairment loss on contract assets		**(18)**	–
Operating profit before working capital changes		**36,326**	34,840
(Increase)/Decrease in inventories		**(1,617)**	597
Increase in amounts due from customers for contract works		**–**	(10,267)
Decrease in contract assets		**8,252**	–
Increase in trade and other receivables, deposits and prepayments		**(32,326)**	(5,730)
Increase in amounts due to customers for contract works		**–**	3,692
Increase in contract liabilities		**14,282**	–
Increase in trade and other payables		**19,959**	2,772
Decrease in pledged deposits		**656**	–
Net cash generated from operations		**45,532**	25,904
Interest paid on bank borrowings		**(624)**	(1,296)
Interest element of finance lease payments		**(10)**	(14)
Interest received		**244**	42
Income tax paid, net		**(6,766)**	(4,997)
Net cash from operating activities		**38,376**	19,639
Investing activities			
Decrease/(Increase) in pledged bank deposits		**9,204**	(3,009)
Purchase of property, plant and equipment		**(4,016)**	(363)
Net cash from/(used in) investing activities		**5,188**	(3,372)

	Notes	2019 HK$'000	2018 HK$'000
Financing activities	*34*		
Dividends paid	*12(b)*	**(9,600)**	(9,600)
Proceeds from new bank borrowings		**24,298**	57,990
Repayments of bank borrowings		**(16,966)**	(59,075)
Capital element of finance lease payments		**(152)**	(149)
Net cash used in financing activities		**(2,420)**	(10,834)
Net increase in cash and cash equivalents		**41,144**	5,433
Cash and cash equivalents at the beginning of year		**41,401**	35,961
Effect of exchange rate changes on cash and cash equivalents		**(3)**	7
Cash and cash equivalents at the end of year		**82,542**	41,401

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 the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 27/F., 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 2019 were approved and authorised for issue by the directors on 26 June 2019.

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 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 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

(A) Accounting policies applicable from 1 April 2018

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered at their entirety when determining whether their cash flows are solely payments of principal and interest on the principal outstanding.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost

  Financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

– Fair value through other comprehensive income ("FVOCI")

  Financial assets that are held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at FVOCI. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(A) Accounting policies applicable from 1 April 2018 (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

– Fair value through profit or loss ("FVTPL")

FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on trade receivables, retention receivables (retention monies released by customers), other receivables and deposits, other financial assets measured at amortised cost and debt instruments measured at FVOCI.

The ECL are measured on either of the following bases: (1) 12-month ECL: these are the ECL that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(A) Accounting policies applicable from 1 April 2018 (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group measures loss allowances for trade receivables and retention receivables (retention monies released by customers) using simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the Group applies general approach to measure ECL based on 12-month ECL. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, such as past due status and credit risk ratings. The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group presumes that default does not occur later than when a financial asset is 90 days past due.

The Group recognises an impairment gain or loss in profit or loss for financial instruments carried at amortised cost by adjusting their carrying amount through the use of a loss allowance account. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

For investments in debt instruments that are measured at FVOCI, impairment loss is recognised in other comprehensive income and accumulated in the fair value reserve without reducing the carrying amounts of those debt instruments.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial assets. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(A) Accounting policies applicable from 1 April 2018 (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL 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 obligation 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.

(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 FVTPL 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 contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 2(g)(A)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(A) Accounting policies applicable from 1 April 2018 (Continued)

(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 HKFRS 9 *Financial Instruments* ("HKFRS 9").

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

(B) Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(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 FVTPL, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(B) Accounting policies applied until 31 March 2018 (Continued)

(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; and

– 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(B) Accounting policies applied until 31 March 2018 (Continued)

(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.

(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 FVTPL 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 contract 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*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(B) Accounting policies applied until 31 March 2018 (Continued)

(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 Instruments: Recognition and Measurement* ("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

(A) Accounting policies applicable from 1 April 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liabilities under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Recognition of revenue and other income (Continued)

(A) Accounting policies applicable from 1 April 2018 (Continued)

(i) Revenue from rendering structuring engineering works and supply and installation of building material products

The Group has determined that 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. Accordingly, the revenue from these contracts are recognised over time.

When the outcome of a performance obligation in the structural engineering contract and supply and installation contract can be reasonably measured, contract revenue and the associated contract costs are recognised over time based on the progress of the respective contract at the end of the reporting period. The progress toward complete satisfaction of the performance obligation of a structural engineering contract and supply and installation contract is determined by reference to the contract costs incurred to date as a proportion of the total estimated contract costs. Contract costs and contract progress are highly correlated for structural engineering contract and supply and installation contract.

When the outcome of a performance obligation in the structural engineering contract and supply and installation contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Contract modification (i.e. variation order) are recognised when they are approved by customer. Generally modification to a structural engineering contract and supply and installation contract is not accounted for as a separate contract. Contract modification is accounted for as if it were a part of the existing contract and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the contract sum and on the Group's measures of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis). For approved modifications where a change in price has not been agreed and other claims, they are accounted for following the requirements in relation to variable consideration that the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognised in accordance with the accounting policy for onerous contracts as set out in note 2(q).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Recognition of revenue and other income (Continued)

(A) Accounting policies applicable from 1 April 2018 (Continued)

(i) Revenue from rendering structuring engineering works and supply and installation of building material products (Continued)

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract assets are recognised when the Group completes the structural engineering and supply and installation works under such services contracts which are yet to be certified by architects, surveyors or other representatives appointed by customers. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date then the Group recognises a contract liability for the difference.

Retention monies retained by customers to secure for the due performance of the contracts are contract assets in nature. When the conditions attached to retention monies are fulfilled, the retention monies are released by customers and such retention monies have become trade receivables in nature.

Contract assets are assessed for ECL in accordance with the policy set out in note 2(g)(A)(ii). Loss allowance for contract assets is measured at an amount equal to lifetime ECL. ECL on contract assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers and an assessment of both the current and forecast general economic conditions at the reporting date.

(ii) Sales of building material products

Revenue from sales of goods is recognised at a point in time when the goods are delivered to and accepted by customers, taking into account any sales returns, discounts and rebates allowed by the Group. There is generally only one performance obligation. No element of financing is deemed to exist as the sales are made with credit terms of 30 days or below, which is consistent with the market practice.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Recognition of revenue and other income (Continued)

(A) Accounting policies applicable from 1 April 2018 (Continued)

(iii) Other income

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

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

(B) Accounting policies applied until 31 March 2018

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.

(i) Construction contracts

Accounting policies applied until 31 March 2018

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Construction contracts (Continued)

Accounting policies applied until 31 March 2018 (Continued)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income taxes (Continued)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits (Continued)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

Onerous contracts
An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 2018

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 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Below is the financial impact arising from the adoption of the above new or revised HKFRSs which have significant impact to the Group's financial statements.

(a) HKFRS 9 — Financial Instruments

HKFRS 9 replaces HKAS 39 for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairment; and (iii) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, 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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (trade receivables that do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at FVOCI; or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion").

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(a) HKFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as financial asset at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The Group's financial assets as at 1 April 2018 composed of trade receivables, other receivables and deposits and cash and bank balances, which were previously classified as loans and receivables and measured at amortised cost under HKAS 39. These financial assets meet the SPPI criterion and it is the Group's business model to hold these financial assets to collect their contractual cash flows. Accordingly, they are classified as financial assets at amortised cost and will continue to be subsequently measured at amortised cost upon the adoption of HKFRS 9.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(a) HKFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK$'000
Trade and other receivables *(notes (a) and (b))*	Loans and receivables	Financial assets at amortised cost	59,430	51,181
Retention receivables *(notes (a) and (b))*	Loans and receivables	Financial assets at amortised cost	46,609	–
Pledged bank deposits *(note (a))*	Loans and receivables	Financial assets at amortised cost	19,218	19,218
Pledged deposits *(note (a))*	Loans and receivables	Financial assets at amortised cost	3,700	3,700
Cash and bank balances *(note (a))*	Loans and receivables	Financial assets at amortised cost	41,401	41,401

Notes:

(a) The Group's business model is to hold these financial assets in order to collect contractual cash flow and these financial assets meet the SPPI criterion.

(b) The carrying amounts of trade and other receivables and retention receivables restated as at 1 April 2018 represented the amounts after adjustment for the adoption of HKFRS 15 as disclosed in note 3(A)(b)(ii) but before adjustment for the measurement of ECL under HKFRS 9 as disclosed in note 3(A)(a)(ii).

The Group did not designate or re-designate any financial assets or financial liabilities at FVTPL as at 1 April 2018.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(a) HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECL model". HKFRS 9 requires the Group to recognise loss allowance for ECL for trade receivables, retention receivables, contract assets and other financial assets at amortised costs earlier than HKAS 39. Cash and bank balances, pledged bank deposits and pledged deposits are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (i) 12-month ECL: these are the ECL that result from possible default events within the 12 months after the end of reporting period; and (ii) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Measurement of ECL

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade receivables and retention receivables (retention monies released by customers) using simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the Group applies general approach to measure ECL based on 12-month ECL. The 12-month ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(a) HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECL (Continued)

The Group presumes that the credit risk on a financial asset has increased significantly when contractual payment are more than 30 days past due, and that default does not occur later than when a financial asset is 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECL

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

Impairment of trade receivables, retention receivables and contract assets

As mentioned above, the Group applies simplified approach to measure ECL which recognises lifetime ECL for trade receivables and retention receivables (retention monies released by customers). As required by HKFRS 15, contract assets are subject to assessment for ECL following the requirements under HKFRS 9. To measure the ECL, trade receivables, retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of structural engineering contracts and supply and installation contracts.

(a) The loss allowance as at 1 April 2018 was determined for trade receivables as follows:

As at 1 April 2018	Gross carrying amount* HK$'000	Less: Individual assessed loss allowance HK$'000	Carrying amount under collective measurement HK$'000	Weighted average lifetime ECLs rate	ECL loss allowance for collective measurement HK$'000	Individually assessed loss allowance HK$'000	Total loss allowance HK$'000
Not yet past due and past due within one year	47,397	–	47,397	0.2%	115	–	115
Past due for more than one year but within two years	21	–	21	5.0%	1	–	1
Past due for more than two years	193	168	25	8.0%	2	168	170
	47,611	168	47,443		118	168	286

* adjusted for the effect arising from adoption of HKFRS 15 as mentioned in note 3(A)(b)(ii)

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(a) HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model (Continued)

Impairment of trade receivables, retention receivables and contract assets (Continued)

(a) (Continued)

Upon the adoption of HKFRS 15, the loss allowance for trade receivables of HK$569,000 was transferred as the loss allowance for contract assets. The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 April 2018 was HK$234,000. For the year ended 31 March 2019, the loss allowance for trade receivables further increased by HK$242,000.

(b) The loss allowance as at 1 April 2018 was determined for retention receivables as follows:

Expected credit loss rate	1.6%
Gross carrying amount (HK$'000)	46,793
Loss allowance (HK$'000)	742

The increase in loss allowance for retention receivables upon the transition to HKFRS 9 as of 1 April 2018 was HK$558,000 whereas a reversal of loss allowance of HK$8,000 was resulted for the year ended 31 March 2019.

(c) The loss allowance as at 1 April 2018 was determined for contract assets as follows:

Expected credit loss rate	1.8%
Gross carrying amount (HK$'000)	77,833
Loss allowance (HK$'000)	1,435

Upon the adoption of HKFRS 15, the loss allowance for trade receivables of HK$569,000 was transferred as loss allowance for contract assets. Applying the ECL model upon the transition of HKFRS 9 as of 1 April 2018 result in an increase in loss allowance for contract assets of HK$866,000 whereas a reversal of loss allowance for contract assets of HK$18,000 was resulted for the year ended 31 March 2019.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(a) HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model (Continued)

Impairment of trade receivables, retention receivables and contract assets (Continued)

(d) As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance is as follow:

	Trade receivables HK$'000	Retention receivables HK$'000	Contract assets HK$'000
Loss allowance as at 31 March 2018 under HKAS 39	621	184	–
Transfer upon adoption of HKFRS 15 *(note 3(A)(b)(ii))*	(569)	–	569
Additional impairment recognised	234	558	866
Loss allowance as at 1 April 2018 under HKFRS 9	286	742	1,435

Impairment of other financial assets at amortised costs

Other financial assets at amortised cost include deposits and other receivables, pledged deposits, pledged bank deposits and cash and cash equivalents. No impairment is recognised as the amount of additional impairment measured under the ECL model is insignificant.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL requirement, if any, are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39 and thus, certain comparative information may not be comparable to the current period.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(a) HKFRS 9 — Financial Instruments (Continued)

(iv) Transition (Continued)

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9. If an investment in a debt investment had low credit risk at the date of initial application, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(v) Impact arising from adoption of HKFRS 9

The following table summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained profits as of 1 April 2018 as follows:

	HK$'000
Retained profits	
Retained profits as at 31 March 2018	108,534
Increase in ECL on trade receivables *(note (ii) above)*	(234)
Increase in ECL on retention receivables *(note (ii) above)*	(558)
Increase in ECL on contract assets *(note (ii) above)*	(866)
	(1,658)
Retained profits restated as at 1 April 2018	106,876

(b) HKFRS 15 — Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts ("HKAS 11")*, HKAS 18 *Revenue* and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim at enabling users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(b) HKFRS 15 — Revenue from Contracts with Customers (Continued)

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for 2018 has not been restated.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from rendering structural engineering works and supply and installation of building material products were recognised over time according to the percentage of completion of individual contract at the end of the reporting period whereas revenue arising from trading of building material products was recognised upon transfer of the significant risks and rewards of ownership to the customer.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

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

(b) When the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

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

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

Structural engineering works and supply and installation of building material products

The Group has determined that 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.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(b) HKFRS 15 — Revenue from Contracts with Customers (Continued)

(i) Timing of revenue recognition (Continued)

Structural engineering works and supply and installation of building material products (Continued)

Moreover, previously 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.

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 previous accounting policies on recognising variation orders and accounting for warranties are consistent with the requirements under HKFRS 15.

Based on the above assessment, the adoption of HKFRS 15 does not have a significant impact when the Group recognises revenue from structural engineering works and supply and installation of building material products.

Trading of building material products

The Group's contracts with customers for the trading of building material products generally include one performance obligation, which is satisfied at a point of time when goods are delivered to and accepted by customers. The adoption of HKFRS 15 does not have a significant impact on the timing and amounts of revenue recognised by the Group from trading of building material products.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(b) HKFRS 15 — Revenue from Contracts with Customers (Continued)

(ii) Impact arising from adoption of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statements of financial position as at 1 April 2018 and 31 March 2019 as a result of adoption of HKFRS 15. Line items that were not affected by the changes have not been included.

The adoption of HKFRS 9 on 1 April 2018 relating to ECL measurement has impact on certain items below (see note 3(A)(a)(ii)) but such impact is not presented in the following table.

Impact on consolidated statement of financial position as at 1 April 2018

	Notes	Increase/ (Decrease) HK$'000
Assets		
Current assets		
Trade and other receivables, deposits and prepayments	*(a) and (c)*	(8,249)
Amounts due from customers for contract works	*(a)*	(69,015)
Contract assets	*(a)*	77,264
Total current assets		–
Total assets		–
Liabilities		
Current liabilities		
Trade and other payables	*(b)*	(263)
Amounts due to customers for contract works	*(b)*	(7,788)
Contract liabilities	*(b)*	8,051
Total current liabilities		–
Total liabilities		–

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(b) HKFRS 15 — Revenue from Contracts with Customers (Continued)

(ii) Impact arising from adoption of HKFRS 15 (Continued)

Impact on consolidated statement of financial position as at 31 March 2019

	Notes	Increase/ (Decrease) HK$'000
Assets		
Current assets		
Trade and other receivables, deposits and prepayments	*(a)*	(8,750)
Amounts due from customers for contract works	*(a)*	(60,262)
Contract assets	*(a)*	69,012
Total current assets		–
Total assets		–
Liabilities		
Current liabilities		
Trade and other payables	*(b)*	(770)
Amounts due to customers for contract works	*(b)*	(21,563)
Contract liabilities	*(b)*	22,333
Total current liabilities		–
Total liabilities		–

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(b) HKFRS 15 — Revenue from Contracts with Customers (Continued)

(ii) Impact arising from adoption of HKFRS 15 (Continued)

Notes:

(a) Contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. As such, contract assets are recognised when the Group completes the structural engineering works and supply and installation works under such contracts which are yet to be certified by the customers or other representatives appointed by customers. Previously, works performed which were yet to be certified were classified as amounts due from customers for contract works. Upon adoption of HKFRS 15, amounts due from customers for contract works which amounted to HK$69,015,000 and HK$60,262,000 respectively as at 1 April 2018 and 31 March 2019 are reclassified as contract assets. In addition, trade receivables amounting to HK$8,818,000 and HK$9,319,000 respectively as at 1 April 2018 and 31 March 2019 which related to contract works transferred to customers but the payment of such consideration is subject to acceptance by customers, together with the impairment allowance made as of 1 April 2018 of HK$569,000 are also reclassified as contract assets.

(b) Contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration from the customers in advance. Receipts in advance as at 1 April 2018 were previously classified as to HK$7,788,000 as amounts due to customers for contract works and HK$263,000 as trade and other payables. Those balances are reclassified as contract liabilities upon adoption of HKFRS 15. Correspondingly, receipts in advance as at 31 March 2019 of HK$21,563,000 and HK$770,000 classified as amounts due to customers for contract works and trade and other payables respectively are reclassified as contract liabilities.

(c) Included in trade and other receivables, deposits and prepayments as at 1 April 2018 were retention receivables of HK$46,609,000 which were retained by customers to secure for due performance of the contract works and thus are contract assets in nature.

There was no material impact on the Group's consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2019.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(A) Adoption of new or revised HKFRSs – effective on 1 April 2018 (Continued)

(c) Amendments HKFRS 15 — Revenue from Contracts with Customers (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.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

The adoption of other amendments has no material impact on the Group's consolidated financial statements.

(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 16	Leases[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Employee Benefits[1]
Amendments to HKFRS 3	Definition of Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

The directors of the Company anticipate 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.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(B) New or revised HKFRSs that have been issued but are not 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.

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach with the cumulative effect of initial application recognised on 1 April 2019 and will not restate comparative amounts for the year prior to first adoption. The lease liabilities of leases previously classified as operating leases will be recognised on the date of initial application at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate at the date of initial application. The right-of-use assets will be measured on the date of initial application at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application.

The Group reviewed all of the Group’s leasing arrangements during the year ended 31 March 2019 in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group’s operating leases.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$12,704,000 as disclosed in note 31. The Group expects to recognise right-of-use assets of approximately HK$12,011,000 and the corresponding lease liabilities of approximately HK$11,996,000 (after adjustments for prepayment and accrued lease payment recognised as at 31 March 2019) on 1 April 2019 in respect of these leases.

On initial application of HKFRS 16, net current assets will decrease by approximately HK$4,201,000 due to the presentation of the lease liabilities as current liabilities.

3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 *Income Taxes*, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The directors do not expect the adoption of HK(IFRIC)-Int 23 would result in significant impact on the amounts reported on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company 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.

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

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 over time by measuring the progress towards complete satisfaction of the performance obligation on the basis of the contract costs incurred to date as a proportion to total estimated contract costs, which is the input method under HKFRS 15. Contract assets and contract liabilities 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 contract assets/contract liabilities 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 of the Company 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.

(ii) Impairment of financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires significant judgment and estimation, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and analysis, based on the Group's historical experience and existing marketing conditions as well as forward-looking information.

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

Key sources of estimation uncertainty (Continued)

(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 Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable 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.

5. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

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.

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 2019				
Segment revenue				
Sales to external customers	380,024	20,644	14,322	414,990
Intersegment sales	–	219	291	510
	380,024	20,863	14,613	415,500
Elimination of intersegment sales				(510)
				414,990
Segment profit	53,680	10,441	4,778	68,899
Corporate and unallocated income				1,027
Fair value gain on investment properties				400
Corporate and unallocated expenses				
– Marketing and distribution expenses				(560)
– Administrative and other operating expenses*				(35,875)
– Finance costs				(634)
Profit before income tax				33,257

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
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

* 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 2019				
Segment assets	**191,829**	**4,890**	**4,919**	**201,638**
Property, plant and equipment				**6,495**
Investment properties				**21,500**
Tax assets				**1,830**
Pledged bank deposits				**10,014**
Cash and bank balances				**82,542**
Other corporate assets				**3,955**
Total consolidated assets				**327,974**

	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

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 2019					
Other information					
Interest income	**–**	**–**	**–**	**244**	**244**
Interest expense	**–**	**–**	**–**	**634**	**634**
Depreciation	**355**	**–**	**–**	**1,668**	**2,023**
Impairment loss on inventories	**–**	**58**	**153**	**–**	**211**
Impairment loss on trade receivables	**236**	**6**	**–**	**–**	**242**
Reversal of impairment loss/(Impairment loss) on retention receivables	**11**	**(3)**	**–**	**–**	**8**
Reversal of impairment loss on contract assets	**17**	**1**	**–**	**–**	**18**
Additions to specified non-current assets#	**–**	**–**	**–**	**4,308**	**4,308**

	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

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

	2019 HK$'000	2018 HK$'000
Hong Kong	412,907	372,393
Macau	2,083	6,040
	414,990	378,433

All of the Group's specified non-current assets amounting to HK$28,970,000 as at 31 March 2019 (2018: HK$26,992,000) 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:

	2019 HK$'000	2018 HK$'000
Customer A	105,374	106,239
Customer B	89,547	79,835
Customer C	52,033	N/A
Customer D	N/A	57,857

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

Revenue from Customer A was generated by all three operating segments. Revenue from Customer B and Customer C were generated by Structural Engineering Works whereas revenue from Customer D 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:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue recognised over time:		
– Structural engineering works	**380,024**	336,135
– Supply and installation of building material products	**20,644**	21,502
Revenue recognised at a point in time:		
– Trading of building material products	**14,322**	20,796
	414,990	378,433

Revenue expected to be recognised in the future arising from the provision of construction works, which represents the aggregate amount of the consideration the Group is entitled allocated to the remaining performance obligations under the Group's contracts of construction works existed at the end of the reporting period, is summarised as follows:

	2019 HK$'000
– Structural engineering works	**819,305**
– Supply and installation of building material products	**25,586**
	844,891

The Group will recognise the expected revenue arising from its existing contracts of construction work as at 31 March 2019 in future as the project work is progressed, which is expected to occur over the next one month to two years.

The Group has applied the practical expedient to its sales contracts for trading of building material products and therefore the above information does not include information above revenue that the Group will be entitled to when it satisfies the remaining performance obligation under the contracts for trading of building material products that had an original expected duration of one year or less.

7. OTHER INCOME AND GAINS

	2019 HK$'000	2018 HK$'000
Bank interest income	**244**	42
Imputed interest income on retention receivables	**–**	534
Rental income	**754**	754
Write-back of payables	**–**	1,170
Others	**29**	223
	1,027	2,723

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	**624**	1,296
Interest element of finance lease payments	**10**	14
Imputed interest on retention payables	**–**	166
	634	1,476

9. PROFIT BEFORE INCOME TAX

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

	2019 HK$'000	2018 HK$'000
Auditor's remuneration *(note (a))*	**680**	731
Impairment loss on trade receivables	**242**	46
Reversal of impairment loss on retention receivables	**(8)**	(85)
Reversal of impairment loss on contract assets	**(18)**	–
Write-off of receivables	**–**	640
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	**142,202**	119,155
– Allowance for inventories	**184**	117
– Write-off of inventories	**27**	17
	142,413	119,289
Depreciation in respect of:		
– Owned assets	**1,862**	1,563
– Leased assets	**161**	161
	2,023	1,724
Employee costs (including Directors' emoluments) *(note 11(a))*		
– Salaries, allowances and other benefits	**44,278**	43,070
– Contribution to defined contribution retirement plans *(note (b))*	**1,973**	2,026
	46,251	45,096
Exchange loss, net	**193**	480
Operating lease charges in respect of:		
– Land and buildings	**4,266**	3,670
– Office equipment	**223**	244
Write-off of property, plant and equipment	**664**	65

Notes:

(a) For the year ended 31 March 2019, auditor's remuneration represented remuneration paid/payable for audit service of HK$680,000 whereas for the year ended 31 March 2018, auditor's remuneration included remuneration paid/payable for audit service of HK$650,000 and non-audit services of HK$81,000.

(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 2019 (2018: nil).

10. INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	HK$'000
Current tax for the year		
– Hong Kong Profits Tax	**5,358**	6,375
– Other regions of the PRC – Enterprise Income Tax ("EIT")	**–**	–
(Over)/Under provision in respect of prior years	**(458)**	212
	4,900	6,587
Deferred tax *(note 25)*	**55**	(301)
	4,955	6,286

Hong Kong Profits Tax is calculated at 16.5% (2018: 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 is 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.

10. INCOME TAX EXPENSE (Continued)

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:

	2019 HK$'000	2018 HK$'000
Profit before income tax	**33,257**	32,506
Tax calculated at rates applicable to profits in the jurisdictions concerned	**5,530**	5,302
Effect on adoption of two-tiered profits tax regime	**(165)**	–
Tax effect of revenue not taxable for tax purposes	**(98)**	(5)
Tax effect of expenses not deductible for tax purposes	**291**	952
Tax effect of temporary differences not recognised	**(68)**	(175)
(Over)/Under provision in respect of prior years	**(458)**	212
Others	**(77)**	–
Income tax expense	**4,955**	6,286

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 2019					
Executive directors					
Mr. Lui Bun Yuen, Danny ("Mr. Lui") *(Note)*	–	1,127	–	8	1,135
Mr. Wai Yat Kin ("Mr. Wai")	–	2,467	1,000	18	3,485
Mr. Yip Pak Hung ("Mr. Yip")	–	2,467	1,000	18	3,485
Independent non-executive directors					
Ms. Lai Pik Chi, Peggy	240	–	–	–	240
Mr. Lam Chi Wai, Peter	240	–	–	–	240
Dr. Yeung Kit Ming	240	–	–	–	240
Total	720	6,061	2,000	44	8,825
Year ended 31 March 2018					
Executive directors					
Mr. Lui *(Note)*	–	2,088	1,470	18	3,576
Mr. Wai	–	2,088	1,470	18	3,576
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

Note: Mr. Lui Bun Yuen, Danny was resigned as executive director with effect from 10 September 2018.

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

(a) Directors' emoluments (Continued)

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.

The discretionary bonus is determined with reference to the performance of each director of the Group.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2019 included two (2018: three) directors whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining three (2018: two) highest paid individuals are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and other benefits	**3,528**	1,586
Discretionary bonus	**654**	607
Contribution to pension scheme	**54**	36
	4,236	2,229

Their emoluments were within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**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.

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

(c) Senior management's emoluments

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

	2019 Number of individuals	2018 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

	2019 HK$'000	2018 HK$'000
Proposed final dividend – HK1.6 cents (2018: HK1.6 cents) per ordinary share	**9,600**	9,600

The final dividend in respect of the financial year ended 31 March 2019 of HK1.6 cents (2018: HK1.6 cents) per ordinary share, amounting to HK$9,600,000 (2018: 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 2019 has not been recognised as a liability as at 31 March 2019.

12. DIVIDENDS (Continued)

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

	2019 HK$'000	2018 HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK1.6 cents (2018: HK1.6 cents) per ordinary share	**9,600**	9,600

13. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	**28,302**	26,220

	2019 '000	2018 '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 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
Year ended 31 March 2019							
Opening net carrying amount	**1,543**	**1,102**	**285**	**71**	**718**	**2,173**	**5,892**
Exchange adjustment	**–**	**(17)**	**–**	**–**	**(26)**	**–**	**(43)**
Additions	**–**	**3,073**	**606**	**55**	**574**	**–**	**4,308**
Write-off	**–**	**(664)**	**–**	**–**	**–**	**–**	**(664)**
Depreciation	**(53)**	**(665)**	**(152)**	**(44)**	**(326)**	**(783)**	**(2,023)**
Closing net carrying amount	**1,490**	**2,829**	**739**	**82**	**940**	**1,390**	**7,470**
At 31 March 2019							
Cost	**1,920**	**3,075**	**3,371**	**1,209**	**3,261**	**4,627**	**17,463**
Accumulated depreciation	**(430)**	**(246)**	**(2,632)**	**(1,127)**	**(2,321)**	**(3,237)**	**(9,993)**
Net carrying amount	**1,490**	**2,829**	**739**	**82**	**940**	**1,390**	**7,470**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) As at 31 March 2018, the Group pledged its leasehold land and buildings with net carrying amount of HK$1,543,000 to secure the bank borrowings and banking facilities granted to the Group. Such pledge of leasehold land and buildings was fully released during the year ended 31 March 2019.

(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):

	2019 HK$'000	2018 HK$'000
Motor vehicle	255	416

15. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Fair value		
At the beginning of the reporting period	21,100	21,100
Change in fair value *(note (a))*	400	–
At the end of the reporting period	21,500	21,100

Notes:

(a) The fair value of investment properties as at 31 March 2019 and 2018 is a level 2 recurring fair value measurement.

The fair value gain arising from remeasurement of the investment properties for the year ended 31 March 2019 amounting to HK$400,000 (2018: nil) represented an unrealised gain relating to those investment properties as at 31 March 2019.

15. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) The fair value of the Group's investment properties as at 31 March 2019 and 2018 has been determined by the directors with reference to the valuation carried out by RHL Appraisal Limited and Asset Appraisal Limited respectively, which are independent firms of professionally qualified valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in nearby location.

(c) 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.	2019: –0.4% to 3.7% (2018: –0.2% to 2.1%)	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.

(d) 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.

(e) As at 31 March 2018, the Group pledged its investment properties with net carrying amount of HK$21,100,000 to secure the bank borrowings and banking facilities granted to the Group. Such pledge of investment properties was fully released during the year ended 31 March 2019.

16. PLEDGED DEPOSITS

Balances as at 31 March 2019 of HK$3,044,000 (2018: HK$3,700,000) represent deposits placed by the Group with insurance companies 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 companies as at 31 March 2019 were HK$10,147,000 (2018: 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 2019 are expected to be released in year 2020. Pledged deposits as at 31 March 2018 amounting to HK$2,200,000 were expected to be released in year 2019 whereas the remaining balance of HK$1,500,000 was expected to be released after year 2019.

17. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Raw materials and supplies	**3,281**	1,875

18. CONTRACT ASSETS/CONTRACT LIABILITIES AND AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

The Group has applied HKFRS 9 and HKFRS 15 and adjusted the opening balances as at 1 April 2018 as set out below. Further details of the impact arising from adoption of HKFRS 9 and HKFRS 15 are set out in note 3(A)(a) and (b).

	31 March **2019** **HK$'000**	1 April 2018 HK$'000	31 March 2018 HK$'000
Amounts due from customers for contract works as at 31 March 2018 *(note (c))*	**–**	–	69,015
Effect of adoption of HKFRS 15 *(note 3(A)(b)(ii))*			
– Reclassify from amounts due from customers for contract works	**60,262**	69,015	
– Reclassify from trade and other receivables, deposits and prepayments			
– Gross amount	**9,319**	8,818	
– Loss allowance	**(569)**	(569)	
Effect of adoption of HKFRS 9 *(note 3(A)(a)(ii))*	**(848)**	(866)	
Contract assets as at 1 April 2018/31 March 2019 *(note (a))*	**68,164**	76,398	

18. CONTRACT ASSETS/CONTRACT LIABILITIES AND AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS (Continued)

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Amounts due to customers for contract works as at 31 March 2018 *(note (c))*	–	–	7,788
Effect of adoption of HKFRS 15 *(note 3(A)(b)(ii))*			
– Reclassify from amounts due to customers for contract works	21,563	7,788	
– Reclassify from trade and other payables	770	263	
Contract liabilities as at 1 April 2018/31 March 2019 *(note (b))*	22,333	8,051	

Notes:

(a) Contract assets

	31 March 2019 HK$'000	1 April 2018 HK$'000
Contract assets arising from:		
– Structural engineering works	69,342	77,006
– Supply and installation of building material products	239	827
	69,581	77,833
Less: Loss allowance	(1,417)	(1,435)
	68,164	76,398

18. CONTRACT ASSETS/CONTRACT LIABILITIES AND AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS (Continued)

Notes: (Continued)

(a) Contract assets (Continued)

Contract assets represent the Group's right to consideration for construction works completed but not yet billed to customers at the reporting date. Contract assets are transferred to trade receivables when the rights become unconditional, that is, when the Group issues progress billings to customers based on certified amount agreed with customer.

The expected timing of recovery or settlement for contract assets as at 31 March 2019 is as follows:

	2019 HK$'000
Within one year	62,767
More than one year and less than two years	6,814
	69,581

The movements in the loss allowance for impairment of contract assets are as follows:

	2019 HK$'000
At the beginning of year	–
Transfer from loss allowance for impairment of trade receivables upon adoption of HKFRS 15 *(note 19(a))*	569
Effect of adoption of HKFRS 9 *(note 3(A)(a)(ii))*	866
At the beginning of year, as restated	1,435
Reversal of impairment losses	(18)
At the end of the year	1,417

An impairment analysis is performed at the end of each reporting period using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the end of the reporting period about past events, current conditions and forecast of future economic conditions.

18. CONTRACT ASSETS/CONTRACT LIABILITIES AND AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS (Continued)

Notes: (Continued)

(a) Contract assets (Continued)

Set out below is the information about the credit risk exposure on the Group's contract assets as at 31 March 2019:

Expected credit loss rate	2.0%

	HK$'000
Gross carrying amount	69,581
Expected credit losses	1,417

(b) Contract liabilities

	31 March 2019 HK$'000	1 April 2018 HK$'000
Contract liabilities arising from:		
– Structural engineering works	**21,563**	7,788
– Trading of building material products	**770**	263
	22,333	8,051

The movements in contract liabilities are as follows:

	2019 HK$'000
At the beginning of the year	**8,051**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(7,882)**
Increase in contract liabilities as a result of billing in advance of construction works	**22,164**
At the end of the year	**22,333**

18. CONTRACT ASSETS/CONTRACT LIABILITIES AND AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS (Continued)

Notes: (Continued)

(c) Amounts due from/to customers for contract works as at 31 March 2018

	2018 HK$'000
Costs incurred to date plus recognised profits	876,667
Less: Progress billings to date	(815,440)
	61,227
Amounts due from customers for contract works	69,015
Amounts due to customers for contract works	(7,788)
	61,227

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group has applied HKFRS 9 and HKFRS 15 and adjusted the opening balances of trade receivables and retention receivables as at 1 April 2018.

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Trade receivables	**73,209**	47,611	56,429
Less: Loss allowance	**(528)**	(286)	(621)
Trade receivables, net *(note (a))*	**72,681**	47,325	55,808
Retention receivables	**52,493**	46,793	46,793
Less: Loss allowance	**(734)**	(742)	(184)
Retention receivables, net *(note (b))*	**51,759**	46,051	46,609
Other receivables *(note (c))*	**206**	2,401	2,401
Deposits *(note (c))*	**1,828**	1,221	1,221
Prepayments	**3,655**	1,052	1,052
	5,689	4,674	4,674
	130,129	98,050	107,091

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

Notes:

(a) Trade receivables

The following financial impact arose on the trade receivables as at 1 April 2018 as a result of adopting HKFRS 9 and HKFRS 15:

– the gross amount of the trade receivables reduced by HK$8,818,000 (note 3(A)(b)(ii));

– the loss allowance for the trade receivables reduced by HK$569,000 (note 3(A)(b)(ii)); and

– the loss allowance for the trade receivables increased by HK$234,000 (note 3(A)(a)(ii))

The movements in the loss allowance for trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At the beginning of the year	**621**	575
Transfer to loss allowance for impairment of contract assets *(note 18(a))*	**(569)**	–
Effect of adoption of HKFRS 9 *(note 3(A)(a)(ii))*	**234**	–
At the beginning of the year, restated	**286**	575
Impairment loss charged to profit or loss	**242**	46
At the end of the year	**528**	621

The Group recognises impairment loss on trade receivables for the year ended 31 March 2019 and 2018 based on the accounting policies set out in notes 2(g)(A)(ii) and 2(g)(B)(ii) respectively. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 38(a).

The ageing analysis of the gross carrying amount of trade receivables, based on invoice date, as at the end of the reporting period is as follows:

	2019 HK$'000
0 – 30 days	**57,292**
31 – 60 days	**11,441**
61 – 90 days	**1,664**
Over 90 days	**2,812**
	73,209

Credit periods granted to trade debtors range from 30 to 60 days.

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

Notes: (Continued)

(a) Trade receivables (Continued)

Comparative information under HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 March 2018, trade and bills receivables of HK$621,000 was impaired and full provision have been made for the balances.

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

	2018 HK$'000
0 – 30 days	38,131
31 – 60 days	3,172
61 – 90 days	9,903
Over 90 days	4,602
	55,808

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

	2018 HK$'000
Neither past due nor impaired	35,121
Past due but not impaired	
Past due for less than 30 days	15,348
Past due for 30 days or more but less than 90 days	781
Past due for 90 days or more but less than one year	618
Past due for one year or more but less than two years	987
Past due for more than two years	2,953
	20,687
	55,808

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.

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

Notes: (Continued)

(b) Retention receivables

Retention receivables was reduced by HK$558,000 upon adoption of HKFRS 9 on 1 April 2018 due to additional ECL provision made on that date (note 3(A)(a)(ii)).

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 loss allowance for impairment on retention receivables are as follows:

	2019	2018
	HK$'000	HK$'000
At the beginning of the year	**184**	269
Effect of adoption of HKFRS 9 *(note 3(A)(a)(ii))*	**558**	–
At the beginning of the year, restated	**742**	269
Reversal of impairment loss	**(8)**	(85)
At the end of the year	**734**	184

Set out below is the information about the credit risk exposure on the Group's retention receivables as at 31 March 2019:

Expected credit loss rate	1.4%
	HK$'000
Gross carrying amount	52,493
Expected credit losses	734

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

Notes: (Continued)

(b) Retention receivables (Continued)

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:

	2019 **HK$'000**	2018 HK$'000
On demand or within one year	**17,512**	17,798
After one year or more	**34,247**	28,811
	51,759	46,609

Comparative information under HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment based on the accounting policy set out in note 2(g)(B)(ii).

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.

(c) Other receivables and deposits

Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in note 38(a).

20. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 March 2019 amounting to HK$10,014,000 (2018: HK$19,218,000) are interest-bearing at fixed rates of 0.25% (2018: 0.01% to 1.10%) per annum and have maturity period of one month (2018: one month to three months). All of the Group's pledged bank deposits are denominated in HK$.

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 2019, the Group had time deposits of HK$18,104,000 (2018: HK$20,103,000) placed with banks with original maturity of one to three months (2018: three months) and earn interest income at interest rates ranged from 0.90% to 1.53% (2018: 0.15%) per annum.

As at 31 March 2019, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$517,000 (2018: HK$73,000). 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

	2019	2018
	HK$'000	HK$'000
Trade payables *(note (a))*	**49,088**	42,690
Bills payable	**8,459**	–
Trade and bills payables *(note (b))*	**57,547**	42,690
Retention payables *(note (c))*	**21,551**	16,908
Receipts in advance	**–**	263
Other payables and accruals	**10,562**	9,838
	89,660	69,699

Notes:

(a) Included in trade payables as at 31 March 2019 were balances due to related companies amounting to HK$721,000 (2018: HK$3,584,000) 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 2019 were subject to a tenor of up to 60 days.

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

	2019	2018
	HK$'000	HK$'000
0 – 30 days	**38,662**	27,222
31 – 60 days	**15,445**	8,570
61 – 90 days	**79**	3,497
Over 90 days	**3,361**	3,401
	57,547	42,690

22. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(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:

	2019 HK$'000	2018 HK$'000
On demand or within one year	**6,384**	1,619
After one year or more	**15,167**	15,289
	21,551	16,908

23. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
Bank loans subject to repayment on demand clause		
– Bank loans due for repayment within one year	**25,386**	15,842
– Bank loans due for repayment after one year	**–**	2,212
	25,386	18,054

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 2019 granted under banking facilities ranged from 3.62% to 5.88% (2018: 3.44% to 6.64%) per annum.

23. BANK BORROWINGS (Continued)

Included in bank borrowings as at 31 March 2018 were bank loans of HK$2,212,000 that were not scheduled to repay within one year after the end of the reporting period. They were 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 were expected to be settled within one year. As at 31 March 2019, all bank loans were scheduled for repayment within one year after the end of the reporting period.

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

	2019 HK$'000	2018 HK$'000
HK$	25,386	16,134
United States dollars ("US$")	–	1,920
	25,386	18,054

As 31 March 2019, the Group's bank borrowings and banking facilities were secured by the bank deposits of HK$10,014,000.

As 31 March 2018, the Group's bank borrowings and banking facilities were secured by the followings:

– land and buildings with net carrying amount of HK$1,543,000;

– investment properties with net carrying amount of HK$21,100,000; and

– bank deposits of HK$19,218,000.

23. BANK BORROWINGS (Continued)

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

	2019 HK$'000	2018 HK$'000
On demand or within one year	25,386	15,842
More than one year, but not exceeding two years	–	436
More than two years, but not exceeding five years	–	1,402
More than five years	–	374
	25,386	18,054

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 leases. The lease obligations are secured by the leased asset.

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

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 March 2019			
Not later than one year	**162**	**(5)**	**157**
Later than one year but not later than five years	**108**	**(1)**	**107**
	270	**(6)**	**264**

	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

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

	2019 HK$'000	2018 HK$'000
Current liabilities	**157**	153
Non-current liabilities	**107**	263
	264	416

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 2017	928	(82)	846
Credited to profit or loss *(note 10)*	(282)	(19)	(301)
At 31 March 2018 and 1 April 2018	**646**	**(101)**	**545**
Charged/(Credited) to profit or loss *(note 10)*	**85**	**(30)**	**55**
At 31 March 2019	**731**	**(131)**	**600**

Represented by:

	2019 HK$'000	2018 HK$'000
Deferred tax liabilities	**717**	634
Deferred tax assets	**(117)**	(89)
	600	545

The two-tiered profits tax rates regime have no material impact on the deferred tax balances of the Group as at 31 March 2018 and 2019 as the qualifying entity nominated by the Group did not have material temporary differences as at 31 March 2018 and 2019. 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 2019, 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$519,000. 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$'000	Retained profits HK$'000	Total HK$'000
As 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 and 1 April 2018	**33,942**	**9,767**	**43,709**
Profit for the year	**–**	**9,529**	**9,529**
Final dividend in respect of 2018 *(note 12(b))*	**–**	**(9,600)**	**(9,600)**
As at 31 March 2019	**33,942**	**9,696**	**43,638**

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 2019

	Notes	**2019 HK$'000**	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*30*	**–**	–
Current assets			
Other receivables, deposits and prepayments		**643**	244
Amounts due from subsidiaries		**50,130**	49,350
Cash and bank balances		**157**	278
		50,930	49,872
Current liabilities			
Other payables and accruals		**112**	163
Amounts due to subsidiaries		**1,180**	–
		1,292	163
Net current assets/Net assets		**49,638**	49,709
CAPITAL AND RESERVES			
Share capital	*26*	**6,000**	6,000
Reserves	*27*	**43,638**	43,709
Total equity		**49,638**	49,709

On behalf of the directors

Yip Pak Hung
Director

Wai Yat Kin
Director

30. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2019 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
BuildMax Holdings Limited *(note)*	The BVI/ Limited liability company	Hong Kong	1 shares of US$1 each	–	100%	Investment holding
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

Note: The subsidiary was newly incorporated during the year ended 31 March 2019

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, warehouses and office equipment under operating lease arrangement. The leases run for an initial period of one to five years (2018: one to five years) and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	4,539	3,325
Later than one year and not more than five years	8,165	959
	12,704	4,284

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 (2018: three years). As at 31 March 2019, the Group had the following future minimum lease payments receivables:

	2019 HK$'000	2018 HK$'000
Within one year	723	754
Later than one year and not more than five years	–	692
	723	1,446

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 irrevocably agreed to indemnify the insurance companies 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:

	2019 **HK$'000**	2018 HK$'000
Aggregate value of the surety bonds issued in favour of customers	**11,232**	11,824

As assessed by the directors, it is not probable that the insurance companies 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. LITIGATION

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 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 and 1 April 2018	**18,054**	**416**
Changes from cash flows		
Proceeds from new bank borrowings	**24,298**	**–**
Repayment of bank borrowings	**(16,966)**	**–**
Capital element of finance lease payments	**–**	**(152)**
	7,332	**(152)**
At 31 March 2019	**25,386**	**264**

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 2019 HK$'000	2018 HK$'000
BuildMax Technology (Shenzhen) Limited ("BuildMax (SZ)")	Directors and key management have equity interest	Purchase of building material products and processing charges paid/payable	**21,239**	20,406

Mr. Wai and Mr. Yip, who are directors and shareholders of the Company, and Mr. Lui, Mr. Liu Yuen Wai ("Mr. Liu") and Mr. Chan Chi Ming ("Mr. Chan"), 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, certain of the Group's lease arrangements were subject to the personal guarantees provided by directors of the Company. Such personal guarantee provided by directors of the Company were fully released during the year ended 31 March 2019.

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

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits	**11,676**	13,880
Contributions to defined contribution retirement plan	**117**	124
	11,793	14,004

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:

	2019 **HK$'000**	2018 HK$'000
Bank borrowings	**25,386**	18,054
Obligations under finance leases	**264**	416
	25,650	18,470
Total equity	**188,529**	171,541
Gearing ratio	**13.6%**	10.8%

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 financial liabilities:

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets measured at amortised cost		
– Trade and bills receivables	72,681	–
– Other receivables and deposits	2,034	–
– Pledged deposits	3,044	–
– Pledged bank deposits	10,014	–
– Cash and bank balances	82,542	–
Loans and receivables		
– Trade and bills receivables	–	55,808
– Retention receivables	–	46,609
– Other receivables and deposits	–	3,622
– Pledged deposits	–	3,700
– Pledged bank deposits	–	19,218
– Cash and bank balances	–	41,401
	170,315	170,358
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	89,660	69,436
– Bank borrowings	25,386	18,054
– Obligations under finance leases	264	416
	115,310	87,906

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade 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.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

(b) Financial instruments measured at fair value

As at 31 March 2019 and 2018, 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.

38. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment under ECL model

The Group recognises loss allowance for ECL on debt instruments carried at amortised cost. The Group applies simplified approach to measure ECL on trade receivables, retention receivables and contract assets; and general approach to measure ECL on other receivables and deposits, pledged deposits, pledged bank deposits and cash and bank balances. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, the Group applies the "3-stage" impairment model for ECL measurement based on change in credit risk since initial recognition as follows:

– Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

– Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECL for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECL whereas the ECL for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECL.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit risk assessment and including forward-looking information. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtors' ability to meet their debt obligations;

- actual or expected significant changes in the operating results of the debtors;

- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of the debtors; and

- actual or expected significant adverse change in the regulatory, economic, or technological environment in which the debtors operate that results in a significant change in the debtors' ability to meet their debt obligations.

38. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment under ECL model (Continued)

The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group assesses whether a financial asset is credit-impaired. A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(i) significant financial difficulty of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) granting a concession to the debtors that the lender would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty;

(iv) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or

(v) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

The Group measures loss allowances for trade receivables, retention receivables (retention monies released by customers) and contract assets using HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience and time value of money where appropriate, adjusted for forward-looking factors specific to the customers and the economic environment. To measure the ECL, trade receivables, retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

38. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment under ECL model (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2019:

As at 31 March 2019	Gross carrying amount HK$'000	Less: Individual assessed loss allowance HK$'000	Carrying amount under collective measurement HK$'000	Weighted average lifetime ECLs rate	ECL loss allowance for collective measurement HK$'000	Individually assessed loss allowance HK$'000	Total loss allowance HK$'000
Not yet past due and past due within one year	72,328	–	72,328	0.5%	337	–	337
Past due for more than one year but within two years	667	–	667	0.6%	4	–	4
Past due for more than two years	214	186	28	3.6%	1	186	187
	73,209	186	73,023		342	186	528

ECL rates are based on the past credit loss experience of the customers or with reference to the industry data. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Time value of money is considered in arriving at the amount of ECL.

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and deposits. The credit risk of the Group's other receivables and deposits at the end of the reporting period has not increased significantly since initial recognition. The Group has assessed that the amount of ECL was insignificant and accordingly, no loss allowance was recognised.

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. Financial instruments 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 2019 and 2018 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	
	2019	2018
	HK$'000	HK$'000
Changes in interest rate		
+ 1%	**(212)**	(151)
– 1%	**212**	151

The changes in interest rates do not affect the Group's other component 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.

	2019 HK$'000	2018 HK$'000
Net monetary assets/(liabilities)		
HK$	**624**	588
RMB	**(847)**	(826)
EUR	**(912)**	(513)

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.

(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.

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

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 2019					
Trade and other payables	**89,660**	**89,660**	**74,493**	**9,253**	**5,914**
Bank borrowings subject to repayment demand clause	**25,386**	**25,386**	**25,386**	**–**	
Obligations under finance leases	**264**	**270**	**162**	**108**	**–**
	115,310	**115,316**	**100,041**	**9,361**	**5,914**
As at 31 March 2018					
Trade and other payables	69,436	70,855	54,166	9,703	6,986
Bank borrowings subject to repayment 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)

The following tables summarise the maturity analysis of the Group's bank loans 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 2019	**25,386**	**25,610**	**25,610**	**–**	**–**	**–**
As at 31 March 2018	18,054	18,429	16,029	505	1,516	379

39. EVENTS AFTER THE REPORTING PERIOD

On 9 March 2019, BuildMax Holdings Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company and Mr. Lui, Mr. Wai, Mr. Yip, Mr. Liu and Mr. Chan, the directors and key management of the Group (collectively the "Vendors") entered into a sale and purchase agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors conditionally agreed to sell (i) the entire issued share capital of Hillford Trading Limited ("Hillford"); and (ii) all outstanding debts of Hillford and BuildMax (SZ) (the "Target Group") as at the date of completion owed to the Vendors for the total consideration of approximately HK$12.2 million (the "Acquisition").

The Acquisition was completed on 29 April 2019 and Hillford and BuildMax (SZ) then become indirect wholly-owned subsidiaries of the Company.

Hillford is principally engaged in investment holding. BuildMax (SZ) is principally engaged in processing, fabrication and manufacturing of building material products in the PRC, and sales and supply of building material products predominantly to the Group and to customers in the PRC.

Up to the date on the approval of these consolidated financial statements, the directors of the Company are still assessing the fair values of the Target Group's assets and liabilities to be recognised at the date of acquisition.

As at the date of issuance of the consolidated financial statements, the fair value assessments of goodwill, if any, of the Target Group had not been finalised. The directors of the Company expect the valuation will be finalised in year 2020.

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

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**414,990**	378,433	381,394	343,806	197,435
Cost of revenue	**(342,816)**	(304,483)	(312,282)	(276,478)	(158,702)
Gross profit	**72,174**	73,950	69,112	67,328	38,733
Other income and gains	**1,027**	2,723	166	250	351
Fair value gain on investment properties	**400**	–	–	–	–
Marketing and distribution expenses	**(3,265)**	(3,353)	(1,997)	(1,526)	(1,221)
Administrative and other operating expenses	**(36,445)**	(39,338)	(28,147)	(32,338)	(19,036)
Finance costs	**(634)**	(1,476)	(1,358)	(1,246)	(767)
Profit before income tax	**33,257**	32,506	37,776	32,468	18,060
Income tax expense	**(4,955)**	(6,286)	(6,812)	(6,812)	(3,501)
Profit for the year	**28,302**	26,220	30,964	25,656	14,559
Other comprehensive income for the year					
Exchange differences arising from translation of foreign operations	**(56)**	116	(106)	(42)	–
Revaluation gain on self-occupied properties	**–**	–	15,646	–	–
Other comprehensive income for the year	**(56)**	116	15,540	(42)	–
Total comprehensive income for the year	**28,246**	26,336	46,504	25,614	14,559

ASSETS AND LIABILITIES

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Total assets	**327,974**	270,925	248,708	238,457	147,440
Total liabilities	**(139,445)**	(99,384)	(93,903)	(121,156)	(80,695)
Net assets	**188,529**	171,541	154,805	117,301	66,745

Particulars of Principal Properties

As at 31 March 2019

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