

 **KPa-BM Holdings Limited**
應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock code: 8141



**INTERIM
REPORT
2016**



* For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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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BOARD OF DIRECTORS (THE "BOARD")

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Sun Kwong *FCPA FCCA FCIS FCS*

PRINCIPAL BANKERS

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

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Corporation Limited
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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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Hong Kong

COMPANY'S WEBSITE

www.kpa-bm.com.hk

STOCK CODE

8141

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

Comparing to the corresponding three months ended 30 September 2015

- The Group's revenue amounted to approximately HK\$89.5 million for the three months ended 30 September 2016, representing an increase of approximately HK\$19.0 million or 27.0% as compared with the three months ended 30 September 2015.
- The profit attributable to the owners of the Company was approximately HK\$9.7 million for the three months ended 30 September 2016, representing an increase of approximately HK\$9.3 million or 2,325.0% as compared with the three months ended 30 September 2015 was mainly due to the one-off listing expenses of approximately HK\$4.2 million incurred for the three months ended 30 September 2015.
- Earnings per share for the three months ended 30 September 2016 increased by approximately 1,700% to HK cents 1.62 (three months ended 30 September 2015: HK cents 0.09).

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Comparing to the corresponding six months ended 30 September 2015

- The Group's revenue amounted to approximately HK\$192.5 million for the six months ended 30 September 2016, representing an increase of approximately HK\$50.0 million or 35.1% as compared with the six months ended 30 September 2015.
- The profit attributable to the owners of the Company was approximately HK\$15.8 million for the six months ended 30 September 2016, representing an increase of approximately HK\$11.1 million or 236.2% as compared with the six months ended 30 September 2015 which was resulted from our business expansion.
- Earnings per share for the six months ended 30 September 2016 increased by approximately 156.3% to HK cents 2.64 (six months ended 30 September 2015: HK cents 1.03).

Unaudited Condensed Consolidated Interim Results

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

	Notes	Three months ended 30 September		Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	4	89,493	70,516	192,547	142,509
Cost of revenue		(71,111)	(57,390)	(160,785)	(114,565)
Gross profit		18,382	13,126	31,762	27,944
Other income and gains		198	117	201	145
Marketing and distribution expenses		(195)	(302)	(414)	(545)
Administrative and other operating expenses		(6,358)	(10,733)	(11,860)	(19,162)
Finance costs		(393)	(150)	(684)	(450)
Profit before income tax	5	11,634	2,058	19,005	7,932
Income tax expense	6	(1,937)	(1,358)	(3,172)	(2,579)
Profit for the period		9,697	700	15,833	5,353
Other comprehensive income for the period		(8)	43	(61)	(34)
Total comprehensive income for the period		9,689	743	15,772	5,319
Profit for the period attributable to:					
Owners of the Company		9,697	389	15,833	4,653
Non-controlling interests		—	311	—	700
		9,697	700	15,833	5,353

Condensed Consolidated Statement of
Comprehensive Income (Continued)

For the six months ended 30 September 2016

	Notes	Three months ended 30 September		Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Total comprehensive income for the period attributable to:					
Owners of the Company		9,689	415	15,772	4,633
Non-controlling interests		—	328	—	686
		9,689	743	15,772	5,319
Earnings per share	8	HK cents	HK cents	HK cents	HK cents
Basic and diluted earnings per share		1.62	0.09	2.64	1.03

Condensed Consolidated Statement of Financial Position

As at 30 September 2016

	Notes	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	9,820	7,295
Prepayments for property, plant and equipment	9	—	2,236
Pledged deposits	12	3,900	3,900
		13,720	13,431
Current assets			
Inventories		3,715	2,839
Amounts due from customers of contract works	10	28,755	37,070
Trade and other receivables, deposits and prepayments	11	129,404	124,133
Tax recoverable		—	344
Pledged bank deposits		16,211	13,201
Cash and bank balances		30,666	47,439
		208,751	225,026
Current liabilities			
Amounts due to customers of contract works	10	16,685	10,177
Trade and other payables	13	48,315	71,637
Tax payable		6,049	4,773
Bank borrowings	14	26,712	33,860
Obligation under finance leases		146	144
		97,907	120,591

Condensed Consolidated Statement of
Financial Position (Continued)

As at 30 September 2016

	<i>Notes</i>	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Net current assets		110,844	104,435
Total assets less current liabilities		124,564	117,866
Non-current liabilities			
Obligation under finance leases		491	565
Net assets		124,073	117,301
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	15	6,000	6,000
Reserves		118,073	111,301
Total equity		124,073	117,301

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 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		
Six months ended 30 September 2015 (unaudited)								
At 1 April 2015	3,151	—	(850)	—	57,594	59,895	6,850	66,745
Profit for the period	—	—	—	—	4,653	4,653	700	5,353
Other comprehensive income for the period	—	—	—	(20)	—	(20)	(14)	(34)
Total comprehensive income for the period	—	—	—	(20)	4,653	4,633	686	5,319
Transactions with owners:								
Dividends declared (note 7)	—	—	—	—	(12,600)	(12,600)	—	(12,600)
Dividends attributable to non-controlling interests (note 7)	—	—	—	—	—	—	(2,400)	(2,400)
Reorganisation	(3,151)	—	8,287	—	—	5,136	(5,136)	—
	(3,151)	—	8,287	—	(12,600)	(7,464)	(7,536)	(15,000)
At 30 September 2015 (unaudited)	—	—	7,437	(20)	49,647	57,064	—	57,064
Six months ended 30 September 2016 (unaudited)								
At 1 April 2016	6,000	33,942	7,437	(28)	69,950	117,301	—	117,301
Profit for the period	—	—	—	—	15,833	15,833	—	15,833
Other comprehensive income for the period	—	—	—	(61)	—	(61)	—	(61)
Total comprehensive income for the period	—	—	—	(61)	15,833	15,772	—	15,772
Transactions with owners:								
Dividends declared (note 7)	—	—	—	—	(9,000)	(9,000)	—	(9,000)
At 30 September 2016 (unaudited)	6,000	33,942	7,437	(89)	76,783	124,073	—	124,073

* The total of these equity accounts as at 30 September 2015 and 2016 represent "Reserves" in the condensed consolidated statements of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	3,243	(1,754)
Net cash (used in)/from investing activities	(3,790)	764
Net cash (used in)/from financing activities	(18,993)	18,785
Net (decrease)/increase in cash and cash equivalents	(19,540)	17,795
Cash and cash equivalents at the beginning of period	32,439	777
Effect of exchange rate changes on cash and cash equivalents	(6)	—
Cash and cash equivalents at the end of period	12,893	18,572
Analysis of the balances of cash and cash equivalents		
Cash and bank balance as stated in consolidated statement of financial position	30,666	23,711
Less: Short-term time deposits with maturity period beyond three months but within one year	(15,000)	—
	15,666	23,711
Less: Bank overdrafts	(2,773)	(5,139)
	12,893	18,572

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2015. The shares of the Company were listed on GEM of 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 1907–1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

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

The condensed consolidated financial statements of the Group for the six months ended 30 September 2016 (the "interim financial statements") are unaudited, but have been reviewed by the Audit Committee of the Company. These interim financial statements were approved for issue by the board of directors on 9 November 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM Listing Rules. They have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value. These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$"), which is same as the functional currency of the Company and its major subsidiaries.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the annual financial statements for the year ended 31 March 2016 ("2016 Financial Statements") which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the 2016 Financial Statements except for the adoption of new accounting policies as a result of applying the new or revised HKFRSs as set out below.

Adoption of new or revised HKFRSs

2.1 Adoption of new or revised HKFRSs effective on 1 April 2016

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period and relevant to the Group:

HKFRS (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The application of the above new or revised HKFRSs has no material effect on the Group's results and financial position.

2.2 New or revised HKFRSs that have been issued but are not yet effective

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

HKFRS 7	Disclosure Initiative ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Lease ³

¹ Effective for annual periods beginning on or after 1 January 2017

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

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

The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application.

Accounting estimates and assumptions are used in the preparation of financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2016 Financial Statements.

3. SEGMENT INFORMATION

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 — This segment mainly engages in the provision of structural engineering works for public and private sectors in Hong Kong and the Group mainly acts as a subcontractor.

Trading of building material products — This segment engages in the sales and supply of building material products in Hong Kong, the People's Republic of China ("PRC") (other than Hong Kong) and overseas.

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

Three months ended 30 September 2016 (unaudited)	Structural engineering works HK\$'000	Trading of building material products HK\$'000	Total HK\$'000
<i>Segment revenue</i>			
Sales to external customers	86,676	2,817	89,493
<i>Segment profit</i>	17,134	1,248	18,382
Corporate and unallocated income			198
Corporate and unallocated expenses			
— Marketing and distribution expenses			(195)
— Administrative and other operating expenses			(6,358)
— Finance costs			(393)
Profit before income tax			11,634

3. SEGMENT INFORMATION (Continued)

Three months ended 30 September 2015 (unaudited)	Structural engineering works HK\$'000	Trading of building material products HK\$'000	Total HK\$'000
Segment revenue			
Sales to external customers	69,106	1,410	70,516
Segment profit	12,477	740	13,217
Corporate and unallocated income			26
Corporate and unallocated expenses			
— Marketing and distribution expenses			(302)
— Administrative and other operating expenses			(10,733)
— Finance costs			(150)
Profit before income tax			2,058
Six months ended 30 September 2016 (unaudited)	Structural engineering works HK\$'000	Trading of building material products HK\$'000	Total HK\$'000
Segment revenue			
Sales to external customers	188,538	4,009	192,547
Segment profit	29,784	1,978	31,762
Corporate and unallocated income			201
Corporate and unallocated expenses			
— Marketing and distribution expenses			(414)
— Administrative and other operating expenses			(11,860)
— Finance costs			(684)
Profit before income tax			19,005

3. SEGMENT INFORMATION (Continued)

Six months ended 30 September 2015 (unaudited)	Structural engineering works HK\$'000	Trading of building material products HK\$'000	Total HK\$'000
Segment revenue			
Sales to external customers	139,285	3,224	142,509
Segment profit			
	26,589	1,446	28,035
Corporate and unallocated income			54
Corporate and unallocated expenses			
— Marketing and distribution expenses			(545)
— Administrative and other operating expenses			(19,162)
— Finance costs			(450)
Profit before income tax			7,932

Certain comparative figures in the segment information for the three months and six months ended 30 September 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 for segment reporting purposes. For the three months and six months ended 30 September 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 for better presentation.

During the period, the segment asset had not been presented as there has not been a material change from the 2016 Financial Statements for the reportable segment.

4. REVENUE

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue from rendering structural engineering works	86,676	69,106	188,538	139,285
Revenue from trading of building material products	2,817	1,410	4,009	3,224
	89,493	70,516	192,547	142,509

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation in respect of:				
— Owned assets	223	112	411	223
— Leased assets	40	84	80	168
	263	196	491	391
Employee benefit expenses (including directors' emoluments)				
— Salaries, allowances and benefits in kind	7,754	7,604	15,307	11,590
— Contribution to defined contribution retirement plan	275	269	575	510
	8,029	7,873	15,882	12,100
Listing expenses	—	4,200	—	8,176

6. INCOME TAX EXPENSE

The amounts of income tax expense in the unaudited consolidated statements of comprehensive income represent:

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax for the period				
— Hong Kong Profits Tax	1,903	1,358	3,116	2,579
— Other regions of the PRC — Enterprise Income Tax ("EIT")	34	—	56	—
Total income tax expenses	1,937	1,358	3,172	2,579

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the period.

EIT arising from other regions of the PRC is calculated at 25% (2015: Nil) on the estimated assessable profits for the period.

At 30 September 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.

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (30 September 2015: nil).

The final dividend in respect of the year ended 31 March 2016 amounting to HK\$9,000,000 was paid in September 2016 (2015: nil).

8. EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
	Earnings			
Profit for the period attributable to owners of the Company	9,697	389	15,833	4,653
	Number of shares (thousands)			
Number of shares				
Weighted average number of ordinary shares in issue during the period	600,000	450,000	600,000	450,000

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the three and six months ended 30 September 2015 of 450,000,000 represents the number of shares of the Company in issue immediately after the completion of the capitalisation issue, as if these shares had been issued throughout the period.

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the three and six months ended 30 September 2016 of 600,000,000 includes the number of shares issued pursuant to the placing of 150,000,000, 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 current period and prior period.

9. PROPERTY, PLANT AND EQUIPMENT/PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group used approximately HK\$165,000, HK\$242,000 and HK\$371,000 on acquisition of office equipment, computer equipment and leasehold improvements respectively (six months ended 30 September 2015: approximately HK\$89,000, nil and nil respectively).

During the six months ended 30 September 2016, the Group obtained the formal waiver from the Lands Department. The Group capitalised the waiver fee of approximately HK\$2,236,000 from "prepayments for property, plant and equipment" in "property, plant and equipment" during the period and started depreciating the waiver fee over the remaining useful lives of the properties.

10. AMOUNTS DUE FROM/TO CUSTOMERS OF CONTRACT WORKS

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Costs incurred to date plus recognised profits	529,609	613,368
Less: Progress billings to date	(517,539)	(586,475)
	12,070	26,893
Amounts due from customers of contract works	28,755	37,070
Amounts due to customers of contract works	(16,685)	(10,177)
	12,070	26,893

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

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Trade receivables		
Trade receivables	81,587	84,140
Less: Provision for impairment	(575)	(575)
Trade receivables, net (<i>note (a)</i>)	81,012	83,565
Other receivables, deposits and prepayments		
Retention receivables	45,328	39,600
Less: Provision for impairment	(269)	(269)
Retention receivables, net (<i>note (b)</i>)	45,059	39,331
Other receivables	696	69
Deposits	1,320	604
Prepayments	1,317	564
	48,392	40,568
	129,404	124,133

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

Notes:

- (a) The ageing analysis of trade receivables (net), based on invoice date, as of the end of reporting period is as follow:

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
0–30 days	45,837	48,284
31–60 days	20,049	26,288
61–90 days	4,235	2,459
Over 90 days	10,891	6,534
	81,012	83,565

- (b) Retention receivables

As at 30 September 2016, based on due date of retention receivables, the Group's retention receivables of approximately HK\$40,703,000 (31 March 2016: HK\$34,174,000) were not yet past due and the remaining balance of approximately HK\$4,356,000 (31 March 2016: HK\$5,157,000) were past due. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the of the reporting periods as those balances are from customers with long business relationship and there has not been a significant change in their credit quality.

- (c) Credit policy

In respect of the Group's structural engineering business, the Group usually submits a payment application for interim payment on a monthly basis. The customer usually issues an interim payment certificate within one month from application submission and payment will be settled within another one month. For trading of building material products, the Group usually requires customers to pay a deposit in a mutually agreed % of the order amount and grants a credit period of 30 days upon delivery of products to customers.

12. PLEDGED DEPOSITS

As at 30 September 2016, the Group had pledged deposit of HK\$3,900,000 (31 March 2016: HK\$3,900,000), which represented 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 30 September 2016 of HK\$11,446,000 (31 March 2016: HK\$11,446,000). The surety bonds are required for the entire period of the relevant construction contracts. As at 30 September 2016 and 31 March 2016, the respective construction contracts are expected to be completed in year 2018 and 2018 respectively.

The Group have unconditionally and irrevocably agreed to indemnify the insurance company for claims and losses the insurance company may incur in respect of the bonds.

13. TRADE AND OTHER PAYABLES

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Trade payables	33,213	53,576
Bills payable	—	794
Trade and bills payables (<i>note (a)</i>)	33,213	54,370
Retention payables (<i>note (b)</i>)	9,653	9,220
Receipts in advance	2,266	488
Other payables, accruals and deposits	3,183	7,559
	48,315	71,637

13. TRADE AND OTHER PAYABLES (Continued)

Notes:

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

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
0–30 days	20,216	34,116
31–60 days	6,842	13,248
61–90 days	1,110	4,580
Over 90 days	5,045	2,426
	33,213	54,370

- (b) As at 30 September 2016, retention payables of HK\$8,460,000 (31 March 2016: HK\$7,969,000) was aged one year or below and the remaining balance of approximately HK\$1,193,000 (31 March 2016: HK\$1,251,000) was aged over one year.

14. BANK BORROWINGS

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
— Bank overdrafts <i>(note (a))</i>	2,773	—
Bank loans subject to repayment on demand clause <i>(note (a))</i>		
— Bank loans due for repayment within one year	21,103	30,819
— Bank loans due for repayment after one year <i>(note (b))</i>	2,836	3,041
	23,939	33,860
	26,712	33,860

Notes:

- (a) Bank borrowings, including trade financing, are interest bearing at the banks' prime rates or cost of funds or Hong Kong Inter-Bank Offered Rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 30 September 2016 granted under banking facilities ranged from 2.97% to 6.25% (31 March 2016: 3.00% to 5.75% per annum).
- (b) The current liabilities as at 30 September 2016 include bank loans of HK\$2,836,000 (31 March 2016: HK\$3,041,000) that are not scheduled to repay within one year after the end of the reporting periods. 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 a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

14. BANK BORROWINGS (Continued)

Notes: (Continued)

- (c) The Group's bank borrowings and banking facilities are secured by the followings:
- land and buildings with net carrying amount of HK\$7,159,000 as at 30 September 2016 (31 March 2016: HK\$5,023,000); and
 - bank deposits of HK\$16,211,000 as at 30 September 2016 (31 March 2016: HK\$13,201,000);

15. SHARE CAPITAL

Ordinary shares	Par value HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 30 September 2016 and 31 March 2016	0.01	2,000,000,000	20,000
Issued and fully paid:			
At 30 September 2016 and 31 March 2016	0.01	600,000,000	6,000

16. 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 and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Within one year	3,597	1,784
Later than one year and not more than five years	5,265	2,147
	8,862	3,931

17. 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 as at the end of the reporting period are as follows:

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Aggregate value of the surety bonds issued in favour of customers (<i>note 12</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.

18. LITIGATIONS

A number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as of the end of 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 a material adverse impact on the financial position of the Group.

19. RELATED PARTY TRANSACTIONS

- (a) During the six months period ended 30 September 2016 and 2015, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount	
			Six months ended 30 September 2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000
BuildMax Technology (Shenzhen) Limited ("BuildMax (SZ)") (note (i))	Directors and key management have equity interest	Purchase of construction materials and processing charges paid/payable	4,995	5,963
BuildMax (SZ) (note (i))	Directors and key management have equity interest	Rental expenses paid/payable	39	121

Notes:

- (i) Mr. Lui, Mr. Wai and Mr. Yip, Mr. Liu Yuen Wai ("Mr. Liu") and Mr. Chan Chi Ming ("Mr. Chan") have equity interest in 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. Wai and Mr. Yip are directors of BuildMax (SZ).

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

- (b) As at 30 September 2016 and 31 March 2016, 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.

19. RELATED PARTY TRANSACTIONS (Continued)

- (c) The remuneration of directors and other members of key management during the periods was as follows:

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Salaries, allowances and benefits	1,539	974	3,078	1,947
Contributions to defined contribution retirement plan	14	19	27	38
	1,553	993	3,105	1,985

BACKGROUND, RECENT DEVELOPMENT AND OUTLOOK

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 predominately in Hong Kong.

The launch of public construction projects had been hindered by the prolonged debates in the last Legislative Council tenure, which in turn led to intensified competition in project tendering and pressure on prices. The Group has therefore focused on cultivating potential new business relationship and bidding for private sector projects in the current financial year. With the Group's reputation in the market and our experienced management team, we remain confident in securing a number of relatively sizeable projects in the private sectors, the tender result of which are expected to be released in the coming month, to compensate for the slowdown in the public sector.

FINANCIAL REVIEW

Revenue

The Group's revenue grew by approximately 35.1% from approximately HK\$142.5 million for the six months ended 30 September 2015 (the "Previous Period") to approximately HK\$192.5 million for the six months ended 30 September 2016 (the "Period"), which was driven by the increase in revenue from structural engineering work projects in both public and private sectors undertaken during the Period. 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 Period was generally in-line with the rise in revenue. During the Period, the progress of certain projects is beyond the expected completion date and additional costs have been incurred for overtime work to catch up the expected completion date. The Group implemented various control measures to monitor project progress, including periodic review of project budgets against actual performance. From such review, management identified and made downward adjustments on budget profit of certain projects, resulting in a significant drop in gross profit margin for the Period to approximately 16.5%, as compared to approximately 19.6% for the Previous Period. The Group will continue to negotiate with customers on compensation for variation works and/or urgent orders and project budgets may be further revised depending on outcome of negotiation with customers.

Administrative and Other Operating Expenses

The Group's administrative expenses for the Period were approximately HK\$11.9 million, representing a decrease of approximately HK\$7.3 million from the Previous Period due to the one-off listing expenses of approximately HK\$8.2 million incurred in relation to the Listing in Previous Period.

Finance Costs

For the Period, the Group's finance costs were approximately HK\$684,000, representing an increase of approximately HK\$234,000 or 52.0%, which was mainly due to interest expenses on additional bank borrowings drawn during the Period to finance for the Group's business expansion and to improve liquidity.

Income Tax Expense

Income tax expense of the Group amounted to approximately HK\$3,172,000 and HK\$2,579,000 for the Period and Previous Period respectively. Such increase was in line with the rise in net profit during the Period compared to the Previous Period.

Profit for the Period

Despite of the drop in gross profit, the decrease in expenses in the Period and the profit derived from the HK\$49.2 million increase in structural engineering works revenue together led to an increase in profit attributable to owners to approximately HK\$15.8 million for the Period, representing an increase of approximately HK\$11.1 million or 236.2%.

Liquidity, Financial Resources and Capital Structure

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Current assets	208,751	225,026
Current liabilities	97,907	120,591
Current ratio	2.13	1.87

During the six months ended 30 September 2016, the Group financed its operations by its internal resources and bank facilities. As at 30 September 2016, the Group had net current assets of approximately HK\$110.8 million (31 March 2016: HK\$104.4 million), including cash and bank balances of approximately HK\$30.7 million (31 March 2016: HK\$47.4 million). The Group's current ratio as at 30 September 2016 was 2.13 times (31 March 2016: 1.87 times).

As at 30 September 2016, the Group had a total available banking and other facilities of approximately HK\$74.8 million, of which approximately HK\$27.4 million was utilised and approximately HK\$47.4 million was unutilised and available for use.

Please refer to note 14 to the financial statements for more detailed information, including maturity profile, on the Group's loans and borrowings.

There has been no change in capital structure of the Company since the Listing. As at 30 September 2016, the equity attributable to owners of the Company amounted to approximately HK\$124.1 million (31 March 2016: approximately HK\$117.3 million).

Gearing Ratio

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

The gearing ratio of the Group as at 30 September 2016 was approximately 22.0% (31 March 2016: 29.5%), the decrease was mainly due to increase the net profit of Group during the Period.

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars, Pound Sterling, Euro and Renminbi. 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 Period, 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 Period. 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.

PLEDGE OF ASSETS

As at 30 September 2016, the Group had bank borrowings of HK\$26,712,000 (as at 31 March 2016: HK\$33,860,000) and banking facilities are secured by the followings:

- land and buildings with net carrying amount of HK\$7,159,000 as at 30 September 2016 (31 March 2016: HK\$5,023,000);
- bank deposits of HK\$16,211,000 as at 30 September 2016 (31 March 2016: HK\$13,201,000);

As at 30 September 2016, the Group had pledged deposit of HK\$3,900,000 (31 March 2016: HK\$3,900,000), which represented 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 30 September 2016 of HK\$11,446,000 (31 March 2016: HK\$11,446,000). The surety bonds are required for the entire period of the relevant construction contracts. As at 30 September 2016, the respective construction contracts are expected to be completed in year 2018 (31 March 2016: 2018).

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any significant contingent liabilities.

INTERIM DIVIDEND

The Board did not recommend a payment of an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group had 109 staff (31 March 2016: 111). The total employee benefit expenses for the six months ended 30 September 2016 (including Directors' emoluments, salaries to staff and other staff benefits included provident fund contributions, medical insurance coverage and other staff benefits) was approximately HK\$15.9 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 six months ended 30 September 2016, 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.

USE OF PROCEEDS

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 as disclosed in the prospectus of the Company dated 30 September 2015 ("Prospectus"). The Group intended 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 on 9 November 2016 approved to revise the use of the remaining unutilised proceeds in the manner as illustrated below.

	As at 30 September 2016			Revised use of proceeds HK\$ million	Revised unutilised proceeds HK\$ million
	Net proceeds HK\$ million	Utilised HK\$ million	Unutilised HK\$ million		
1 Further expanding the Group's capacity to capture more business opportunities	14.2	8.3	5.9	8.3	—
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	1.9	4.5	6.4	4.5
4 General working capital	2.9	2.7	0.2	2.9	0.2
5 Expanding the Group's capacity to capture more business, developing structural engineering business and acquisition of plant and equipment for operational needs	N/A	N/A	N/A	11.3	11.3
	28.9	12.9	16.0	28.9	16.0

The unutilised net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong.

Comparison of business objectives with actual business progress

An analysis comparing the business objectives as set out in the Prospectus for the six months ended 30 September 2016 (“Review Period”) with the Group’s actual business progress for the Review Period is set out below.

Business objectives for the Review Period	Actual business Progress for the Review Period
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Further expanding the Group’s capacity to capture more business opportunities

Recruit up to about 1 to 4 project staff to cope with business development	Recruited a project manager and 2 project staff
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Further development of the Group’s structural engineering business

Undertake more design and build projects should the Group be able to identify and secure suitable business opportunities, with HK\$1.6 million earmarked for satisfying potential customer’s requirement for surety bonds	Following the Group’s listing and enhanced financial strength, the customers of our newly contracted projects did not require from us a surety bond. The Directors had evaluated the Group’s business plan and on 9 November 2016 approved to extend the use of the remaining unutilised proceeds to include acquisition of plant and equipment for operational needs.
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Enhancing the Group’s design and customisation capabilities

Recruit up to about 3 additional designers and draftsmen to strengthen the design and customisation capabilities of the Group	Recruited a design manager and 5 draftsmen and set up a new office premise to accommodate the enlarged work force and associated facilities.
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Sponsor the designers and other relevant staff to attend technical seminars and occupational health and safety courses organised by third parties	The Company had arranged training and classes to relevant staff members according to their duty needs and skills.
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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 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 an associated corporation

**Name of associated corporation:
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 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.

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

As at 30 September 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of a Director, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of the Company

Name of shareholder	Capacity/ Nature of interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Success Wing Investments Limited	Beneficial owner	369,000,000	61.5%
Ms. Lam Suk Lan Bonnie	Interest of spouse	450,000,000	75.0%
Ms. Wu Janet	Interest of spouse	450,000,000	75.0%

Save as disclosed above, as at 30 September 2016, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the shareholders of the Company and was effective on 22 September 2015. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 September 2016, no share option was outstanding under the Share Option Scheme. During the period from 22 September 2015 to 30 September 2016, no share options were granted by the Company.

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 during the Period.

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 throughout the Period.

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") and had complied with the CG Code throughout the Period.

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 30 September 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, and was of the opinion that such statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made.

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

Hong Kong, 9 November 2016

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