



KPa-BM Holdings Limited 應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock code: 8141



Annual Report 2016

* For identification purpose only

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



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Corporate Information

BOARD OF DIRECTORS (THE “BOARD”)

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Sun Kwong *FCCA 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

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Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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131 Wo Yi Hop Road
Kwai Chung, New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISER

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

COMPLIANCE OFFICER

Mr. Yip Pak Hung

AUTHORISED REPRESENTATIVES

Mr. Yip Pak Hung
Mr. Chan Sun Kwong

AUDITOR

BDO Limited
Certified Public Accountants
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111 Connaught Road Central
Hong Kong

COMPANY’S WEBSITE

www.kpa-bm.com.hk

STOCK CODE

8141

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the first annual report of KPa-BM Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 March 2016.

On 8 October 2015 (the "Listing Date"), the shares of the Company were successfully listed on the GEM of the Stock Exchange (the "Listing"). On behalf of the Group, I would like to express our deep gratitude towards all parties who have assisted us in building our business over the years and during the preparation process of the Listing. The proceeds raised from the Listing have strengthened our financial position and were deployed in accordance to our business plan of expanding our Group's capacity to capture more business opportunities, further development of the Group's structural engineering business and enhancing the Group's design and customisation capabilities.

During the year ended 31 March 2016 (the "Year" or "2016"), the Group achieved an increase in revenue of approximately 74.1% from approximately HK\$197.4 million to approximately HK\$343.8 million over the year ended 31 March 2015 (the "Previous Year" or "2015"). The growth was mainly driven by the increase in structural engineering work projects in both public and private sectors undertaken during the year. Key revenue contributing projects in public sector included recreational facilities and government departmental facilities, while key private sector projects mainly comprised commercial properties.

The Group has continued to adopt a balanced approach between expanding our workbook with premium projects and maintaining a reasonable profit margin. Subsequent to 31 March 2016, the Group further secured new contracts with a total value of approximately HK\$142.4 million.

The construction sector remained steady during the Year, which was attributable to the advocacy of the Government of the Hong Kong Special Administrative Region. However, the Year has been a tough one with intense industry competition, escalating construction costs and skilled labour shortages. We expect the impact of skilled labour shortages and the escalation of construction costs will last over a period of time. To maintain a sustainable profit margin, the Group will enhance operational efficiency and remain focused on premium projects.

Going forward, the Group will continue to fortify our current business position and explore business opportunities with a view to build a strong foundation for long-term development. The Group will continue to develop our existing business, strengthen our financial positions and to expand our business reach by exploring strategic opportunities with the aim to maximize long-term returns for our shareholders.

Chairman's Statement (Continued)

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

The Board is pleased to share the Group's performance with our shareholders and recommends the payment of a final dividend of HK1.5 cents per share.

On behalf of the Board,

Mr. Yip Pak Hung

Chairman

Hong Kong, 23 June 2016

Management Discussion and Analysis

BUSINESS ACTIVITIES

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

BUSINESS REVIEW

During the Year, the Group achieved an outstanding performance with an increase of approximately 74.1% in the Group's revenue of approximately HK\$343.8 million (2015: HK\$197.4 million) from the provision of structural engineering works. The encouraging financial result was attributable to a few major projects undertaken by the Group during the Year.

Major projects undertaken by the Group during the Year

	Status as at 31 March 2016	Expected completion date
Fire Services Training School	Completed	—
Kennedy Town Swimming Pool (Phase 2)	Ongoing	31 October 2016
Liantang/Heung Yuen Wai Boundary Control Point	Ongoing	31 March 2018
11 Sheung Yuet Road	Ongoing	31 March 2017
A resort hotel in Lantau Island	Ongoing	31 March 2018

The construction works of Fire Services Training School Project was completed before 31 March 2016.

FINANCIAL HIGHLIGHTS

Year ended 31 March (HK\$'000)	2016*	2015	Percentage change
Revenue	343,806	197,435	74.1%
Cost of revenue	276,478	158,702	74.2%
Gross profit	67,328	38,733	73.8%
Profit before income tax	32,468	18,060	79.8%
Net profit	25,656	14,559	76.2%
Earnings per share ^Δ (HK cents)	4.78	2.65	80.4%
Total assets	238,457	147,440	61.7%
Total equity	117,301	66,745	75.7%
Key Performance Indices			
Gross profit margin (%)	19.6	19.6	
Net profit margin (%)	7.5	7.4	
Return on equity (%)	21.9	21.8	
Return on total assets (%)	10.8	9.9	
Current ratio (times)	1.9	1.7	
Gearing ratio (%)	29.5	34.1	

* The Company was listed on GEM of the Stock Exchange on 8 October 2015

^Δ Weighted average, assuming the Group has been in existence in 2015

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2016, total revenue was approximately HK\$343.8 million, representing an increase of approximately 74.1% as compared with the Previous Year (2015: HK\$197.4 million). The growth was attributable to an increase in structural engineering work projects in both public and private sectors undertaken during the Year. Key revenue contributing projects in public sector included recreational facilities and government departmental facilities, while key private sector projects mainly comprised commercial properties.

Cost of Revenue and Gross Profit

The Group's cost of revenue mainly comprised material and processing charges and subcontracting charges; the increase in cost of revenue for the Year was generally in-line with the rise in revenue. The gross profit margin for the Year of approximately 19.6% was the same as the Previous Year, was attributable to the various control measures to closely monitor project progress, including more frequent and periodic review implementation of project budgets against actual performance, so we can still maintain the same gross profit margin during the tough year.

Administrative and Other Operating Expenses

The Group's administrative expenses for the Year were approximately HK\$32.3 million (2015: HK\$19.0 million), representing an increase of approximately HK\$13.3 million from 2015. The increase was mainly attributable to the professional fees related to the Listing of approximately HK\$8.2 million; legal and professional fees of approximately HK\$1.9 million; as well as the increase in salaries and wages and other administrative expenses.

Finance Costs

For the Year, the Group's finance costs were approximately HK\$1.2 million (2015: HK\$0.8 million), representing an increase of approximately HK\$0.4 million or 62.5%, which was mainly due to interest expenses on additional bank borrowings drawn during the Year to finance the Group's business expansion and to improve liquidity.

Income Tax Expense

Income tax expense of the Group for the Year was approximately HK\$6.8 million (2015: HK\$3.5 million) and such growth was consistent with the increase in assessable profits during the Year as compared to the Previous Year. Listing expenses incurred in the Year was not deductible for tax purpose, resulting in a rise in effective tax rate for the Year.

Profit for the Year

As a result of the increase in revenue and rise in administrative and other operating expenses, the Group's profit for the year increased from approximately HK\$14.6 million for the Previous Year to approximately HK\$25.7 million for the Year, representing an increase of approximately 76.2%.

Dividend

On 23 June 2016, the Board recommended HK1.5 cents per share as a final dividend for the Year.

USE OF PROCEEDS

The estimated net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$27.0 million, which are intended to be applied in the manner as disclosed in the section "Statement of business objectives and use of proceeds" to the prospectus of the Company dated 30 September 2015 (the "Prospectus"). The net proceeds from the Listing were approximately HK\$28.9 million, which was different from the estimated net proceeds of approximately HK\$27.0 million. The Group intends to adjust the difference of approximately HK\$1.9 million in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus. The Directors had evaluated the Group's business plan and considered that, as at the date of this report, no modification of the business plan regarding the use of proceeds as described in the Prospectus was required.

The Group had utilised approximately HK\$8.7 million of the net proceeds as at 31 March 2016. The unutilised net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong and is intended to be applied in the manner consistent with the proposed allocations.

Management Discussion and Analysis (Continued)

Use of proceeds	Net proceeds HK\$ million	Utilised HK\$ million	Unutilised HK\$ million
1 Further expanding the Group's capacity to capture more business opportunities	14.2	6.7	7.5
2 Further development of the Group's structural engineering business	5.4	—	5.4
3 Enhancing the Group's design and customisation capabilities	6.4	0.4	6.0
4 General working capital	2.9	1.6	1.3
	28.9	8.7	20.2

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March 2016 HK\$'000	As at 31 March 2015 HK\$'000
Current assets	225,165	136,444
Current liabilities	120,730	80,077
Current ratio (times)	1.9	1.7

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\$2.6 million, together with the availability of short term bank loans and overdrafts, the Group has been financially sound in its daily operations throughout the Year.

During the Year, the Group financed its operations by its internal resources and bank facilities. As at 31 March 2016, the Group had net current assets of approximately HK\$104.4 million (2015: HK\$56.4 million). The Group's current ratio as at 31 March 2016 was approximately 1.9 times (2015: 1.7 times).

As at 31 March 2016, the Group had a total cash and bank balances of approximately HK\$47.4 million (2015: HK\$5.8 million) mainly denominated in HK\$. The increase in total cash and bank balances was mainly due to the receipt of proceeds from the Listing of approximately HK\$28.9 million, after the deduction of underwriting fees and related expenses.

As at 31 March 2016, the Group had a total available banking and other facilities of approximately HK\$90.0 million, of which approximately HK\$35.4 million was utilised and approximately HK\$54.6 million was unutilised and available for use.

The shares of the Company were listed on GEM of the Stock Exchange on 8 October 2015 and 150,000,000 of the Company's shares at a placing price of HK\$0.30 per share were issued on the same day. There has been no change in capital structure of the Company since the Listing Date. As at 31 March 2016, the equity attributable to owners of the Company amounted to approximately HK\$117.3 million (2015: HK\$59.9 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 gearing ratio of the Group as at 31 March 2016 was approximately 29.5% (2015: 34.1%), the decrease was mainly due to increase the share capital and net profit of the Group during the Year.

Foreign Currency Exposure and Treasury Policy

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

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledged of Assets

As at 31 March 2016, the Group had bank borrowings of approximately HK\$33.9 million (2015: HK\$21.9 million) and banking facilities are secured by the followings:

- land and buildings with net carrying amount of approximately HK\$5.0 million (2015: HK\$5.2 million);
- bank deposits of approximately HK\$13.2 million (2015: HK\$10.0 million); and
- personal guarantees executed by the executive Directors, namely Mr. Lui Bun Yuen, Danny, Mr. Wai Yat Kin and Mr. Yip Pak Hung. The personal guarantees provided by Mr. Lui Bun Yuen, Danny, Mr. Wai Yat Kin and Mr. Yip Pak Hung for the banking facilities had been fully released and replaced by corporate guarantees provided by the Company during the Year.

In addition, the Group has pledged deposits of approximately HK\$3.9 million as at 31 March 2016 (2015: HK\$3.9 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 as at 31 March 2016 were approximately HK\$11.4 million (2015: HK\$11.4 million). The surety bonds are required for the entire year of the relevant construction contracts. As at 31 March 2016, the respective construction contracts are expected to be completed in year 2018 (2015: year 2017).

The Group and the directors of the Company, including Mr. Lui, Mr. Wai and Mr. Yip, have unconditionally and irrevocably agreed to indemnify the insurance company for claims and losses the insurance company may incur in respect of the bonds. The indemnity provided by Mr. Lui, Mr. Wai and Mr. Yip had been fully released and replaced by corporate guarantee provided by the Company upon Listing.

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 2016, the Group did not have any significant contingent liabilities.

Final Dividend

During the Year, the Group declared and paid an interim dividend of HK\$15,000,000. The Board has proposed a final dividend of HK1.5 cents per share, which amounts to a total of HK\$9.0 million.

Employees and Remuneration Policies

As at 31 March 2016, the Group had 111 staff (2015: 66). 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) was approximately HK\$43.4 million. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary increase, 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 Reporting Period

Saved as disclosed elsewhere in the Report, there is no event after the reporting period.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YIP Pak Hung (葉柏雄), aged 57, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director, chairman of the Board and the compliance officer of the Company on 26 June 2015. Mr. Yip is primarily responsible for the overall management and corporate policy making of the Group's business operations. He is also a director of eight wholly-owned subsidiaries of the Company, namely (i) AcouSystem Limited; (ii) BuildMax Limited; (iii) KPa Contracting Limited; (iv) KPa Engineering Limited; (v) KPa Engineering (HK) Limited; (vi) Light Dimension Limited; (vii) Sun Pool Engineering Limited; and (viii) Youkang Limited.

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

Mr. WAI Yat Kin (韋日堅), aged 56, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director and the chief executive officer of the Company on 26 June 2015. Mr. Wai is the co-founder of the Group and is primarily responsible for the overall strategic planning, management and administration of the Group's business operations. He is also a director of eight wholly-owned subsidiaries of the Company, namely (i) AcouSystem Limited; (ii) BuildMax Limited; (iii) KPa Contracting Limited; (iv) KPa Engineering Limited; (v) KPa Engineering (HK) Limited; (vi) Light Dimension Limited; (vii) Sun Pool Engineering Limited; and (viii) Youkang Limited.

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

Mr. LUI Bun Yuen, Danny (呂品源), aged 52, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director of the Company on 26 June 2015. Mr. Lui is primarily responsible for the overall management of the Group's business operations and development. He is also a director of nine wholly-owned subsidiaries of the Company, namely (i) AcouSystem Limited; (ii) BuildMax Limited; (iii) KPa Contracting Limited; (iv) KPa Engineering Limited; (v) KPa Engineering (HK) Limited; (vi) 應力恒富設計貿易(深圳)有限公司; (vii) Light Dimension Limited; (viii) Sun Pool Engineering Limited; and (ix) Youkang Limited.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LAI Pik Chi, Peggy (黎碧芝), aged 51, 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 an associate member of both the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

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

Mr. LAM Chi Wai, Peter (林志偉), aged 56, 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 58, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the 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

Compliance Officer

Pursuant to GEM Rule 5.19, Mr. Yip Pak Hung, who is also an executive Director, was appointed as the compliance officer of our company. Please refer to his biography above for details.

Mr. LIU Yuen Wai (廖遠維), aged 43, 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 45, is a project manager of the Group and is primarily responsible for the overall management of site works, quality control and work safety supervision in relation to the design and build projects of the Group. Mr. Chan is also a director of BuildMax (HK) and is primarily responsible for the supervision of the operation of the Group's business segment in relation to trading of building material products.

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

Mr. TSUNG Shu Sin (叢書善), aged 59, is a project manager of the Group. He is primarily responsible for the overall management of site works, quality control and work safety supervision over the design and build projects of the Group. Mr. Tsung has over 20 years of experience in the structural engineering industry. He joined the Group in April 2005 as a project manager. Prior to joining the Group, Mr. Tsung had been employed by several construction companies where he was responsible for supervision of site works and overall management of construction projects. Mr. Tsung has over 20 years of experience in project management and site supervision in the structural engineering industry.

Mr. Tsung obtained a bachelor degree of science in architectural engineering from the University of Texas at Austin, United States in December 1985 and a master of engineering in civil engineering from the University of Texas at Arlington, United States in December 1989. He has been a member of The Chartered Institute of Building since May 2005.

COMPANY SECRETARY

Mr. CHAN Sun Kwong (陳晨光), aged 49, is the company secretary of the Group. He is primarily responsible for the company secretarial matters of the Group. Mr. Chan has over 20 years of experience in accounting, auditing, banking and company secretarial fields.

Mr. Chan obtained a diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1990. He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Chartered Association of 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.

Corporate Governance Report

The Board is pleased to present hereby 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 15 of the GEM Listing Rules during the period from the commencement of trading in shares of Company on the GEM on 8 October 2015 to 31 March 2016 (the "Relevant Period"). 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 GEM 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 has been the chairman of the Board and an executive Director since 15 May 2015. He is primarily responsible for formulating the corporate strategy and managing overall business operations. Mr. Wai Yat Kin, is the chief executive officer of the Company and an executive Director. He is responsible for formulating the corporate strategies, implementing the corporate strategies and overseeing the daily management.

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

The Board

The Board currently consists of six members including three executive Directors (including the chairman of the Board and the chief executive officer of the Company) and three independent non-executive Directors. The Company has complied with the Appendix 15 to the GEM Listing Rules relating to the appointment of at least three independent non-executive directors.

Pursuant to the Memorandum and Articles of Association of the Company, at every annual general meeting one-third of the directors (for the time being, or, if their number is not a multiple of three, 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 by rotation at least once every three years. At the coming annual general meeting on 8 August 2016, Mr. Lui Bun Yuen, Danny and Mr. Wai Yat Kin will retire and offer themselves for re-election. The management of the Company is of the view that the membership 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.

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 Relevant Period and as of the date of this report, the number of independent non-executive Directors was in compliance with the requirement under Rules 5.05(1) and 5.05A of the GEM Listing Rules. In particular, the composition of the Board is set out as follow:

Executive Directors

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

Independent Non-executive Directors

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

Executive Directors

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.

Independent non-Executive Directors

Each of the independent non-executive Directors has entered into a letter of appointment on 22 September 2015 with the Company for an initial term of three years commencing on the Listing Date and 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.

Independent non-Executive Directors' Appointment Date

	Appointment date
Ms. Lai Pik Chi, Peggy	22 September 2015
Mr. Lam Chi Wai, Peter	22 September 2015
Dr. Yeung Kit Ming	22 September 2015

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 Rule 5.05(2) of the GEM 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. Except as otherwise disclosed in this annual report, none of the independent non-executive Directors has any business or financial interests with the Company and all independent non-executive Directors confirmed their independence to the Group as at 31 March 2016 in accordance with Rule 5.09 of the GEM Listing Rules.

BOARD AND GENERAL MEETINGS

During the Year, 3 board meeting was held. Subsequent to the Year, 1 more board meeting was held between 1 April 2016 and the date of this report. The forthcoming annual general meeting which will be held on 8 August 2016 is the first general meeting of the Company.

The attendance of the respective Directors at the Board meetings are set out below:

	Attendance/ Number of meeting during the Year
<i>Executive Directors</i>	
Mr. Yip Pak Hung (<i>Chairman</i>)	3/3
Mr. Wai Yat Kin (<i>Chief Executive Officer</i>)	3/3
Mr. Lui Bun Yuen, Danny	3/3
<i>Independent Non-executive Directors</i>	
Ms. Lai Pik Chi, Peggy (<i>Chairman</i>)	3/3
Mr. Lam Chi Wai, Peter	3/3
Dr. Yeung Kit Ming	3/3

Audit Committee

The Company has established the audit committee (the "Audit Committee") on 22 September 2015 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the Code, which stipulate that members of the Audit Committee shall comprise non-executive Directors only and must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be independent non-executive Directors.

The Audit Committee comprises three independent non-executive Directors, namely Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming and is chaired by Ms. Lai Pik Chi, Peggy. The duties of the Audit Committee include reviewing the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the Audit Committee will liaise with the Board, the senior management, the reporting accountants and auditors. The Audit Committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing the Group's financial reporting process and internal control system. For the complete terms of reference of the Audit Committee, please refer to the Group's website at <http://www.kpa-bm.com.hk/>.

During the Year, the Audit Committee held 2 meetings to review, assess and comment on the Group's financial reports and results announcements. It has also reviewed of the risk management and internal control management.

Corporate Governance Report (Continued)

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Relevant Period.

The attendance records of the members of the Audit Committee are summarised below:

	Attendance/ Number of meeting during the Year
Ms. Lai Pik Chi, Peggy (<i>Chairman</i>)	2/2
Mr. Lam Chi Wai, Peter	2/2
Dr. Yeung Kit Ming	2/2

For the year ended 31 March 2016, the fees in respect of the audit and non-audit services provided to the Group by BDO Limited, is set out as follows:

Fee Amount	HK\$'000
Audit Service	580
Non-audit Services (<i>Note</i>)	730
Total	1,310

Note: Non-audit services represented professional services rendered as reporting accountants in relation to the Listing of the shares of the Company on GEM of the Stock Exchange.

REMUNERATION COMMITTEE

The Company established the remuneration committee (the "Remuneration Committee") on 22 September 2015 which, at present, comprises Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming with Mr. Lam Chi Wai, Peter being the chairman. Written terms of reference in compliance with paragraph B.1.2 of the Code have been adopted. Amongst other things, the primary duties of the Remuneration Committee are to make recommendation to the Board on the remuneration packages of all executive and non-executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. For the complete terms of reference of the Remuneration Committee, please refer to the Group's website at <http://www.kpa-bm.com.hk/>.

No meeting was held by the Remuneration Committee during the Year. Subsequent to the end of the Year and up to the date of this report, the Remuneration Committee has held one meeting to review the remuneration package of the Directors and senior management of the Company.

NOMINATION COMMITTEE

The Company established the nomination committee (the "Nomination Committee") on 22 September 2015. The Nomination Committee comprises Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming, who has been appointed as its chairman. Written terms of reference in compliance with paragraph A.5.2 of the Code have been adopted. 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. For the complete terms of reference of the Nomination Committee, please refer to the Group's website at <http://www.kpa-bm.com.hk/>.

During the Year, no meeting was held by the Nomination Committee. A meeting of the Nomination Committee was held subsequent to the end of the Year to review the composition of the Board and the retirement and re-election of Directors at the forthcoming annual general meeting.

The Board is of the view that the Nomination Committee has properly discharged its duties and responsibilities during the Relevant Period and up to the date of this report.

DIVERSITY OF THE BOARD

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

1. selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and
2. the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy

COMPANY SECRETARY

The company secretary of the Company, Mr. Chan Sun Kwong, is an external service provider. The Company's primary contact with the company secretary is our chairman, Mr. Yip Pak Hung. Please refer to this biographical details as set out on page 13 of this annual report.

For the Year, Mr. Chan has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Yip Pak Hung, an executive Director and chairman, is the compliance officer of the Group. Please refer to his biographical details as set out on page 11 of this annual report.

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the Code Provision A.6.5 under Appendix 15 of the GEM Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics will be issued to directors where appropriate. All Directors are encouraged to attend relevant training courses.

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.

SUFFICIENCY OF PUBLIC FLOAT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

The Stock Exchange introduced ESG Reporting Guide as Appendix 20 to the GEM Listing Rules which took effective in 2015. We have envisaged and would adopt the ESG reporting Guidance in the writing of our reports. In this regard, we encourage our staff to minimize printing on carbon usage. We also provide staff trainings on continuing industry knowledge and development.

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 period under review, they have complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. Details of the Non-Competition Undertakings are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus.

The Independent non-executive Directors have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Competition Undertakings 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM 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 complied with the Required Standard of Dealings throughout the period from the Listing Date to the date of this report. The Company has not been notified of any incident of non-compliance during such period.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company from the date of Listing on 8 October 2015 to the end of the reporting period, being 31 March 2016.

INTERNAL CONTROL

The Company has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. The Directors have periodically assessed and reviewed with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions.

INVESTORS' RELATIONS

The Company encourages two way communications with its investors. Extensive information about the company's activities is provided in the annual report, interim report and quarterly reports 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 other than a director, 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 4th Floor, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung, 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 17.50(2) of the GEM 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 (the "Letter") 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 and the Letter 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 of the Company will ask the nomination committee of the Company and the board of directors of the Company 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 secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requested shareholder(s) ("Requested Shareholders") himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requested Shareholders as a result of the failure of the Board shall be reimbursed to the Requested Shareholders by the Company.

ENQUIRES TO THE BOARD

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

PUTTING FORWARD PROPOSALS AT A GENERAL MEETING

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

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

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

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

CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 May 2015.

In preparing for the Listing, the Group underwent the Reorganisation (as defined under note 2 to the consolidated financial statements) and the Company became the holding company of the companies comprising the Group upon the completion of the Reorganisation. Details of the Reorganisation are set out in note 2 to the consolidated financial statements. The shares of the Company were listed on GEM of the Stock Exchange with effect from 8 October 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 34 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 Management Discussion and Analysis as set out on pages 5 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, some of which are inherent to the concrete demolition business and some are from external sources. 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.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Group for the Year and the financial position of the Group as at 31 March 2016 are set out in the financial statements on page 39 to 40 of this annual report.

On 23 June 2016, the Board recommended HK1.5 cents per share as a final dividend for the Year.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming annual general meeting (the "AGM") of the Company will be held on 8 August 2016 (Monday), the register of members of the Company will be closed from 4 August 2016 (Thursday) to 8 August 2016 (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 3 August 2016 (Wednesday) in order to qualify for the right to attend and vote at the AGM (or any adjournment thereof).

For entitlement to the proposed final dividend, the register of members will be closed from Monday, 15 August 2016 to Wednesday, 17 August 2016, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend payable on or about 8 September 2016, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar for registration not later than 4:30 p.m. on Friday, 12 August 2016.

The share registrar and transfer office is at:

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past three financial years is set out on page 112 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 15 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2016 are set out in note 34 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 42 of this annual report.

Movements in the reserves of the Company during the year are set out in note 31 to the consolidated financial statements.

As at 31 March 2016, the reserves of the Company available for distribution, as calculated under the provision of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap.22 of Cayman Islands, was approximately HK\$25.2 million (2015: Nil) inclusive of share premium and retained earnings.

Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 30 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.

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 terms of the Share Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules. 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 GEM 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 GEM 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*) (*appointed on 15 May 2015*)
Mr. Wai Yat Kin (*Chief Executive Officer*) (*appointed on 15 May 2015*)
Mr. Lui Bun Yu (*appointed on 15 May 2015*)

Independent Non-executive Directors

Ms. Lai Pik Chi, Peggy (*appointed on 22 September 2015*)
Mr. Lam Chi Wai, Peter (*appointed on 22 September 2015*)
Dr. Yeung Kit Ming (*appointed on 22 September 2015*)

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 12 to the consolidated financial statements. An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM 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 (the date of Listing), which may be terminated earlier by no less than three months written notice served by either party on the other.

Each of the INEDs has entered into a service agreement with the Company for a term of three years commencing from 8 October 2015 (the date of Listing), which may be terminated earlier by no less than one month written notice served by either party on the other.

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. The independent non-executive Director of the Company was appointed for a fixed period but 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.

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.

Directors' Report (Continued)

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.

Pursuant to Article 108 of the Memorandum and Articles of Association of the Company, Mr. Lui Bun Yuen, Danny and Mr. Wai Yat Kin will retire from office as Directors at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

Each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the remuneration committee of the Company.

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

As at 31 March 2016, 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 Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

Long Positions In Shares Of The Company

(a) Interest in the shares of the Company

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

(b) Interest in the shares of as associated corporation

Name of associated corporations:
Success Wing Investments Limited

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

Save as disclosed above, as at the date of this report, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

MAJOR CUSTOMERS

During the Year, the Group's five largest customers accounted for approximately 80.5% (2015: 75.7%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 40.5% (2015: 49.9%) 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 33.6% (2015: 54.9%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 12.6% (2015: 16.4%) of the total purchases.

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 55.8% (2015: 65.9%) of the total subcontracting charges of the Group and the largest subcontractor of the Group accounted for approximately 27.9% (2015: 36.7%) 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' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the related party transactions disclosed in note 42 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 an entity connected with a Director 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 of incorporation and type of legal entity	Place of operations	Principal activities	List of directors
Light Dimension Limited (Light Dimension)	British Virgin Islands ("BVI")/ Limited liability company	Hong Kong	Investment holding	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny
AcouSystem Limited (AcouSystem)	Hong Kong/ Limited liability company	Hong Kong	Trademark Holding	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny
BuildMax Limited (BuildMax (HK))	Hong Kong/ Limited liability company	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/ Limited liability company	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/ Limited liability company	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/ Limited liability company	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

Directors' Report (Continued)

Name of subsidiary	Place of incorporation and type of legal entity	Place of operations	Principal activities	List of directors
Sun Pool Engineering Limited (Sun Pool)	Hong Kong/ Limited liability company	Hong Kong	Provision of management services, property investment and investment holding	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny
Youkang Limited (Youkang)	The BVI/ Limited liability company	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 ("PRC")/ Wholly foreign-owned enterprise	PRC	Provision of fabrication drawing	Mr. Lui Bun Yuen, Danny

Continuing Connected Transaction

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

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 GEM Listing Rules) by BuildMax (SZ). The Directors confirmed that the transactions with BuildMax (SZ) during the Year were (i) conducted on normal commercial terms; (ii) carried out in the Group's ordinary and usual course of business; and (iii) fair and reasonable, and in the interest of the Shareholders as a whole.

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

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

For the Year, 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 2016 was approximately HK\$13.5 million (2015: HK\$11.9 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 20.54 of the GEM 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 20 of the GEM Listing Rules with respect to the continuing connected transactions entered into by the Group during the Year.

Non-Competition Undertaking

Non-competition during the Year are set out in the paragraph headed "Non-Competition Undertaking" in the Corporate Governance Report of this annual report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company from the Listing Date to the end of the reporting period, being 31 March 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiries being made with all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code since the Listing Date up to the date of this report.

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to uphold high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial to the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of the shareholders of the Company.

The Company adopted the code provisions of Appendix 15 Corporate Governance Code and Corporate Governance Report of the GEM Listing Rules as its own code (the "CG Code") effective from the Listing Date and had complied with the CG Code since then and up to the date of this report.

INTERESTS OF THE COMPLIANCE ADVISOR

As notified by the Company's compliance adviser, Messis Capital Limited (the "Compliance Adviser"), except for (i) Messis Capital Limited was the Company's sponsor in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 30 September 2015, which commencing on 8 October 2015, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 31 March 2016 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors and chaired by Ms. Lai Pik Chi, Peggy, who has appropriate professional qualifications and experience as required by the GEM Listing Rules. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period, which was of the opinion that such statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made.

AUDITOR

The consolidated financial statements for the year ended 31 March 2016 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, 23 June 2016

Independent Auditor's Report



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TO THE SHAREHOLDERS OF KPa-BM HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of KPa-BM Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 111, which comprise the consolidated statement of financial position as at 31 March 2016, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Lee Ming Wai

Practising Certificate no. P05682

Hong Kong, 23 June 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	7	343,806	197,435
Cost of revenue		(276,478)	(158,702)
Gross profit		67,328	38,733
Other income and gains	8	250	351
Marketing and distribution expenses		(1,526)	(1,221)
Administrative and other operating expenses		(32,338)	(19,036)
Finance costs	9	(1,246)	(767)
Profit before income tax	10	32,468	18,060
Income tax expense	11	(6,812)	(3,501)
Profit for the year		25,656	14,559
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of foreign operations		(42)	—
Other comprehensive income for the year		(42)	—
Total comprehensive income for the year		25,614	14,559
Profit for the year attributable to:			
Owners of the Company		24,956	11,921
Non-controlling interests		700	2,638
		25,656	14,559
Total comprehensive income for the year attributable to:			
Owners of the Company		24,928	11,921
Non-controlling interests		686	2,638
		25,614	14,559
Earnings per share		HK cents	HK cents
Basic and diluted earnings per share	14	4.78	2.65

Consolidated Statement of Financial Position

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	7,295	7,096
Prepayments for property, plant and equipment	16	2,236	—
Pledged deposits	17	3,900	3,900
		13,431	10,996
Current assets			
Inventories	18	2,839	3,309
Amounts due from customers of contract works	19	37,070	26,354
Trade and other receivables, deposits and prepayments	20	124,133	82,100
Amounts due from related companies	21	—	6,362
Amounts due from directors	22	—	2,493
Tax recoverable		344	8
Pledged bank deposits	23	13,201	10,027
Cash and bank balances	24	47,439	5,791
		225,026	136,444
Current liabilities			
Amounts due to customers of contract works	19	10,177	4,037
Trade and other payables	25	71,637	51,888
Derivative financial instruments	26	—	276
Amounts due to related parties	27	—	92
Tax payable		4,773	1,615
Bank borrowings	28	33,860	21,890
Obligation under finance leases	29	144	279
		120,591	80,077
Net current assets		104,435	56,367
Total assets less current liabilities		117,866	67,363
Non-current liabilities			
Obligation under finance leases	29	565	618
Net assets		117,301	66,745

Consolidated Statement of Financial Position (Continued)

As at 31 March 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
CAPITAL AND RESERVES			
Share capital	30	6,000	3,151
Reserves	31	111,301	56,744
Equity attributable to owners of the Company		117,301	59,895
Non-controlling interests	35	—	6,850
Total equity		117,301	66,745

On behalf of the directors

Yip Pak Hung
Director

Lui Bun Yuen, Danny
Director

Consolidated Statement of Changes In Equity

For the year ended 31 March 2016

	Equity attributable to owners of the Company						Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Exchange reserve* HK\$'000	Retained profits* HK\$'000	Sub-total HK\$'000		
At 1 April 2014	3,150	—	(850)	—	47,473	49,773	5,412	55,185
Profit for the year	—	—	—	—	11,921	11,921	2,638	14,559
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	11,921	11,921	2,638	14,559
Transactions with owners:								
Issue of shares (note 30(b))	1	—	—	—	—	1	—	1
Dividends declared (note 13)	—	—	—	—	(1,800)	(1,800)	—	(1,800)
Dividends attributable to non-controlling interests (note 13)	—	—	—	—	—	—	(1,200)	(1,200)
	1	—	—	—	(1,800)	(1,799)	(1,200)	(2,999)
At 31 March 2015 and 1 April 2015	3,151	—	(850)	—	57,594	59,895	6,850	66,745
Profit for the year	—	—	—	—	24,956	24,956	700	25,656
Other comprehensive income for the year	—	—	—	(28)	—	(28)	(14)	(42)
Total comprehensive income for the year	—	—	—	(28)	24,956	24,928	686	25,614
Transactions with owners:								
Dividends declared (note 13)	—	—	—	—	(12,600)	(12,600)	—	(12,600)
Dividends attributable to non-controlling interests (note 13)	—	—	—	—	—	—	(2,400)	(2,400)
Issue of shares for								
— Placing (note 30(a)(v))	1,500	43,500	—	—	—	45,000	—	45,000
— Capitalisation Issue (note 30 (a)(v))	4,500	(4,500)	—	—	—	—	—	—
Share issuance expense (note 30(a)(v))	—	(5,058)	—	—	—	(5,058)	—	(5,058)
Reorganisation (notes 31 and 36)	(3,151)	—	8,287	—	—	5,136	(5,136)	—
	2,849	33,942	8,287	—	(12,600)	32,478	(7,536)	24,942
At 31 March 2016	6,000	33,942	7,437	(28)	69,950	117,301	—	117,301

* 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 2016

Notes	2016 HK\$'000	2015 HK\$'000
Operating activities		
Profit before income tax	32,468	18,060
Adjustments for:		
Depreciation on property, plant and equipment	828	882
(Reversal of provision)/Provision for impairment of trade and bills receivables	(90)	99
Provision for impairment of retention receivables	—	107
Allowance for inventories	221	98
Write-off of inventories	27	29
Change in fair value of derivative financial instruments	189	235
Gain on disposal of property, plant and equipment	(44)	(240)
Bank interest income	(42)	(53)
Finance costs	1,246	767
Operating profit before working capital changes	34,803	19,984
Decrease/(Increase) in inventories	222	(889)
Increase in amounts due from customers of contract works	(10,716)	(16,676)
Increase in trade and other receivables, deposits and prepayments	(41,949)	(31,618)
Increase/(Decrease) in amounts due to customers of contract works	6,140	(316)
Increase in trade and other payables	19,718	26,543
Increase in pledged deposits	—	(2,400)
Decrease in derivative financial instruments	(465)	—
Net cash generated from/(used in) operating activities	7,753	(5,372)
Interest paid on bank borrowings	(1,227)	(726)
Interest element of finance lease payments	(19)	(41)
Interest received	42	53
Income tax paid, net	(3,987)	(2,077)
Net cash from/(used in) operating activities	2,562	(8,163)
Investing activities		
Increase in pledged bank deposits	(3,174)	(2,438)
Increase in short-term time deposits with maturity beyond three months but within one year	(15,000)	—
Purchase of property, plant and equipment	(2,780)	(829)
Proceeds from disposal of property, plant and equipment	314	121
Increase in amounts due from directors	(1,507)	(1,127)
Decrease in amounts due from related companies	312	393
Decrease in amounts due from related parties	—	530
Net cash used in investing activities	(21,835)	(3,350)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Financing activities			
Dividends paid	41(c)	(4,950)	(1,200)
Dividends paid to non-controlling interests	41(c)	—	(800)
Proceeds from issuance of shares	30(a)(v)	45,000	—
Share issuance expenses	30(a)(v)	(5,058)	—
Proceeds from new bank borrowings		77,859	27,935
Repayments of bank borrowings		(60,875)	(20,928)
Capital element of finance lease payments		(943)	(301)
(Decrease)/Increase in amounts due to related parties		(92)	92
Net cash from financing activities		50,941	4,798
Net increase/(decrease) in cash and cash equivalents		31,668	(6,715)
Cash and cash equivalents at the beginning of year		777	7,492
Effect of exchange rate changes on cash and cash equivalents		(6)	—
Cash and cash equivalents at the end of year		32,439	777
Analysis of the balances of cash and cash equivalents			
Cash and bank balances as stated in the consolidated statement of financial position		47,439	5,791
Less: Short-term time deposits with maturity period beyond three months but within one year	24	(15,000)	—
		32,439	5,791
Less: Bank overdrafts	28	—	(5,014)
Cash and cash equivalents at the end of the year		32,439	777

Notes to the Financial Statements

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 Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 October 2015 (the “Listing”). 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 4th Floor, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) 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 2016 were approved and authorised for issue by the directors on 23 June 2016.

2. REORGANISATION AND BASIS OF PRESENTATION

Pursuant to a reorganisation (the “Reorganisation”) conducted by the companies now comprising the Group to prepare for the Listing, the Company has since 22 September 2015 become the holding company of its subsidiaries now comprising the Group.

Prior to the Reorganisation, all entities which took part in the Reorganisation were collectively controlled by Mr. Lui Bun Yuen, Danny (“Mr. Lui”), Mr. Wai Yat Kin (“Mr. Wai”) and Mr. Yip Pak Hung (“Mr. Yip”). Mr. Lui, Mr. Wai and Mr. Yip are collectively referred to as the “Controlling Shareholders”.

Part of the steps under the Reorganisation are described below:

- (1) The Company was incorporated in the Cayman Islands on 15 May 2015. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was transferred to Success Wing on 21 May 2015. Success Wing is a company incorporated in the BVI and the issued share capital of Success Wing as of 21 May 2015 comprised 720 shares of United States dollars (“US\$”) 1 each, of which (i) 240 shares were held by Mr. Lui, (ii) 240 shares were held by Mr. Wai and (iii) 240 shares were held by Mr. Yip.
- (2) Light Dimension Limited (“Light Dimension”) was incorporated in the BVI on 20 May 2015 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 11 June 2015, one subscriber share was allotted and issued to each of Mr. Lui, Mr. Wai and Mr. Yip and credited as fully paid at par.

2. REORGANISATION AND BASIS OF PRESENTATION (Continued)

- (3) Youkang Limited (“Youkang”) was incorporated in the BVI on 29 May 2015 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 11 June 2015, three shares were allotted and issued to Light Dimension and credited as fully paid at par. Upon completion of the allotment and issue, Youkang becomes a wholly-owned subsidiary of Light Dimension.
- (4) On 30 June 2015, Ms. Lam Suk Lan, Bonnie (“Ms. Lam”), the spouse of Mr. Yip and holding 50,000 shares of Sun Pool Engineering Limited (“Sun Pool”) in trust and on behalf of Mr. Yip, transferred 50,000 shares of Sun Pool to Mr. Yip at a consideration of HK\$995,230.
- (5) On 3 July 2015, Light Dimension acquired (i) 833,333 shares of KPa Engineering Limited (“KPa Engineering”) from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 833,333 shares of KPa Engineering from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; (iii) 833,333 shares of KPa Engineering from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip; and (iv) 500,001 shares of KPa Engineering from Sun Pool and in consideration of the acquisition and at the direction of Sun Pool, Light Dimension allotted and issued one share to Mr. Lui, Mr. Wai and Mr. Yip jointly. Upon completion of the acquisitions, KPa Engineering becomes a wholly-owned subsidiary of Light Dimension.
- (6) On 3 July 2015, Light Dimension acquired (i) 100 shares of KPa Contracting Limited (“KPa Contracting”) from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 100 shares of KPa Contracting from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; and (iii) 100 shares of KPa Contracting from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip. Upon completion of the acquisitions, KPa Contracting becomes a wholly-owned subsidiary of Light Dimension.
- (7) On 3 July 2015, Light Dimension acquired (i) 100 shares of KPa Engineering (HK) Limited (“KPa (HK)”) from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 100 shares of KPa (HK) from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; and (iii) 100 shares of KPa (HK) from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip. Upon completion of the acquisitions, KPa (HK) becomes a wholly-owned subsidiary of Light Dimension.
- (8) On 3 July 2015, Light Dimension acquired (i) 100 shares of AcouSystem Limited (“AcouSystem”) from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 100 shares of AcouSystem from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; and (iii) 100 shares of AcouSystem from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip. Upon completion of the acquisitions, AcouSystem becomes a wholly-owned subsidiary of Light Dimension.

2. REORGANISATION AND BASIS OF PRESENTATION (Continued)

- (9) On 17 August 2015, Youkang acquired (i) 50,000 shares of Sun Pool from Mr. Lui and in consideration of the acquisition and at the direction of Mr. Lui, Youkang allotted and issued one share, credited as fully paid at par, to Light Dimension; (ii) 50,000 shares of Sun Pool from Mr. Wai and in consideration of the acquisition and at the direction of Mr. Wai, Youkang allotted and issued one share, credited as fully paid at par, to Light Dimension; and (iii) 50,000 shares of Sun Pool from Mr. Yip and in consideration of the acquisition and at the direction of Mr. Yip, Youkang allotted and issued one share, credited as fully paid at par, to Light Dimension. Upon completion of the acquisitions, Sun Pool becomes a wholly-owned subsidiary of Youkang.
- (10) On 14 September 2015, Sun Pool acquired (i) 15,000 shares of BuildMax Limited (“BuildMax (HK)”) from Mr. Liu Yuen Wai (“Mr. Liu”) and in consideration of the acquisition and at the direction of Mr. Liu, Sun Pool procured Youkang to allot and issue three shares, credited as fully paid at par, to Mr. Liu; and (ii) 5,000 shares of BuildMax (HK) from Mr. Chan Chi Ming (“Mr. Chan”) and in consideration of the acquisition and at the direction of Mr. Chan, Sun Pool procured Youkang to allot and issue one share, credited as fully paid at par, to Mr. Chan. Prior to the acquisitions, Mr. Liu and Mr. Chan were the non-controlling shareholders of BuildMax (HK) and the issued share capital of BuildMax (HK) was held as to 30% by Mr. Liu and 10% by Mr. Chan. Upon completion of the acquisitions, Sun Pool’s equity interest in BuildMax (HK) increased from 60% to 100% and BuildMax (HK) becomes a wholly-owned subsidiary of Sun Pool.
- (11) On 22 September 2015, Mr. Lui, Mr. Wai and Mr. Yip entered into a reorganisation agreement and pursuant to which the Company acquired the entire issued share capital of Light Dimension and in consideration, the Company allotted and issued (i) six shares to Mr. Lui; (ii) six shares to Mr. Wai; (iii) six shares to Mr. Yip; and (iv) 81 shares to Success Wing. In addition, the Company credited the one nil paid share held by Success Wing referred to in step (1) above as fully paid. Upon completion of the acquisitions, Light Dimension becomes a wholly-owned subsidiary of the Company.
- (12) On 22 September 2015, Light Dimension acquired (i) three shares of Youkang from Mr. Liu and in consideration of the acquisition, Light Dimension procured Success Wing to allot and issue 74 shares, credited as fully paid, to Mr. Liu; and (ii) one share of Youkang from Mr. Chan and in consideration of the acquisition, Light Dimension procured Success Wing to allot and issue 26 shares, credited as fully paid, to Mr. Chan. Upon completion of the acquisitions, Youkang becomes a wholly-owned subsidiary of Light Dimension.

Upon completion of the aforementioned steps of the Reorganisation, the issued share capital of the Company was held as to (i) 6% by Mr. Lui; (ii) 6% by Mr. Wai; (iii) 6% by Mr. Yip; and (iv) 82% by Success Wing, whereas the issued share capital of Success Wing was held as to (i) 29.27% by Mr. Lui; (ii) 29.27% by Mr. Wai; (iii) 29.27% by Mr. Yip; (iv) 9.02% by Mr. Liu and (v) 3.17% by Mr. Chan.

The Company and its subsidiaries now comprising the Group have been both before and after the Reorganisation under the common control of the Controlling Shareholders. A contractual arrangement existed among the Controlling Shareholders to manage the business and operations of the Group on a collective basis. The Controlling Shareholders have made collective decisions in respect of the financing and operating activities that significantly affect the Group’s returns. Accordingly, the Controlling Shareholders are regarded as the controlling parties of the Group throughout the current year and in prior year.

2. REORGANISATION AND BASIS OF PRESENTATION (Continued)

The Group is regarded as a continuing entity since all entities which took part in the Reorganisation were controlled by the same ultimate controlling parties i.e. the Controlling Shareholders, before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Reorganisation. Accordingly, the Reorganisation has been accounted for in accordance with Hong Kong Accounting Guideline 5 *Merger Accounting for Common Control Combinations* and the financial statements have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the current year and in prior year.

The statements of comprehensive income and the statements of cash flows of the Group include the financial performance and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the current year and in prior year, or since their respective dates of incorporation, whichever was shorter. The statement of financial position of the Group as at 31 March 2015 has been prepared to present the financial position of the Group as if the current group structure had been in existence as at that date.

The assets and liabilities of the companies now comprising the Group are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

These financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out 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.

3. 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 differ 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 5.

(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.

3. 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.

3. 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 3(n)).

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) 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 obligation 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing (Continued)

The Group as lessee under finance lease (Continued)

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.

(f) Financial instruments

(i) Financial assets

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

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivative, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (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; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

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

(iii) Financial liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to related parties, 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 3(o).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(vi) Financial guarantee contracts

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

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee 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*.

(vii) Derecognition

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

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

(g) Recognition of revenue and other income

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

- (i) When the outcome of construction contracts can be estimated reliably, revenue from construction works is recognised according to the percentage of completion of individual contract at the end of the reporting period (note 3(h)).
- (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.
- (ii) Interest income is recognised on a time proportion basis by reference to the principal outstanding and using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Construction contracts

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

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

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

Amounts due from customers of contract works represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of 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 of 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 receivables 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.

(i) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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 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 reporting period.

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.

(k) 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.

(l) 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Foreign currency (Continued)

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 year, 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 (attributed to minority interests as appropriate). 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.

(m) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits (Continued)

(ii) Defined contribution retirement plan

Retirement benefits to employees are provided through defined contribution 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 operate 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.

(n) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Borrowings costs

Borrowings 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 borrowings costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) 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.

(q) 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.

(r) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties (Continued)

- (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.

4. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new or revised HKFRSs — effective on 1 April 2015

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 2015.

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle

The adoption of these amendments has no material impact on the Group's 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:

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2016

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

³ Effective for annual periods beginning on or after 1 January 2019

HKFRS 9 (2014) Financial Instruments

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

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

4. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

HKFRS 9 (2014) Financial Instruments (Continued)

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

HKFRS 15 Revenue from Contracts with Customers

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

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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

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

HKFRS 16 Leases

The new standard specifies how an entity to recognise, measure, present and disclose leases. HKFRS 16 requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor HKAS 17.

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. The directors of the Company are currently assessing the possible impact of the above new or revised standards on the Group's results and financial position in the first year of application. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies or financial statements. 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.

4. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(c) The disclosure requirements of the new Hong Kong Companies Ordinance relating to the preparation of financial statements

The GEM Listing Rules requiring financial statements disclosures with reference to the new Hong Kong Companies Ordinance, Cap. 622, apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements.

5. 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 differ from these estimates.

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

Key sources of estimation uncertainty

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

(i) Construction contract

Construction contract revenue is recognised according to the percentage of completion of individual construction contract which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract is determined based on budget of the contract which was prepared by the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that gross profit margin can be estimated reliably, management reviews the costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs and revise the estimated contract costs where necessary. Recognition of variations and claims also requires significant estimation and judgment by the management. Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts when those construction contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised in the financial statements.

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

Key sources of estimation uncertainty (Continued)

(ii) Useful lives of property, plant and equipment

Management determines the estimated useful lives, and related depreciation charges for the Group's property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. Management will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(iii) Allowance for inventories

Management carries out inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. A considerable amount of judgment and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. Management reviews the inventory ageing analysis at the end of reporting period to identify slow-moving inventory that are no longer suitable for consumption and salable. Management estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions.

(iv) Impairment of receivables

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

(v) Estimates of current and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes. The Group recognised income tax and other taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the tax authorities.

6. 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 two 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
- Trading of building material products
- This segment mainly engages in the provision of structural engineering works for the public and private sectors in Hong Kong and the Group mainly acts as a subcontractor.
- This segment engages in the sales of building material products in Hong Kong, the PRC (other than Hong Kong) and overseas.

Revenue and costs/expenses are allocated to the reportable segments with reference to sales generated by those segments and the costs/expenses incurred by those segments. Segment revenue represents revenue from external customers and there were no inter-segment sales between operating segments for the years ended 31 March 2016 and 2015. Corporate income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit or loss that is used by the chief operating decision-maker for assessment of segment performance.

Segment assets include all assets with the exception of tax assets and corporate assets, including pledged bank deposits, cash and bank balances 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.

6. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

Segment results, segment assets and other segment information

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

	Structural engineering works HK\$'000	Trading of building material products HK\$'000	Total HK\$'000
Year ended 31 March 2016			
Segment revenue			
Sales to external customers	337,600	6,206	343,806
Segment profit			
	63,953	2,948	66,901
Corporate and unallocated income			250
Corporate and unallocated expenses			
— Marketing and distribution expenses			(1,009)
— Administrative and other operating expenses			(32,428)
— Finance costs			(1,246)
Profit before income tax			32,468
Year ended 31 March 2015			
Segment revenue			
Sales to external customers	183,913	13,522	197,435
Segment profit			
	33,361	5,166	38,527
Corporate and unallocated income			351
Corporate and unallocated expenses			
— Marketing and distribution expenses			(1,221)
— Administrative and other operating expenses			(18,830)
— Finance costs			(767)
Profit before income tax			18,060

6. SEGMENT INFORMATION (Continued)**(a) Operating segment information (Continued)**

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

	Structural engineering works HK\$'000	Trading of building material products HK\$'000	Total HK\$'000
As at 31 March 2016			
Segment assets	164,345	2,360	166,705
Property, plant and equipment			7,295
Tax assets			344
Pledged bank deposits			13,201
Cash and bank balances			47,439
Other corporate assets			3,473
Total consolidated assets			238,457
As at 31 March 2015			
Segment assets	110,227	4,129	114,356
Property, plant and equipment			7,096
Tax assets			8
Pledged bank deposits			10,027
Cash and bank balances			5,791
Other corporate assets			10,162
Total consolidated assets			147,440

Certain comparative figures in the segment information for the year ended 31 March 2015 have been reclassified. Previously, certain marketing and distribution expenses, administrative and other operating expenses and finance costs were included in corporate and unallocated expenses whereas pledged bank deposits and cash and bank balances were included in other corporate assets for segment reporting purposes. For the year ended 31 March 2016, those marketing and distribution expenses, administrative and other operating expenses and finance costs are reclassified and presented separately in the reconciliation of reportable segment results to profit before income tax whereas certain corporate assets are reclassified and presented separately in the reconciliation of segment assets to total consolidated assets for better presentation.

6. SEGMENT INFORMATION (Continued)**(a) Operating segment information (Continued)**

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

	Structural engineering works HK\$'000	Trading of building material products HK\$'000	Corporate/ Unallocated HK\$'000	Total HK\$'000
Year ended 31 March 2016				
Other information				
Reversal of impairment loss on loans and receivables	90	—	—	90
Impairment loss on inventories	35	213	—	248
Additions to specified non-current assets [#]	—	—	3,544	3,544
Year ended 31 March 2015				
Other information				
Impairment loss on loans and receivables	206	—	—	206
Impairment loss on inventories	—	127	—	127
Additions to specified non-current assets [#]	—	—	1,558	1,558

[#] Specific non-current assets include all non-current assets but exclude financial instruments

6. SEGMENT INFORMATION (Continued)**(b) Geographical segment information**

The Company is an investment holding company and the principal place of the Group's operations is 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:

	2016 HK\$'000	2015 HK\$'000
Hong Kong	343,307	196,530
Macau	289	698
Other regions of the PRC	26	—
United Kingdom	184	207
	343,806	197,435

All of the Group's specified non-current assets 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:

	2016 HK\$'000	2015 HK\$'000
Customer A	139,327	98,602
Customer B	49,867	27,129
Customer C	48,933	N/A

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

7. REVENUE

The Group is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products. Revenue derived from these principal activities comprises the followings:

	2016 HK\$'000	2015 HK\$'000
Revenue from rendering structural engineering works	337,600	183,913
Revenue from trading of building material products	6,206	13,522
	343,806	197,435

8. OTHER INCOME AND GAINS

	2016 HK\$'000	2015 HK\$'000
Bank interest income	42	53
Gain on disposal of property, plant and equipment	44	240
Others	164	58
	250	351

9. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowings	1,227	726
Interest element of finance lease payments	19	41
	1,246	767

10. PROFIT BEFORE INCOME TAX

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

	2016 HK\$'000	2015 HK\$'000
Auditor's remuneration	580	190
(Reversal of provision)/Provision for impairment of trade and bills receivables	(90)	99
Provision for impairment of retention receivables	—	107
Cost of inventories recognised as expense		
— Carrying amount of inventories consumed	107,212	72,493
— Allowance for inventories	221	98
— Write-off of inventories	27	29
	107,460	72,620
Change in fair value of derivative financial instruments	189	247
Depreciation in respect of:		
— Owned assets	598	488
— Leased assets	230	394
	828	882
Employee costs (including directors' emoluments (note 12(a)))		
— Salaries, allowances and other benefits (note (b))	42,355	23,750
— Contribution to defined contribution retirement plan (note (a))	1,060	844
	43,415	24,594
Exchange loss, net	7	76
Listing expenses	8,176	2,903
Operating lease charges in respect of:		
— Land and buildings (note (b))	1,398	1,278
— Office equipment	203	210

Notes:

- (a) 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 2016 (2015: nil).
- (b) For the year ended 31 March 2015, operating lease charges in respect of the director's quarter of HK\$348,000 were also included in employee costs for disclosure purpose. For the year ended 31 March 2016, the Group did not incur any operating lease charges for director's quarter.

11. INCOME TAX EXPENSE

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

	2016 HK\$'000	2015 HK\$'000
Current tax for the year		
— Hong Kong Profits Tax	6,749	3,555
— Other regions of the PRC — Enterprise Income Tax (“EIT”)	212	—
	6,961	3,555
Over-provision in respect of prior years	(149)	(54)
	6,812	3,501

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

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

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

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	32,468	18,060
Tax calculated at rates applicable to profits in the jurisdictions concerned	5,439	2,980
Tax effect of revenue not taxable for tax purposes	—	(8)
Tax effect of expenses not deductible for tax purposes	1,559	656
Tax effect of temporary differences not recognised	(8)	(73)
Over-provision in respect of prior years	(149)	(54)
Others	(29)	—
Income tax expense	6,812	3,501

11. INCOME TAX EXPENSE (Continued)

Pursuant to the PRC Enterprise 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 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company's subsidiary established in the PRC. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The temporary differences associated with investment in the PRC subsidiary for which deferred tax liabilities have not been recognised amounting to approximately HK\$749,000 at 31 March 2016 (2015: nil).

12. 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 bonuses HK\$'000	Pension scheme contribution HK\$'000	Total HK\$'000
Year ended 31 March 2016					
Executive directors					
Mr. Lui (note (i))	—	1,687	500	21	2,208
Mr. Wai (note (i))	—	1,687	500	23	2,210
Mr. Yip (note (i))	—	1,687	500	21	2,208
Independent non-executive directors					
Ms. Lai Pik Chi, Peggy (note (ii))	90	—	—	—	90
Mr. Lam Chi Wai, Peter (note (ii))	90	—	—	—	90
Dr. Yeung Kit Ming (note (ii))	90	—	—	—	90
Total	270	5,061	1,500	65	6,896

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

(a) Directors' emoluments (Continued)

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contribution HK\$'000	Total HK\$'000
Year ended 31 March 2015					
Executive directors					
Mr. Lui	—	1,032	—	19	1,051
Mr. Wai	—	1,522	—	19	1,541
Mr. Yip	—	1,092	—	19	1,111
Total	—	3,646	—	57	3,703

Notes:

- (i) Mr. Lui, Mr. Wai and Mr. Yip were appointed as executive directors of the Company on 15 May 2015.
- (ii) Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming were appointed as independent non-executive directors of the Company on 22 September 2015.

Included in other emoluments for the year ended 31 March 2015 were rental charges amounting to HK\$348,000 paid or payable to the lessor which is a related company in which one of the Company's directors has equity interest and control (note 42(a)). For the year ended 31 March 2016, the Group did not provide any quarter for the directors.

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.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2016 included 3 (2015: 3) directors whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining 2 (2015: 2) highest paid individuals are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and other benefits	1,478	1,393
Discretionary bonuses	707	105
Contribution to pension scheme	36	53
	2,221	1,551

Their emoluments were within the following bands:

	2016 Number of individuals	2015 Number of individuals
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	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.

(c) Senior management's emoluments

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

	2016 Number of individuals	2015 Number of individuals
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	—

13. DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Interim dividends attributable to: <i>(note (a))</i>		
— Owners of the Company	12,600	1,800
— Non-controlling interests	2,400	1,200
Proposed final dividend <i>(note (b))</i>	15,000 9,000	3,000 —
	24,000	3,000

Notes:

- (a) The interim dividends for the year ended 31 March 2016 amounting to HK\$15,000,000 (2015: HK\$3,000,000) represented interim dividends declared by certain group entities to their then shareholders.
- (b) The final dividend in respect of the financial year ended 31 March 2016 of HK1.5 cents per ordinary share, amounting to HK\$9,000,000 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 2016 has not been recognised as a liability as at 31 March 2016.

14. EARNINGS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Earnings		
Profit for the year attributable to owners of the Company	24,956	11,921
	'000	'000
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue during the year	522,131	450,000

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 March 2015 of 450,000,000 represents the number of shares of the Company in issue immediately after the completion of the Capitalisation Issue as further described in note 30(a)(v), as if these shares had been issued throughout the year.

14. EARNINGS PER SHARE (Continued)

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 March 2016 of 522,131,000 includes the weighted average number of shares issued pursuant to the Placing (note 30(a)(v)) of 72,131,000 shares, in addition to the aforementioned 450,000,000 shares in issue immediately after the Capitalisation Issue.

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.

15. 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 2014							
Cost	7,388	186	2,185	1,175	1,437	2,213	14,584
Accumulated depreciation	(2,029)	(186)	(2,068)	(1,040)	(1,273)	(1,557)	(8,153)
Net carrying amount	5,359	—	117	135	164	656	6,431
Year ended 31 March 2015							
Opening net carrying amount	5,359	—	117	135	164	656	6,431
Additions	—	—	128	122	184	1,124	1,558
Disposals	—	—	—	(11)	—	—	(11)
Depreciation	(168)	—	(138)	(63)	(101)	(412)	(882)
Closing net carrying amount	5,191	—	107	183	247	1,368	7,096
At 31 March 2015							
Cost	7,388	186	2,313	1,241	1,621	2,481	15,230
Accumulated depreciation	(2,197)	(186)	(2,206)	(1,058)	(1,374)	(1,113)	(8,134)
Net carrying amount	5,191	—	107	183	247	1,368	7,096
Year ended 31 March 2016							
Opening net carrying amount	5,191	—	107	183	247	1,368	7,096
Exchange adjustment	—	—	—	—	(2)	—	(2)
Additions	—	—	—	25	341	942	1,308
Disposals	—	—	—	—	—	(279)	(279)
Depreciation	(168)	—	(29)	(63)	(140)	(428)	(828)
Closing net carrying amount	5,023	—	78	145	446	1,603	7,295
At 31 March 2016							
Cost	7,388	186	2,313	1,266	1,954	2,779	15,886
Accumulated depreciation	(2,365)	(186)	(2,235)	(1,121)	(1,508)	(1,176)	(8,591)
Net carrying amount	5,023	—	78	145	446	1,603	7,295

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) The Group has pledged its leasehold land and buildings with net carrying amount as at 31 March 2016 of HK\$5,023,000 (2015: HK\$5,191,000) to secure the bank borrowings and banking facilities granted to the Group by banks (note 28).
- (b) The net carrying amount of the Group's property, plant and equipment included the following amount in respect of assets held under finance leases (note 29):

	2016 HK\$'000	2015 HK\$'000
Motor vehicles	738	1,350

16. PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

Balance as at 31 March 2016 amounting to HK\$2,236,000 represented waiver fees paid by the Group for application of waivers from the Lands Department to permit office use of certain premises owned and occupied by the Group.

As at the end of the reporting period, the waiver application and approval procedures are still in progress and the formal waiver letter is yet to be issued by the Lands Department to the Group. Accordingly, the waiver fees paid by the Group are classified as "Prepayments for property, plant and equipment" under non-current assets in the consolidated statement of financial position.

The directors do not foresee any circumstances that would affect the issue of the formal waiver letter.

17. PLEDGED DEPOSITS

Balances as at 31 March 2016 of HK\$3,900,000 (2015: HK\$3,900,000) represent deposits placed by the Group with an insurance company as collaterals for the surety bonds issued in favour of the customers of certain construction contracts. The aggregate bond values as at 31 March 2016 were HK\$11,446,000 (2015: HK\$11,446,000). The surety bonds are required for the entire period of the relevant construction contracts. As at 31 March 2016, the respective construction contracts are expected to be completed in year 2018 (2015: year 2017).

The Group and the directors of the Company, including Mr. Lui, Mr. Wai and Mr. Yip, have unconditionally and irrevocably agreed to indemnify the insurance company for claims and losses the insurance company may incur in respect of the bonds. The indemnity provided by Mr. Lui, Mr. Wai and Mr. Yip had been fully released and replaced by corporate guarantee provided by the Company upon Listing.

18. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Raw materials and supplies	2,839	3,309

19. AMOUNTS DUE FROM/TO CUSTOMERS OF CONTRACT WORKS

	2016 HK\$'000	2015 HK\$'000
Costs incurred to date plus recognised profits	613,368	335,417
Less: Progress billings to date	(586,475)	(313,100)
	26,893	22,317
Amounts due from customers of contract works	37,070	26,354
Amounts due to customers of contract works	(10,177)	(4,037)
	26,893	22,317

All amounts due from/to customers of contract works are expected to be recovered/settled within one year.

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 HK\$'000	2015 HK\$'000
Trade and bills receivables		
Trade and bills receivables	84,140	57,788
Less: Provision for impairment	(575)	(665)
Trade and bills receivables, net (<i>note (a)</i>)	83,565	57,123
Other receivables, deposits and prepayments		
Retention receivables	39,600	23,939
Less: Provision for impairment	(269)	(269)
Retention receivables, net (<i>note (b)</i>)	39,331	23,670
Other receivables	69	—
Deposits	604	169
Prepayments	564	1,138
	40,568	24,977
	124,133	82,100

Notes:

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

	2016 HK\$'000	2015 HK\$'000
At the beginning of the year	665	566
(Reversal of impairment loss)/Impairment loss recognised	(90)	99
At the end of the year	575	665

Trade and bills receivables as at 31 March 2016 of HK\$575,000 (2015: HK\$665,000) were impaired and full provision have been made for the balances.

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

Notes: (Continued)

(a) (Continued)

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

	2016 HK\$'000	2015 HK\$'000
0–30 days	48,284	29,483
31–60 days	26,288	18,036
61–90 days	2,459	2,634
Over 90 days	6,534	6,970
	83,565	57,123

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

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	48,198	28,389
Past due but not impaired		
Past due for less than 30 days	26,425	18,800
Past due for 30 days or more but less than 60 days	2,552	2,929
Past due for 60 days or more but less than 90 days	248	640
Past due for 90 days or more	6,142	6,365
	35,367	28,734
	83,565	57,123

Bills receivable are subject to tenor of 30 to 60 days. The credit period granted to other trade debtors ranged from 30 to 60 days.

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.

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

Notes: (Continued)

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

	2016 HK\$'000	2015 HK\$'000
At the beginning of the year	269	187
Impairment loss recognised	—	107
Bad debts written off	—	(25)
At the end of the year	269	269

As at 31 March 2016, based on due date, the Group's retention receivables of approximately HK\$34,174,000 (2015: HK\$21,914,000) were not yet past due and the remaining balance of approximately HK\$5,157,000 (2015: HK\$1,756,000) were past due, of which approximately HK\$3,133,000 (2015: HK\$1,318,000) were past due for over one year. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the reporting period as those balances are from customers with long business relationship and there has not been a significant change in their credit quality.

21. AMOUNTS DUE FROM RELATED COMPANIES

	2015 HK\$'000	2016 HK\$'000	Maximum outstanding amount during the year [^] HK\$'000
BuildMax Technology (Shenzhen) Limited ("BuildMax (SZ)")	182	—	347
Hillford Trading Limited ("Hillford")	6,180	—	6,250
	6,362	—	

	2014 HK\$'000	2015 HK\$'000	Maximum outstanding amount during the year [^] HK\$'000
BuildMax (SZ)	1,691	182	2,661
Hillford	5,064	6,180	9,397
	6,755	6,362	

[^] These amounts represented the maximum amounts due from the related companies during the respective years.

21. AMOUNTS DUE FROM RELATED COMPANIES (Continued)

Notes:

- (a) Mr. Lui, Mr. Wai and Mr. Yip, directors of the Company, have equity interests in BuildMax (SZ) and Hillford.
- (b) The amounts due are unsecured, interest-free and repayable on demand.

22. AMOUNTS DUE FROM DIRECTORS

The amounts due from directors are as follows:

	2015 HK\$'000	2016 HK\$'000	Maximum outstanding amount during the year [^] HK\$'000
Mr. Lui	627	—	1,103
Mr. Wai	1,139	—	1,184
Mr. Yip	727	—	1,081
	2,493	—	

	2014 HK\$'000	2015 HK\$'000	Maximum outstanding amount during the year [^] HK\$'000
Mr. Lui	231	627	627
Mr. Wai	1,117	1,139	1,439
Mr. Yip	617	727	739
	1,965	2,493	

[^] These amounts represented the maximum amounts due from the directors during the respective years.

The amounts due are unsecured, interest-free and repayable on demand.

23. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 March 2016 are interest-bearing at fixed rates ranged from 0.01% to 0.22% (2015: 0.25% to 2.00%) per annum and have maturity period of seven days to three months (2015: one to six months). All of the Group's pledged bank deposits as at 31 March 2016 were denominated in HK\$ whereas among the pledged bank deposits as at 31 March 2015, HK\$3,296,000 were denominated in Renminbi ("RMB") and the remaining balance of HK\$6,731,000 were denominated in HK\$.

Pledged bank deposits were placed in banks to secure the bank borrowings and banking facilities of the Group (note 28).

24. 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. The directors consider that the fair values of short-term time deposits are not materially different from their carrying amounts because of short-term maturity period.

As at 31 March 2016, the Group had time deposits of HK\$15,000,000 placed with a bank with original maturity of six months to twelve months and earn interest income at interest rates ranged from 0.30% to 0.50% per annum. As at 31 March 2015, the Group did not have any time deposits with original maturity of more than three months.

As at 31 March 2016, cash and bank balances of the Group denominated in RMB amounted to HK\$254,000 (2015: nil). 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.

25. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables (note (a))	53,576	35,459
Bills payable	794	5,172
Trade and bills payables (note (b))	54,370	40,631
Retention payables (note (c))	9,220	6,993
Receipts in advance	488	514
Other payables, accruals and deposits received (note (d))	7,559	3,750
	71,637	51,888

25. TRADE AND OTHER PAYABLES (Continued)

Notes:

- (a) Included in trade payables were balances due to related companies amounting to HK\$1,745,000 as at 31 March 2016 (2015: HK\$946,000) which arose from the trading transactions as disclosed in note 42(a). These balances are unsecured, interest-free and due for settlement within 30 days from invoice date.
- (b) The Group's bills payable are subject to a tenor of up to 120 days. For other trade payables, the credit period granted by suppliers and contractors is normally 30 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:

	2016 HK\$'000	2015 HK\$'000
0–30 days	34,116	17,678
31–60 days	13,248	18,292
61–90 days	4,580	1,983
Over 90 days	2,426	2,678
	54,370	40,631

- (c) As at 31 March 2016, based on invoice date, retention payables of HK\$7,969,000 (2015: HK\$4,547,000) were aged one year or below and the remaining balance of approximately HK\$1,251,000 (2015: HK\$2,446,000) were aged over one year.
- (d) Included in other payables was an amount payable to a related company amounting to HK\$20,000 as at 31 March 2016 (2015: nil) which arose from the lease arrangement as disclosed in note 42(a). The amount is unsecured, interest-free and repayable on demand.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 HK\$	2015 HK\$
Derivative financial liabilities		
— Foreign exchange forward contracts	—	276

The Group entered into foreign exchange forward contracts for investment purposes. These contracts were settled on net basis on the maturity dates and details of the contracts are set out as follows:

As at 31 March 2015, the aggregate notional amount of the two outstanding foreign exchange forward contracts amounted to US\$300,000. These contracts have a tenor of 24 months and would mature within one year from 31 March 2015. The amount to be received/settled by the Group on a monthly basis throughout the contract period depends on the exchange rate of US\$ against RMB on each monthly valuation date. The fair value of these contracts as at 31 March 2015 was estimated to be HK\$276,000 (financial liability) and it was classified as a current liability at that date.

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

During the year ended 31 March 2016, the aforementioned foreign exchange forward contracts were matured and there was no outstanding foreign exchange forward contract as at 31 March 2016.

27. AMOUNTS DUE TO RELATED PARTIES

The amounts due are unsecured, interest-free and repayable on demand.

28. BANK BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
Bank overdrafts (<i>note (a)</i>)	—	5,014
Bank loans subject to repayment on demand clause (<i>note (a)</i>)		
— Bank loans due for repayment within one year	30,819	12,755
— Bank loans due for repayment after one year (<i>note (b)</i>)	3,041	4,121
	33,860	16,876
	33,860	21,890

Notes:

- (a) Bank borrowings, including trade financing, are interest bearing at the banks' prime rates or cost of funds, 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 2016 granted under banking facilities ranged from 3.00% to 5.75% (2015: 2.58% to 6.25%) per annum.
- (b) The current liabilities as at 31 March 2016 include bank loans of HK\$3,041,000 (2015: HK\$4,121,000) that are not scheduled to repay within one year after the end of the reporting period. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

28. BANK BORROWINGS (Continued)

Notes: (Continued)

- (c) The carrying amount of bank borrowings are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
HK\$	33,372	21,118
US\$	488	482
Euro ("EUR")	—	290
	33,860	21,890

- (d) The Group's bank borrowings and banking facilities are secured by the followings:

- land and buildings with net carrying amount of HK\$5,023,000 as at 31 March 2016 (2015: HK\$5,191,000) (note 15);
- bank deposits of HK\$13,201,000 as at 31 March 2016 (2015: HK\$10,027,000) (note 23); and
- personal guarantees executed by Mr. Lui, Mr. Wai and Mr. Yip, directors of the Company. The personal guarantees provided by Mr. Lui, Mr. Wai and Mr. Yip for the banking facilities had been fully released and replaced by corporate guarantees provided by the Company during the year 31 March 2016.

In addition, outstanding loan balances of HK\$1,536,000 as at 31 March 2015 were subject to special loan guarantee issued by the Government of The Hong Kong Special Administrative Region (the "HKSAR Government"). As at 31 March 2016, none of the Group's bank borrowings are subject to special loan guarantee issued by the HKSAR Government.

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

	2016 HK\$'000	2015 HK\$'000
On demand or within one year	30,819	17,769
More than one year, but not exceeding two years	412	824
More than two years, but not exceeding five years	1,313	1,530
More than five years	1,316	1,767
	33,860	21,890

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

29. OBLIGATION UNDER FINANCE LEASES

The Group leases certain of its motor vehicles and these leases are classified as finance leases. The lease obligations are secured by the leased assets.

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 2016			
Not later than one year	163	(19)	144
Later than one year but not later than five years	595	(30)	565
	758	(49)	709

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value of minimum lease payments HK\$'000
As at 31 March 2015			
Not later than one year	320	(41)	279
Later than one year but not later than five years	621	(3)	618
	941	(44)	897

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

	2016 HK\$'000	2015 HK\$'000
Current liabilities	144	279
Non-current liabilities	565	618
	709	897

29. OBLIGATION UNDER FINANCE LEASES (Continued)

Note: The finance lease obligations as at 31 March 2015 were subject to personal guarantee provided by Mr. Yip and Mr. Wai, directors and shareholders of the Company. These finance lease obligations have been fully settled during the year end 31 March 2016.

During the year, the Group entered into a new finance lease arrangement and the finance lease obligation under this arrangement is subject to corporate guarantee provided by the Company.

30. SHARE CAPITAL

(a) The share capital balance as at 31 March 2016 represented the issued share capital of the Company. Details of the movements in the authorised and issued and fully paid share capital of the Company during the period from 15 May 2015 (date of incorporation) to 31 March 2016 are summarised as follows:

Ordinary shares	Par value HK\$	Number of shares	Amount HK\$'000
Authorised:			
Upon incorporation (note (i))	0.01	38,000,000	380
Increase in authorised share capital (note (iii))	0.01	1,962,000,000	19,620
At 31 March 2016	0.01	2,000,000,000	20,000
Issued and fully paid:			
Issue of shares upon incorporation (notes (ii) and (iv))	0.01	1	—
Issue of shares for acquisition of a subsidiary (note (iv))	0.01	99	—
Capitalisation Issue (note (v))	0.01	449,999,900	4,500
Placing (note (v))	0.01	150,000,000	1,500
At 31 March 2016	0.01	600,000,000	6,000

Notes:

- (i) The Company was incorporated on 15 May 2015 with initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each.
- (ii) Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was transferred to Success Wing on 21 May 2015.
- (iii) On 22 September 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each by creation of an additional 1,962,000,000 shares of HK\$0.01 each.

30. SHARE CAPITAL (Continued)

(a) (Continued)

Notes: (Continued)

- (iv) On 22 September 2015, 99 new shares in aggregate were allotted and issued at par to Mr. Lui, Mr. Wai, Mr. Yip and Success Wing as consideration for the transfer of their equity interests in Light Dimension to the Company (Step (11) of the Reorganisation as mentioned in note 2). In addition, the one nil paid share held by Success Wing referred to note (ii) above was credited as fully paid.
- (v) The Company's shares were listed on the GEM of the Stock Exchange on 8 October 2015 and the placing of 150,000,000 new shares by the Company become unconditional. In connection to this, (i) the Company issued a total of 150,000,000 ordinary shares at HK\$0.30 per share for subscription (the "Placing"); and (ii) the Company issued a total of 449,999,900 ordinary shares at par to Mr. Lui, Mr. Wai, Mr. Yip and Success Wing on a pro-rata basis by way of capitalising an amount of HK\$4,499,999 from the share premium account of the Company (the "Capitalisation Issue") arising from the Placing. The Company's total number of issued shares upon completion of the Placing and Capitalisation Issue was increased to 600,000,000 ordinary shares.

Among the gross proceeds from the Placing of HK\$45,000,000, HK\$1,500,000 representing the aggregate par value of shares issued was credited to the Company's share capital whereas the remaining amount of HK\$43,500,000 was credited to share premium account.

The share issuance expenses, which amounted to HK\$5,058,000, was deducted from share premium account.

- (b) The share capital balance as at 31 March 2015 represented the issued share capital of its subsidiaries, KPa Engineering, Sun Pool, AcouSystem, KPa Contracting and KPa (HK) as at that date.

During the year ended 31 March 2015, AcouSystem, KPa Contracting and KPa (HK) issued shares as follows:

- AcouSystem issued 300 ordinary shares in aggregate at HK\$300 to Mr. Lui, Mr. Wai and Mr. Yip;
- KPa Contracting issued 300 ordinary shares in aggregate at HK\$300 to Mr. Lui, Mr. Wai and Mr. Yip; and
- KPa (HK) issued 300 ordinary shares in aggregate at HK\$300 to Mr. Lui, Mr. Wai and Mr. Yip.

31. 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 Reorganisation as mentioned in note 2. Merger reserve as at 31 March 2015 amounting to HK\$850,000 (debit balance) was arising from eliminating Sun Pool's investment cost in 500,001 ordinary shares of KPa Engineering at that date.

Merger reserve as at 31 March 2016 amounting to HK\$7,437,000 represented (i) the debit balance as at 31 March 2015 amounting to HK\$850,000 as mentioned above, (ii) issued share capital of Light Dimension, AcouSystem, KPa Contracting, KPa Engineering, KPa (HK), Youkang and Sun Pool amounting to HK\$3,151,000; and (iii) the 40% equity interest in BuildMax (HK) held by the non-controlling shareholders amounting to HK\$5,136,000 which was acquired by the Group in September 2015 (note 36).

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 3(l).

Retained profits

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

The Company

The movements of the Company's reserves during the period from 15 May 2015 (date of incorporation) to 31 March 2016 are as follows:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Loss for the period	—	(8,750)	(8,750)
Issue of shares for			
— Placing (note 30(a)(v))	43,500	—	43,500
— Capitalisation Issue (note 30(a)(v))	(4,500)	—	(4,500)
Share issuance expenses (note 30(a)(v))	(5,058)	—	(5,058)
	33,942	(8,750)	25,192

32. 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\$1.0 to the Company by way of consideration for the grant.

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

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	<i>Notes</i>	2016 HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	34	—
Current assets		
Other receivables, deposits and prepayments		254
Amounts due from subsidiaries		32,076
Cash and bank balances		145
		32,475
Current liabilities		
Other payables and accruals		275
Amount due to a subsidiary		1,008
		1,283
Net current assets/Net assets		31,192
CAPITAL AND RESERVES		
Share capital	30(a)	6,000
Reserves	31	25,192
Total equity		31,192

On behalf of the directors

Yip Pak Hung
Director

Lui Bun Yuen, Danny
Director

34. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries 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		Principal activities
				Directly	Indirectly	
Light Dimension Limited (Light Dimension)	The BVI/ Limited liability company	Hong Kong	16 shares of US\$1 each	100%	—	Investment holding
AcouSystem Limited (AcouSystem)	Hong Kong/ Limited liability company	Hong Kong	300 shares of HK\$300	—	100%	Trademark Holding
BuildMax Limited (BuildMax (HK))	Hong Kong/ Limited liability company	Hong Kong	50,000 shares of HK\$50,000	—	100% (2015: 60%) <i>(note (a))</i>	Provision of structural engineering works and trading of building material products
KPa Contracting Limited (KPa Contracting)	Hong Kong/ Limited liability company	Hong Kong	300 shares of HK\$300	—	100%	Provision of structural engineering works
KPa Engineering Limited (KPa Engineering)	Hong Kong/ Limited liability company	Hong Kong	9,000,000 shares of HK\$9,000,000 (2015: 3,000,000 shares of HK\$3,000,000)	—	100%	Provision of structural engineering works and trading of building material products

34. INVESTMENTS IN SUBSIDIARIES (Continued)

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		Principal activities
				Directly	Indirectly	
KPa Engineering (HK) Limited (KPa (HK))	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 (Sun Pool)	Hong Kong/ Limited liability company	Hong Kong	150,000 shares of HK\$150,000	—	100%	Provision of management services, property investment and investment holding
Youkang Limited (Youkang)	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 (KPa (SZ))	The PRC/ Wholly foreign-owned enterprise	The PRC	HK\$1,000,000 (note (b))	—	100%	Provision of fabrication drawing

Notes:

- (a) As at 31 March 2015, Sun Pool held 60% of the equity interest of BuildMax (HK). Upon acquisition of the remaining 40% equity interest of BuildMax (HK) by Sun Pool from the non-controlling shareholders on 14 September 2015 as part of the Reorganisation as disclosed in note 2, Sun Pool's equity interest in BuildMax (HK) increased from 60% to 100%.
- (b) KPa (SZ) was incorporated in the PRC on 2 March 2015 and has a registered capital of HK\$1,000,000. The Group injected capital amounting to HK\$1,000,000 in aggregate to KPa (SZ) during the year ended 31 March 2016.

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

35. NON-CONTROLLING INTERESTS

As at 31 March 2015, the Group held 60% equity interest of BuildMax (HK) and the remaining 40% equity interest of BuildMax (HK) was held by Mr. Liu and Mr. Chan. As part of the Reorganisation as mentioned in note 2, the Group's equity interest in BuildMax (HK) increased from 60% to 100% upon completion of disposal of 40% equity interest in BuildMax (HK) by Mr. Liu and Mr. Chan on 22 September 2015. Accordingly, as at 31 March 2016, the Group did not have any non-controlling interests. Further details of the acquisition of the non-controlling interests in BuildMax (HK) are set out in note 36.

Summarised financial information of BuildMax (HK), before intra-group eliminations, is presented below:

	Period up to 22 September 2015 HK\$'000	Year ended 31 March 2015 HK\$'000
Revenue	14,130	30,581
Profit for the period/year	1,751	6,596
Total comprehensive income for the period/year	1,717	6,596
Profit for the period/year attributable to non-controlling interests	700	2,638
Total comprehensive income for the period/year attributable to non-controlling interests	686	2,638
Dividend to non-controlling interests	2,400	1,200
Cash flows from operating activities	3,531	9,471
Cash flows from investing activities	(8,342)	(7,159)
Cash flows from financing activities	665	(2,084)
Net cash (outflows)/inflows	(4,146)	228
		As at 31 March 2015 HK\$'000
Current assets		23,228
Non-current assets		1,285
Current liabilities		(7,388)
Net assets		17,125
Accumulated non-controlling interests		6,850

36. ACQUISITION OF NON-CONTROLLING INTERESTS

As at 31 March 2015, the issued share capital of BuildMax (HK) was held as to 60% by Sun Pool, 30% by Mr. Liu and 10% by Mr. Chan. Mr. Liu and Mr. Chan were the non-controlling shareholders of BuildMax (HK).

As part of the Reorganisation, the following transactions took place:

- (i) On 14 September 2015, Sun Pool acquired 15,000 shares and 5,000 shares of BuildMax (HK) from Mr. Liu and Mr. Chan respectively and in consideration of the acquisition, Youkang, immediate holding company of Sun Pool, allotted and issued three shares and one share, credited as fully paid, to Mr. Liu and Mr. Chan respectively (Step (10) of the Reorganisation as mentioned in note 2); and
- (ii) On 22 September 2015, Light Dimension, immediate holding company of Youkang, acquired those three shares and one share of Youkang allotted and issued to Mr. Liu and Mr. Chan respectively pursuant to the above transaction and in consideration, Success Wing, immediate holding company of the Company, issued 74 shares and 26 shares, credited as fully paid, to Mr. Liu and Mr. Chan respectively (Step (12) of the Reorganisation as mentioned in note 2).

Following the above acquisitions, the Group's equity interest in BuildMax (HK) increased from 60% to 100% whereas Mr. Liu and Mr. Chan have equity interest in the Company through Success Wing.

The transactions are part of the Reorganisation and accordingly, the increase in equity attributable to owners of the Company amounting to HK\$5,136,000, which represents the net assets of BuildMax (HK) attributable to 40% equity interest held by Mr. Liu and Mr. Chan, was credited to merger reserve.

37. 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 (2015: two to five years) and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,784	493
Later than one year and not more than five years	2,147	549
	3,931	1,042

38. CAPITAL COMMITMENT

At the end of the reporting period, the Group had the following capital commitments:

	2016 HK\$'000	2015 HK\$'000
Commitments for the investment in a subsidiary — contracted for but not provided	—	1,000

39. GUARANTEE

The Group provided guarantee in respect of the surety bonds issued in favour of the customers of certain construction contracts. Details of these guarantees at the end of the reporting period are as follows:

	2016 HK\$'000	2015 HK\$'000
Aggregate value of the surety bonds issued in favour of customers (<i>note 17</i>)	11,446	11,446

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

40. LITIGATIONS

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

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) The Group entered into finance lease arrangements in respect of acquisition of motor vehicles. For the year ended 31 March 2016, the capital value of the motor vehicles at the inception of the leases was HK\$755,000 (2015: HK\$599,000).
- (b) For the year ended 31 March 2016, the Group traded-in a motor vehicle with net carrying value of HK\$1,000 at HK\$9,000 to settle part of the purchase price of a newly acquired motor vehicle. For the year ended 31 March 2015, the Group traded-in a fully depreciated motor vehicle at HK\$130,000 to settle part of the purchase price of a newly acquired motor vehicle.
- (c) For the year ended 31 March 2016, Light Dimension and Youkang declared dividends amounting to HK\$15,000,000 in aggregate, of which HK\$12,600,000 was attributable to the owners of the Company whereas HK\$2,400,000 was attributable to the non-controlling interests. The dividends attributable to the owners of the Company were settled partly by cash payment of HK\$4,950,000. The remaining balance of dividends attributable to the owners of the Company amounting to HK\$7,650,000, together with those dividends attributable to the non-controlling interests amounting to HK\$2,400,000 were offset against the current accounts with the directors and a related company.

For the year ended 31 March 2015, BuildMax (HK) declared dividend amounting to HK\$3,000,000, of which HK\$1,200,000 was attributable to the non-controlling interests. Out of this sum, HK\$800,000 was settled by cash payment whereas the remaining balance of HK\$400,000 was credited to the current account with Mr. Liu and Mr. Chan. Mr. Liu and Mr. Chan, related parties of the Group, were also the non-controlling shareholders of BuildMax (HK) as at 31 March 2015.

- (d) For the year ended 31 March 2015, AcouSystem, KPa Contracting and KPa (HK) issued and allotted shares to Mr. Lui, Mr. Wai and Mr. Yip and the aggregate consideration of HK\$900 was settled through the current accounts with Mr. Lui, Mr. Wai and Mr. Yip.

42. 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	
			2016 HK\$'000	2015 HK\$'000
BuildMax (SZ) (note (i))	Directors and key management have equity interest	Purchase of building material products and processing charges paid/payable	13,491	11,886
BuildMax (SZ) (note (i))	Directors and key management have equity interest	Rental expenses paid/payable	241	—
Hillford (note (i))	Directors and key management have equity interest	Handling charge paid/payable	—	140
Sampag International Limited (note (ii))	A director and key management have equity interest	Purchase of building material products	—	1,506
Wonder Asia Development Limited (note (iii))	A director has equity interest	Rental expenses paid/payable	—	348

Notes:

- (i) Mr. Lui, Mr. Wai and Mr. Yip, Mr. Liu and Mr. Chan have equity interest in Hillford and BuildMax (SZ). Mr. Lui, Mr. Wai and Mr. Yip are directors and shareholders of the Company. Mr. Liu and Mr. Chan are key management of the Group and since 22 September 2015, they have equity interests in the Company through Success Wing. Mr. Lui, Mr. Wai, Mr. Yip, Mr. Liu and Mr. Chan are directors of Hillford whereas Mr. Wai and Mr. Yip are directors of BuildMax (SZ).
- (ii) Mr. Wai and Mr. Liu had equity interests in Sampag International Limited, which had been disposed of in October 2014.
- (iii) Mr. Wai has equity interest in Wonder Asia Development Limited.

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

42. RELATED PARTY TRANSACTIONS (Continued)

- (b) As at 31 March 2015, Mr. Lui, Mr. Wai and Mr. Yip, directors and shareholders of the Company, provided personal guarantee to secure for the bank borrowings and banking facilities granted to the Group (note 28(d)). During the year ended 31 March 2016, the personal guarantees provided by Mr. Lui, Mr. Wai and Mr. Yip to banks had been fully released and replaced by corporate guarantee provided by the Company.
- (c) As at 31 March 2015, Mr. Lui, Mr. Wai and Mr. Yip, directors and shareholders of the Company, provided indemnity to an insurance company for the surety bonds issued in favour of the customers of certain construction contracts (note 17). During the year ended 31 March 2016, the personal guarantees provided by Mr. Lui, Mr. Wai and Mr. Yip to the insurance company had been fully released and replaced by corporate guarantee provided by the Company.
- (d) As at 31 March 2015, Mr. Lui, Mr. Wai and Mr. Yip, directors and shareholders of the Company, provided personal guarantee in favour to certain suppliers/contractors in respect of agreements entered by the Group. The personal guarantees provided by Mr. Lui, Mr. Wai and Mr. Yip had been fully released as at the date of these financial statements.
- (e) As at 31 March 2016 and 2015, certain of the Group's lease arrangements are subject to the personal guarantees provided by Mr. Yip and Mr. Wai, directors and shareholders of the Company.
- (f) Compensation of key management personnel

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

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and other benefits	9,775	5,823
Contributions to defined contribution retirement plan	119	128
	9,894	5,951

43. 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 debts include bank borrowings and obligation 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 debts or sells assets to reduce debt.

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

	2016 HK\$'000	2015 HK\$'000
Bank borrowings	33,860	21,890
Obligation under finance leases	709	897
	34,569	22,787
Total equity	117,301	66,745
Gearing ratio	29.5%	34.1%

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.

44. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2016 HK\$'000	2015 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
— Trade and bills receivables	83,565	57,123
— Other receivables and deposits	40,004	23,839
— Amounts due from related companies	—	6,362
— Amounts due from directors	—	2,493
— Pledged deposits	3,900	3,900
— Pledged bank deposits	13,201	10,027
— Cash and bank balances	47,439	5,791
	188,109	109,535
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
— Trade and other payables	71,149	51,374
— Amounts due to related parties	—	92
— Bank borrowings	33,860	21,890
— Obligation under finance leases	709	897
	105,718	74,253
<i>Financial liabilities at fair value through profit or loss</i>		
Held for trading		
— Derivative financial instruments	—	276

44. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)**(a) Financial instruments not measured at fair value**

Financial instruments not measured at fair value include trade and bills receivables, other receivables and deposits, pledged deposits, pledged bank deposits, cash and bank balances, trade and other payables, bank borrowings, obligation under finance leases and balances with related companies, related parties and directors.

Due to their short term nature, the carrying values of the above financial instruments except for the non-current obligation under finance leases approximates their fair values.

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

(b) Financial instruments measured at fair value

The Group's foreign exchange forward contracts disclosed in note 26 are measured at fair value at the end of the reporting period. Their fair values are determined with reference to dealer quotes and using valuation technique that maximises the use of observable market inputs such as market currency rates.

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 March 2015				
Financial liabilities at fair value through profit or loss:				
— Foreign exchange forward contracts	—	276	—	276

There were no transfer between the levels of the fair value hierarchy.

As at 31 March 2016, the Group did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

45. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise market risk (mainly interest rate risk and foreign currency risk), credit 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 obligation 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, including amounts due from related companies, related parties and directors, and bank balances. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

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

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

The Group provided guarantees in respect of the surety bonds issued in favour of several customers (note 39). As at 31 March 2016, the maximum exposure to credit risk of guarantees issued by the Group was the value of the surety bonds of HK\$11,446,000 (2015: HK\$11,446,000), which represented the maximum amount the Group could be required to pay if the guarantees were called on. Management considers that it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

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

45. 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. Borrowings 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 2016 and 2015 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 28 and 29 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	
	2016	2015
	HK\$'000	HK\$'000
Changes in interest rate		
+1%	(283)	(183)
-1%	283	183

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 and with reference to their borrowing periods. 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.

45. 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\$, British Pound (“GBP”), EUR and RMB. Sales are mainly denominated in HK\$ while some of the purchases are denominated in US\$, GBP and EUR. 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 carrying amounts of the foreign currency denominated monetary assets and liabilities in net position at the end of the reporting period are as follows:

	2016 HK\$'000	2015 HK\$'000
Net monetary assets/(liabilities)		
HK\$	1,580	—
RMB	(557)	2,767
EUR	(576)	(4,542)
GBP	(347)	(371)
US\$	(266)	152

Sensitivity analysis

As HK\$ is pegged to US\$, exposure in respect of US\$ is considered insignificant. The following tables illustrate the approximate change in the Group’s profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure, including RMB, EUR and GBP, at the end of the reporting period.

	Increase/(Decrease) in profit for the year and retained profits	
	2016 HK\$'000	2015 HK\$'000
RMB appreciated by 1%	(16)	23
EUR appreciated by 5%	(24)	(190)
GBP appreciated by 1%	(3)	(3)

45. FINANCIAL RISK MANAGEMENT (Continued)

(c) Foreign currency risk (Continued)

Sensitivity analysis (Continued)

The changes in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because exposure at the end of the reporting period does not reflect the exposure during the year.

(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.

45. 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 2016					
Non-derivative financial instruments					
Trade and other payables	71,149	71,149	64,543	5,016	1,590
Bank loans subject to repayment demand clause	33,860	33,860	33,860	—	—
Obligation under finance leases	709	758	163	163	432
	105,718	105,767	98,566	5,179	2,022
	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 2015					
Non-derivative financial instruments					
Trade and other payables	51,374	51,374	46,179	1,990	3,205
Amounts due to related parties	92	92	92	—	—
Bank overdrafts	5,014	5,014	5,014	—	—
Bank loans subject to repayment demand clause	16,876	16,876	16,876	—	—
Obligation under finance leases	897	941	320	288	333
	74,253	74,297	68,481	2,278	3,538
Derivatives settled net					
— Foreign exchange forward contracts	276	276	276	—	—

45. FINANCIAL RISK MANAGEMENT (Continued)**(d) Liquidity risk (Continued)**

The following tables summarise the maturity analysis of the Group's bank loans (excluding bank overdrafts) with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "within one year or on demand" time banding 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 demand clause						
As at 31 March 2016	33,860	34,567	31,208	498	1,493	1,368
As at 31 March 2015	16,876	17,568	13,008	942	1,752	1,866

Financial Summary

For the year ended 31 March 2016

A summary of the results and of the assets and liabilities of the Group for the last three financial years, extracted from the audited financial statements in this annual report and the prospectus of the Company dated 30 September 2015, is as follows:

RESULTS

	2016 HK'000	2015 HK'000	2014 HK'000
Revenue	343,806	197,435	205,285
Cost of revenue	(276,478)	(158,702)	(176,391)
Gross profit	67,328	38,733	28,894
Other income and gains	250	351	489
Marketing and distribution expenses	(1,526)	(1,221)	(621)
Administrative and other operating expenses	(32,338)	(19,036)	(15,913)
Finance costs	(1,246)	(767)	(620)
Profit before income tax	32,468	18,060	12,229
Income tax expense	(6,812)	(3,501)	(2,044)
Profit for the year	25,656	14,559	10,185
Other comprehensive income for the year	(42)	—	—
Total comprehensive income for the year	25,614	14,559	10,185

ASSET AND LIABILITIES

	2016 HK'000	2015 HK'000	2014 HK'000
Total assets	238,457	147,440	99,147
Total liabilities	(121,156)	(80,695)	(43,962)
Net assets	117,301	66,745	55,185