

An aerial photograph of a multi-lane highway. A large, rectangular canopy made of solar panels covers a significant portion of the road's right side. The canopy is supported by a grid of white poles. The road is flanked by lush green trees and some buildings in the distance. The sky is bright blue with some light clouds. The overall image has a blue and green color palette.

KPa-BM Holdings Limited 應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock code: 2663

ANNUAL REPORT 2020

* For identification purpose only

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Corporate Information

BOARD OF DIRECTORS (THE “BOARD”)

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

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

PRINCIPAL BANKERS

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

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

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

27/F, The Octagon
6 Sha Tsui Road
Tsuen Wan, New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen’s Road East
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Yip Pak Hung
Mr. Chan Sun Kwong

AUDITOR

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

COMPANY’S WEBSITE

www.kpa-bm.com.hk

STOCK CODE

2663

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors ("**Board**") of KPa-BM Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company together with its subsidiaries (the "**Group**") for the year ended 31 March 2020 (the "**Year**" or "**FY2020**").

The Group continues to achieve revenue growth for the year ended 31 March 2020 and recorded a revenue of approximately HK\$733.3 million, as compared to approximately HK\$415.0 million for the year ended 31 March 2019. The increase in our performance was mainly due to favourable progress of key projects during the Year. Although the outbreak of COVID-19 in early 2020 has posed some obstacle to the transportation of construction material from mainland China to Hong Kong, the situation has resumed gradually in February 2020, therefore, the impact on our revenue for the year ended 31 March 2020 is immaterial.

As the progress of the key projects is favourable, the outstanding contract sum of the Group's contracts on hand reduced to HK\$409.9 million as at 31 March 2020. The construction market has been steadily growing in past few years due to the Hong Kong Government's implementation of long-term policies on housing supply, mass transit railway extension and infrastructural development. Despite the US-China trade war and the protests in Hong Kong, which has remote impact on the construction market, the Group is confident in the industry outlooks and prospects of the construction market in Hong Kong. The Group will focus on its core business as well as exploring new opportunities that are beneficial to the Group and our shareholders.

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

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

The Board is pleased to share the Group's performance with our shareholders and recommends the payment of a final dividend of HK2.5 cents per share.

On behalf of the Board,

Yip Pak Hung

Chairman and Executive Director

Hong Kong, 19 June 2020

Management Discussion and Analysis

The Board is pleased to present the annual results of the Group for the year ended 31 March 2020 (the “Year” or “FY2020”), together with the comparative figures for the corresponding year ended 31 March 2019 (the “Previous Year” or “FY2019”).

BUSINESS ACTIVITIES

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

BUSINESS REVIEW

During the Year, the Group achieved an improved performance in revenue of approximately HK\$733.3 million (FY2019: HK\$415.0 million). The following table sets forth the major projects undertaken by the Group during the Year.

Major projects undertaken by the Group during the Year	Revenue recognised during the Year HK\$ million	Status as at 31 March 2020	Expected completion date
Structural Steel and Roof Work in Hong Kong International Airport	266.38	Ongoing	December 2020
Structural Steel and Roof Work in Lamma Island	166.50	Ongoing	December 2020
Supply and installation of Glass Panels at Existing Floors of Proposed Hotel and Office Extension in Hunghom	50.39	Ongoing	September 2020
Noise Barrier Project in Tuen Mun	41.57	Ongoing	September 2020
Noise Barrier Project in Kwun Tong	29.52	Ongoing	September 2020
Noise Barrier Project in Fu Tei	28.57	Completed	–

Management Discussion and Analysis (Continued)

FUTURE PROSPECTS

The Group have the following projects with estimated outstanding contract sum of over HK\$50 million each as at 31 March 2020:

Projects with estimated outstanding contract sum of over HK\$50 million as at 31 March 2020	Status as at 31 March 2020	Expected completion date
Structural Steel and Roof Work in Lamma Island	Ongoing	December 2020
Structural Steel and Roof Work in Hong Kong International Airport	Ongoing	December 2020
Noise Barrier Project in Anderson Road	Ongoing	June 2022

As at 31 March 2020, the aggregate outstanding contract sum of the Group's ongoing projects amounted to approximately HK\$409.9 million. Subsequent to the end of FY2020 and up to the date of this report, the Group secured new contracts with an aggregate awarded contract sum of approximately HK\$531.6 million. Meanwhile, the Group is in the process of bidding for or pending the results of 14 sizeable project tenders with an estimated total contract value of over HK\$501 million.

FINANCIAL HIGHLIGHTS

	Year ended 31 March		Percentage change
	2020	2019	
	HK\$'000	HK\$'000	
Revenue	733,345	414,990	76.7%
Cost of revenue	623,640	342,816	81.9%
Gross profit	109,705	72,174	52.0%
Profit before income tax	63,163	33,257	89.9%
Net profit	53,753	28,302	89.9%
Earnings per share (HK cents)	8.96	4.72	89.8%

Management Discussion and Analysis (Continued)

	As at 31 March		Percentage change
	2020 HK\$'000	2019 HK\$'000	
Current assets	382,155	298,887	27.9%
Current liabilities	190,564	138,621	37.5%
Total assets	433,938	327,974	32.3%
Total equity	231,874	188,529	23.0%

	Year ended 31 March	
	2020	2019
Key Performance Indices		
Gross profit margin (%)	15.0	17.4
Net profit margin (%)	7.3	6.8
Return on equity (%)	23.2	15.0
Return on total assets (%)	12.4	8.6

	As at 31 March	
	2020	2019
Current ratio (times)	2.0	2.2
Gearing ratio (%)	7.7	13.6

FINANCIAL REVIEW

Revenue

For the Year, the Group recorded revenue of approximately HK\$733.3 million, which was significantly increased by approximately 76.7% as compared to that of approximately HK\$415.0 million for the Previous Year.

Such increase is mainly attributable to favourable progress achieved during the Year on key projects.

Cost of Revenue and Gross Profit

The Group's cost of revenue mainly comprised material and processing charges and subcontracting charges. For the Year, the Group's cost of revenue amounted to approximately HK\$623.6 million, representing an increase of approximately 81.9% as compared to that of approximately HK\$342.8 million for the Previous Year.

The Group recorded gross profit of approximately HK\$109.7 million for the Year, representing an increase of approximately 52.0% as compared to that of approximately HK\$72.2 million for the Previous Year. Gross profit margin of the Group decreased to approximately 15.0% for the Year from approximately 17.4% for the Previous Year. The decrease in the gross profit margin was because relatively more subcontracting works were engaged for the projects during the Year which led to higher subcontracting charges which outweighed the increase in revenue.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Year were approximately HK\$46.6 million, representing an increase of approximately HK\$10.2 million from the Previous Year. Such increase was mainly due to the combined effect of (i) increase in employee costs (excluding Directors' remuneration) of approximately HK\$4.8 million mainly arising from increase in number of employee; (ii) increase in Directors' remuneration of approximately HK\$3.3 million; and (iii) increase in lease expenses on offices premises, car parks, factories, warehouses, quarters and motor vehicles for use in the Group's operation of approximately HK\$1.2 million.

Finance Costs

For the Year, the Group's finance costs were approximately HK\$1.8 million (FY2019: HK\$0.6 million), representing an increase of approximately HK\$1.2 million or 200%, which was mainly due to adoption of HKFRS16 *Leases* in the Year. For more details of impacts on our consolidated financial statements, please refer to note 3(a).

Income Tax Expense

The Group incurred income tax expense of approximately HK\$9.4 million and HK\$5.0 million for the Year and the Previous Year, respectively, representing effective tax rate of approximately 14.9% and 14.9%, respectively.

Management Discussion and Analysis (Continued)

Profit for the Year

As a result of the increase in gross profit as mentioned above outweighed the increase in administrative and other operating expenses and finance costs and the gain of approximately HK\$4.3 million recognised on disposal of the Group's property, plant and equipment, the Group's profit for the year increased from approximately HK\$28.3 million for the Previous Year to approximately HK\$53.8 million for the Year, representing an increase of approximately HK\$25.5 million or 90%.

Dividend

On 19 June 2020, the Board recommended a final dividend of HK2.5 cents (FY2019: HK1.6 cents) per share, totalling HK\$15.0 million for the Year (FY2019: HK\$9.6 million) which is subject to the approval of shareholders at the forthcoming annual general meeting of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Current assets	382,155	298,887
Current liabilities	190,564	138,621
Current ratio (times)	2.0	2.2

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\$83.6 million, together with the availability of short term bank loans and overdrafts, the Group has been financially sound in its daily operations throughout the Year.

During the Year, the Group financed its operations by its internal resources and banking facilities. As at 31 March 2020, the Group had net current assets of approximately HK\$191.6 million (31 March 2019: HK\$160.3 million). The Group's current ratio as at 31 March 2020 was approximately 2.0 times (31 March 2019: 2.2 times).

As at 31 March 2020, the Group had a total cash and bank balances of approximately HK\$125.8 million (31 March 2019: HK\$82.5 million), mainly denominated in HK\$.

As at 31 March 2020, the Group had a total available banking facilities of approximately HK\$141.3 million, all of them was unutilised and available for use.

There has been no change in capital structure of the Company during the year. As at 31 March 2020, the equity attributable to owners of the Company amounted to approximately HK\$231.9 million (31 March 2019: HK\$188.5 million).

Gearing Ratio

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

The Group is able to generate net cash from operating activities of approximately HK\$83.6 million for the Year. The gearing ratio of the Group as at 31 March 2020 was 7.7% (31 March 2019: approximately 13.6%), because of the Group's lease liabilities arising from adoption of HKFRS16 *Leases*. The bank borrowings were fully repaid during the Year with the cash reserves from operation. The net gearing ratio is nil as at 31 March 2020 (31 March 2019: nil) as the Company's cash and bank's balance can fully repay its debt.

Foreign Currency Exposure and Treasury Policy

Operations of the Group are mainly conducted in HK\$, United States dollars ("US\$"), British Pound ("GBP"), Euro ("EUR") and Renminbi ("RMB"). It is the Group's treasury 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 2020, the Group did not have any bank borrowings (as at 31 March 2019: approximately HK\$25.4 million) and banking facilities are unsecured as at 31 March 2020 (31 March 2019: bank deposits of HK\$10.0 million)

In addition, the Group has pledged deposit of approximately HK\$0.1 million as at 31 March 2020 (31 March 2019: HK\$3.0 million) to an insurance company as collateral for the surety bond issued in favour of the customers of a construction contract. The value of the surety bond arranged by the insurance company as at 31 March 2020 were approximately HK\$0.3 million (31 March 2019: HK\$10.1 million). The surety bond is required for the period upon which the construction works is substantial completed. Pledged deposit as at 31 March 2020 are expected to be released in year 2021.

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 acquisition of subsidiaries during the Year was disclosed in note 32 to the consolidated financial statements. The Group did not dispose any subsidiaries during the Year.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 193 staff (31 March 2019: 93), the significant increase of the number of employees was mainly due to the acquisition of subsidiaries as disclosed in note 32 to the consolidated financial statements. The total employee benefit expenses for the Year (including Directors' emoluments, salaries to staff and other staff benefits included provident fund contributions, medical insurance coverage and other staff benefits) were approximately HK\$64.2 million (FY2019: HK\$46.3 million). The Group determines the salaries of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee. During the Year, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

EVENTS AFTER THE YEAR

The outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment since the beginning of 2020. During the year ended 31 March 2020 and up to the date of this report, COVID-19 has not resulted in material impacts on the financial performance of the Group. However, management expects that the financial performance of the Group of 2021 might be adversely affected to a certain extent, which will depend on the new development concerning the global severity of and actions taken to contain the COVID-19 outbreak that are highly uncertain. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the Group's financial and operation results.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YIP Pak Hung (葉柏雄), aged 61, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director, chairman of the Board and the compliance officer of the Company on 26 June 2015. Mr. Yip is primarily responsible for the overall management and corporate policy making of the Group's business operations. He is also a director of all subsidiaries of the Company, except 應力恒富設計貿易(深圳)有限公司.

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

Mr. WAI Yat Kin (韋日堅), aged 60, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director and the chief executive officer of the Company on 26 June 2015. Mr. Wai is the co-founder of the Group and is primarily responsible for the overall strategic planning, management and administration of the Group's business operations. He is also a director of all subsidiaries of the Company, except 應力恒富設計貿易(深圳)有限公司.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LAI Pik Chi, Peggy (黎碧芝), aged 55, 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 the Hong Kong Institute of Certified Public Accountants.

Ms. Lai has over 20 years of auditing, accounting, financial management experience. Ms. Lai served as an executive director from October 2008 to May 2011, and the chairman of the board from January 2009 to May 2011 of Mandarin Entertainment (Holdings) Limited (now known as KEYNE LTD) (stock code: 9), a company listed on the Main Board of the Stock Exchange. She was the chief financial officer and company secretary from May 2012 to May 2016 and remains as the company secretary until 30 June 2016 of CIG Yangtze Ports PLC (now known as China Infrastructure & Logistics Group Ltd.) (stock code: 1719), a company listed on the Main Board of the Stock Exchange. She is the Company Secretary of OCI International Holdings Limited (stock code: 329), a company listed on the Main Board of the Stock Exchange. She is also an independent non-executive Director of KNK Holdings Limited (stock code: 8039) and Zhejiang United Investment Holdings Group Limited (stock code: 8366) and an non-executive Director of Larry Jewellery International Company Limited (Stock code: 8351).

Mr. LAM Chi Wai, Peter (林志偉), aged 60, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the 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 (now known as China Trustful Group 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 62, 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.

Biography of Directors and Senior Management (Continued)

SENIOR MANAGEMENT

Mr. LUI Bun Yuen, Danny (呂品源), aged 56, is primarily responsible for the overall management of the business operations and development of key operating subsidiaries of the Company. He is a director of a majority of the subsidiaries of the Company and was a Director of the Company from May 2015 to September 2018.

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

Mr. LIU Yuen Wai (廖遠維), aged 47, 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) and BuildMax (SZ).

Mr. Liu obtained a diploma in civil engineering technology from Humber College in Canada in June 1994. He has over 20 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 49, is a commercial manager of the Group and is primarily responsible for the overall management of site works, quality control and work safety supervision in relation to the design and build projects of the Group. Mr. Chan is also a director of BuildMax (HK) and is primarily responsible for the supervision of the operation of the Group's business segment in relation to trading of building material products.

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

COMPANY SECRETARY

Mr. CHAN Sun Kwong (陳晨光), aged 53, is the company secretary of the Company. He is primarily responsible for the company secretarial matters of the Group. Mr. Chan has over 25 years of experience in accounting, auditing, banking and company secretarial fields.

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

Corporate Governance Report

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Chairman and Chief Executive

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

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

BOARD OF DIRECTORS

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

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

COMPOSITION OF THE BOARD

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

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

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

Corporate Governance Report (Continued)

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

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

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

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

Board Diversity Policy

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

- management skills and experience;
- industry specific knowledge and experience relevant to the Group;
- financial management skills and experience;
- academic and professional qualifications; and
- governance and compliance expertise.

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

BOARD COMMITTEES

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

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

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

C – denotes chairman of the respective committee

Audit Committee

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

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

Remuneration Committee

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

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

Corporate Governance Report (Continued)

Nomination Committee

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

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

The nomination committee will monitor the implementation of the policy on Board diversity from time to time to ensure its effectiveness.

AUDITOR'S REMUNERATION

For the year ended 31 March 2020, the fees in respect of the audit and non-audit services provided to the Group by the Company's auditor, BDO Limited, is set out as follows:

Fee Amount	HK\$'000
Audit service	730
Non-audit services	–
Total	730

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge the responsibility for the preparation of financial statements which give a true and fair view of the affairs of the Group. The responsibility of the Company's auditor on the financial statements of the Group is set out in the independent auditor's report on pages 71 to 75 of this annual report.

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 his biographical details as set out on page 13 of this annual report.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

INVESTORS' RELATIONS

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

SHAREHOLDERS' RIGHTS TO NOMINATE A DIRECTOR

If a shareholder of the Company (the “**Shareholder**”) wishes to propose a person for election as a new Director of the Company, the Shareholder must deposit a written notice (the “**Notice**”) to the principal place of business of the Company in Hong Kong at 27/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong for the attention of the company secretary of the Company (the “**Company Secretary**”).

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

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

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

SHAREHOLDERS' RIGHTS ON CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 64 of the Memorandum and Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requested shareholder(s) ("**Requested Shareholders**") himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requested Shareholders as a result of the failure of the Board shall be reimbursed to the Requested Shareholders by the Company.

ENQUIRES TO THE BOARD

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

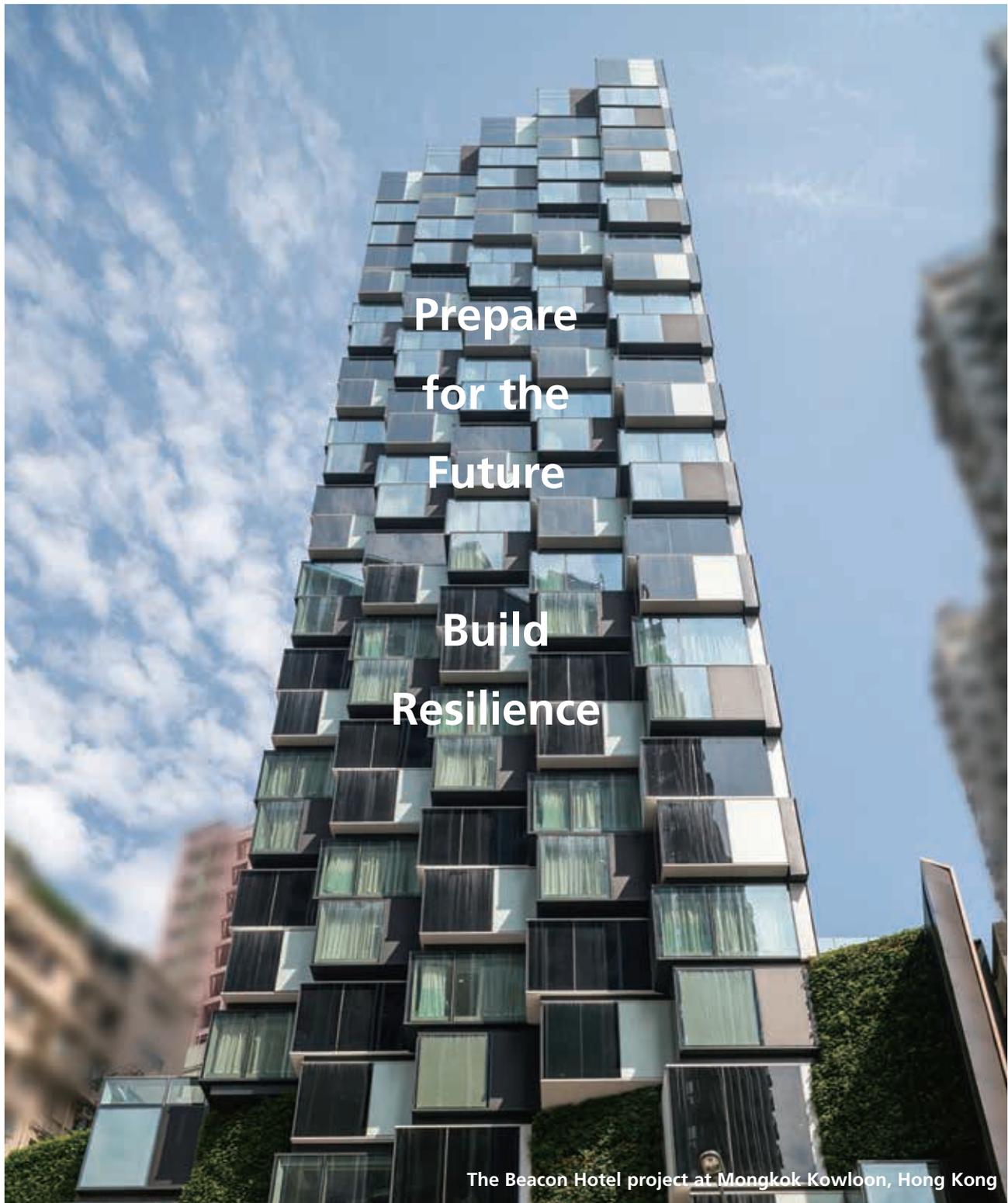
PUTTING FORWARD PROPOSALS AT A GENERAL MEETING

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

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

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

Environmental, Social and Governance Report





The future is unknown. The past 2019/20 reporting year was one of the disastrous years that we saw many lives were lost and properties were destroyed. Many of these events were worsened by the changing environmental conditions, such as extreme weather, stronger and wetter storms, drier forests, storm water flooding, etc. Many more were the result of human carelessness and mistakes. Deadly examples are the super typhoons Hagibis in Japan and Lekima in China; massive flooding in Venice and India; extensive droughts in India; wildfires in Australia, California and Amazon; Ebola virus in Congo; and the recent worldwide outbreak of COVID-19 pandemic.

The underlying problems of climate change, extreme weather, diminishing natural resources, virus and pandemic, and other threats are escalating in the 21st Century. Anticipating and preparing for the impact of such issues in the future must be one of the top strategic plans for every responsible corporate citizen today. KPa-BM believes that preparing for the unknown and uncertainty requires resilience for recovering from the unexpected and difficulties, and it is an essential step forward on the path to sustainability.

As mentioned in our last year ESG report, our vision is to make the society where we operate a better place to live, with quality of living and sustainability. Our people are making this happen with their enthusiasm and commitment by linking our business with sustainability. Resilience is essential to building a better world, but our world is unpredictable. We design and build, and we endeavour to make our works capable to stand for future challenges. Resilience is about anticipating the uncertainties such that KPa-BM can minimise the impact and tackle the most complicated challenges in our city.

In this reporting year, KPa-BM saw immense growth and advancement. To help sustain this considerable growth, we have enhanced our ESG initiatives. We believe that investing in our people, focusing on safety improvement, improving our business processes, collaborating with our business partners and reducing environmental impacts will add tremendous value to our company and in our industry.

Our people and our corporate value guide us through the difficulties and get the jobs done. Our clients choose us, in part, because they know we can partner and share the same value to achieve what they want. It is our responsibility to you, and ourselves to operate safely, responsibly and sustainably as we deliver our vision. I believe when times get through, our resilience will continue to strengthen up and our compassion for the community will get stronger.

Yip Pak Hung

Chairman and Executive Director

ABOUT THIS REPORT

Reporting Standard And Scope

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

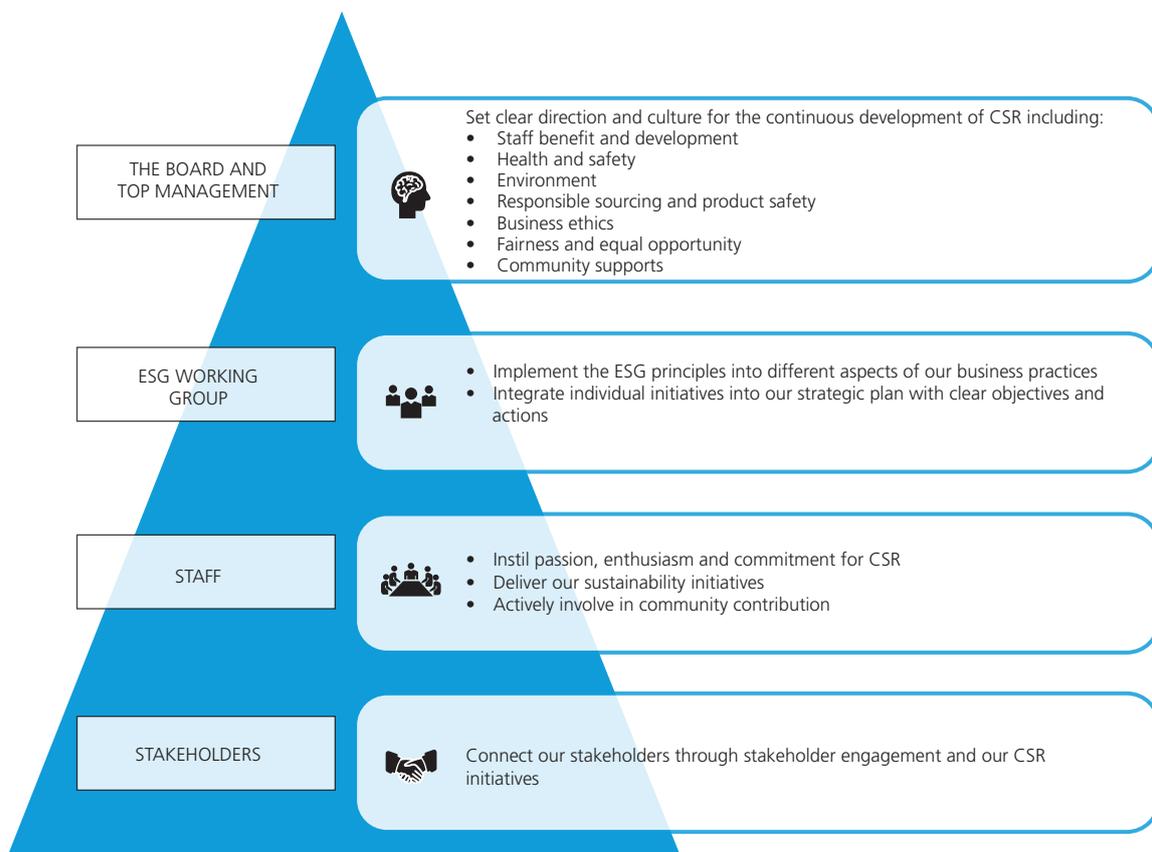
This Report covers the reporting year from 1 April 2019 to 31 March 2020 (the “Reporting Year”) and has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) in Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (“HKSE”) and has complied with all the “comply or explain” provisions of the Guide. The Guide encourages a listing company to identify and disclose ESG information that is material and relevant to both its business and its stakeholders. This Report has embedded the principles of materiality, quantitative, balance and consistency in presenting the ESG information in a way that can meet better the expectation of our stakeholders.

The Group started the processing, fabrication and manufacturing of building materials during the Reporting Year through acquiring a Shenzhen PRC factory. This Report covers all our main operations of our Hong Kong office (including warehouses) and Shenzhen PRC factory (including staff quarters).

Business Operations	Customers	Hong Kong Office	Shenzhen PRC Factory
Provision of one-stop structural engineering design and build solutions for podium façade, roof, structural steelwork and noise barriers	Hong Kong	✓	✓
Supply and installation of flagpoles and related services	Hong Kong	✓	✓
Trading of building material products	Hong Kong & PRC	✓	X

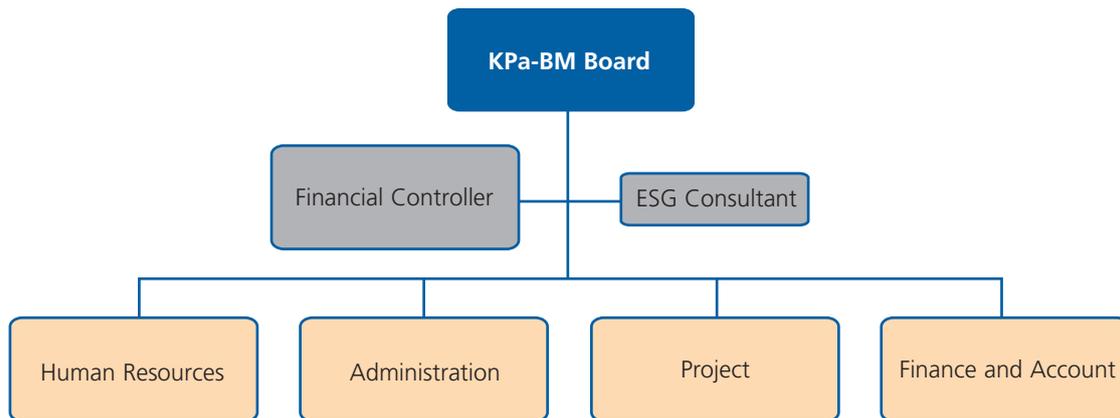
OUR ESG STRATEGY AND GOVERNANCE STRUCTURE

KPa-BM’s corporate and social responsibilities (“**CSR**”) strategies are formulated by the top management with endorsement from the Board. The strategies are developed with the objectives of aligning the Group’s philosophy and objectives of creating long-term value for our stakeholders. The Board oversees the ESG development and sets out CSR objectives and direction. It has delegated the day-to-day execution of all ESG related responsibilities to the ESG Working Group, through the responsible Financial Controller.



The ESG Working Group

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



Functions of The ESG Working Group

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

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

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

Environmental, Social and Governance Report (Continued)

Stakeholders	Communication Channels
Employees 	<ul style="list-style-type: none"> • Staff appraisal meetings • Internal surveys • Department meetings • Staff welfare activities • Intranet and email communications • Seminars, workshops and trainings
Customers 	<ul style="list-style-type: none"> • Customers meetings • Sales representatives and project coordinators
Government & Regulators 	<ul style="list-style-type: none"> • Telephone enquiry hotline • Seminars on regulations • Government/regulators' announcement and circulars • Government/regulators' surveys.
Shareholders & Investors 	<ul style="list-style-type: none"> • Shareholders and investors meetings • Company website and company enquiry email, fax, telephone

Stakeholders	Communication Channels
Subcontractors 	<ul style="list-style-type: none"> • Physical and phone meetings • Industry seminars • On-site briefings and trainings • Collaboration between project managers
Industry Association 	<ul style="list-style-type: none"> • Membership in the Façade Association • Association's enquiry and survey • Seminars, industry regulations, technology updates
Suppliers 	<ul style="list-style-type: none"> • Physical and phone meetings • Company websites
Community & NGO 	<ul style="list-style-type: none"> • Participation in community activities • Charitable donation and corporate sponsorship • Community news

IDENTIFYING PRIORITIES AND BALANCES

One of the key outcomes we expect from the stakeholder engagement process is materiality assessment where ESG issues of what are important to business as visualised by the top management, and what are important to the stakeholders are identified through plotting on a matrix of importance. Through the assessment result, we understand and identify the material ESG issues and the respective risks associated in our operations. We prioritise the material issues and focus these in the medium and long-term planning.

OUR SUSTAINABILITY VALUE CREATION PROCESS

We aim at minimising the impact of material ESG issues on financial risks by incorporating a strategic approach that is forward looking and reflects long-term interests of KPa-BM. ESG strategies and plans are developed to manage such risks. Adequate manpower and financial resources are ensured to meet the strategic plans. Policies are enhanced and developed where they are inadequate to meet the ESG objectives. The ESG Working Group introduces and arranges ESG initiatives for achieving the ESG objectives, and ensures the initiatives and actions are properly executed by relevant staff. ESG data are analysed annually and KPI performances are evaluated by comparing with our initial objectives and with the previous period. Feedback on the performance enables the Board and the top management to revise and update the ESG objectives based on the ESG result, and the ESG process will be revisited periodically to reflect what we have learned during the process and to align with the changes on the stakeholder expectations over time.



STAKEHOLDERS' FEEDBACK

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

OUR PEOPLE



Our people are fundamental to Kpa-BM's success and are critical to our organisational resilience.

Acquire The Right Talents

We believe our employees are the most valuable assets of the Group, and they are irreplaceable. We strive to recruit the best Talents that not only can deliver our business performance, but also can drive our sustainable development. We endeavour to be a good corporate citizen, and this cannot be done without our people who possess the necessary passion, enthusiasm and commitment to deliver our CSR objectives.

Facing the uncertainties and difficulties in our world, we count on our Talents to enhance our organisational resilience. Crisis preparation is a crucial element of resilience planning. Our people need anticipation for considering threats unique to our business and emerging societal strains in developing risk management plans. As the bedrock of organisational resilience, they are required to work collaboratively utilising each individual's experience and expertise, and to communicate effectively to facilitate timely staff actions.

Our workforce has significantly increased to 80 staffs (2019: 65) in Hong Kong and 113 staffs in Shenzhen PRC (2019: 28) as the result of acquiring the PRC factory and expansion in our business.

We offer competitive salary package to recruit and retain the right Talents and their salaries are determined on the basis of performance, qualification, relevant experience, position, and seniority. We treat our Talents with respects and offer competitive employment benefits. We recognise the role of human resources policies in enhancing the quality and stability of our workforce. These policies aim at fostering a working environment with opportunity for challenges and creativity. The key fundamental principles outlined below illustrate the way such working environment is created.

KPa-BM Key Fundamental Human Resources Principles			
	Respect each employee's human rights and legally protected privacy.		Maintain a human resources system that is most reasonable and persuasive to the employees, and such system has to be open and clearly explained as far as practicable.
	Treat each individual employee in a fair and impartial manner. No discrimination against the employees on their nationality, race, religion, age, gender, physical or mental disability that are irrelevant to their work performance.		No child labour or forced labour.
	Provide workplaces where they can seek a good balance between their private and work lives, while accomplishing their work tasks with satisfaction and pride.		Offer to our employees those terms and conditions for employment that are sufficiently competitive in the regions we operate.
	Comply with all applicable laws and regulations concerning the employment of our staff.		

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

The employment of staff in Hong Kong is subject to the:
○ Employment Ordinance
○ Employees' Compensation Ordinance
○ Minimum Wage Ordinance

In the PRC, the employment of staff is subject to the:
○ Labour Law
○ Labour Contract Law



*So that
our Talents
feel valued and
inspired*

Reward and Support Our Talents

We uphold our Talents as the first priority. We care about our Talents and treat them with respect, offer competitive compensation and benefits, provide working flexibility and ample opportunities to grow professionally. We ensure that our Talents come to work with a sense of pride and passion to contribute to Kpa-BM. It is our basic strategy to incentivise and retain the best Talents for bringing business success.

Working under a well-established and transparent staff appraisal system, our Talents understand that all contributions they made will be fairly rewarded. We adopted a reward-for-performance approach that our Talents are compensated in a fair and objective manner. High performers are rewarded with more bonus and higher salary increment. Our performance reviews are conducted through review meetings by department heads, and the results are calibrated at company-wide level by the human resources department and the top management. The performance review is conducted biannually to evaluate our Talents' performances and contributions and discretionary bonus is granted biannually accordingly.

We benchmark our salary compensation to industry data in order to remain competitive in the market, and salary increment is proposed to each Talents annually based on their performance reviews. Our benefits include healthcare and travel insurance, company contribution of 5% in MPF retirement plan for all salary levels in Hong Kong, paid and unpaid time-off, and employee stock option plan. Personal growth and career development are essential ingredients for our success. We want our people to set their own career goals and preferences. When we have job vacancies, we would first consider promoting internally the right Talents before looking for the external sources.

Work-life Balance - Work Flexibility

We strive to ensure our Talents can work and simultaneously enjoy happy and fulfilled lives. A healthy balance on work-life is indispensable in maximising the potential of our Talents' abilities, their motivation and passion. Considering "work-life balance" for our Talents, KPa-BM is working on providing more flexibility on work, paid leaves, and establishing other staff benefits policies.

The following table highlights some of our comprehensive benefits and flexibilities that are above the statutory obligation:

	Annual Leave 14 Days paid leave when joining		Early off-work When there is public transportation issue
	Exam Leave Up to Half Day paid leave upon request		Work-from-home When there is public transportation issue
	Festive Half-day Off 4-5 Big festive days in a year		Flexi-hour Choose time to work to avoid crowds during pandemics
	Part-time Working No-pay Leave without affecting employment		Healthcare Insurance Benefits Provide to all staff

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

We provide flexibility on attending works to our Talents when they need to take leaves for personal matters. We are flexible to allow them to take reasonable no-pay leaves or to work part-time only when they have such urgency and need. For example, the public transports and traffics were sometimes seriously interrupted during the social movements in the second half of 2019 in Hong Kong. When public transports were not available and our Talents had difficulty in accessing the office, we allowed them to work at home. On the other hand, early leave from the office was allowed when public transports services were affected after hour. During the coronavirus pandemic in 2020, we promoted flexi-working hours for our Talents that they could choose the time for coming to the office and the off-work time so as to avoid the crowds during rush hours.



Look
after
our new
mothers

Inclusive Working Environment

We endeavour to make our working environment as inclusive as possible. We notice that breastfeeding has become more common. We are conscientious to such need of our female staff in the office with newborn baby. As such we designed and made a breastfeeding room in our Hong Kong office to provide a private and comfortable place for our new mothers to nurse their babies. The breastfeeding room is comfortably fit with tables, seats and sanitizers with a tranquil ambience.

Work-life Balance – Staff Social Activities

We are keen to organise staff social activities so as to embrace our work-life balance philosophy. We also encourage our Talents to cultivate different interests. These social activities can also enhance team cohesion, drive staff productivity and belonging. During the year, we held birthday parties every month to celebrate with our Talents who were born in the month. We also set up some interest groups for our Talents to attend classes on learning crafting outside working hours. During the Year, we had arranged a leather DIY workshop and a wood carving workshop for our Talents in Hong Kong. Before the Chinese New Year, we hosted an annual dinner in a hotel for the Group in Hong Kong where our Talents and their families were invited to participate in a casual manner. We also held an annual dinner in Shenzhen for our PRC staff and workers. Gifts and lucky draw prizes were given to all participants. It is an opportunity to show our appreciation to our Talents for their efforts and contributions to KPa-BM for the past year.

We are keen to promote healthy lives and our Talents are encouraged to participate in sports and outing activities for maintaining both their mental and physical fitness. In this year, we organised a boat lounge in Sai Kung, Hong Kong for water sports activities and sponsored our Talents to participate in the Sowers Action Challenge 12 Hours Charity Marathon (苗圃挑戰12小時越野馬拉松).



40 of our Talents and their family members enjoying a leisure boat lounge in Sai Kung on a nice summer day, where food and games were available on board and free water sport facilities were offered to all participants.

Environmental, Social and Governance Report (Continued)

We sponsored our Talents to take part in the Sowers Action Challenge 12 Hours Charity Marathon (苗圃挑戰12小時越野馬拉松). 28 Talents took the challenge where we had raised HK\$44,800 for the organiser's student aid programme to improve the lives of the underprivileged children and orphans.



Our Talents were creating their own wood masterpieces in the wood carving workshop under the instruction of a wood master.

Under the guidance of an experienced leather making instructor, our Talents were making leather accessories with such colours and styles of their own choice.





Lucky Talents and their family won the lucky draw prizes in the Hong Kong annual dinner. About 140 staff and their family members attended this annual celebration function.



Our people's success is KPa-BM's success

Empower Our People

Supporting our Talents in learning and fostering their career enables KPa-BM's success. We continuously cultivate our Talents and support them to excel in their fields. We strengthen our Talent pool by providing learning opportunities, information, tools and other resources that our Talents need to thrive.

We offer a mix of formal training courses to our Talents and support them to pursue higher education on their relevant disciplines. We also provide on-the-job learning opportunities through peer coaching and collaboration. We encourage teams to share knowledge, experiences and views that drive improved performance and teamwork. These trainings enable our Talents to acquire the necessary technical and professional knowledges and skills for improving their job competency, so as to empower themselves for their career advancement.

For specific job requirements, our senior staff conduct internal training programmes to the team for enhancing their job-related knowledge and safety practices. To encourage our Talents to pursue continuing education and training, we have policy to provide them with subsidy for taking vocational training courses organised by qualified organisations and colleges. Upon satisfactory completion of the training courses that are recognised and approved by us, they can obtain the continuing education allowance for the courses they have taken.

Environmental, Social and Governance Report (Continued)

During the Reporting Year, we had offered the following training and development programmes for our Talents:

- **New staff orientation.** Induction programmes are specially designed for new joiners of the Group to enable them to get familiar with the Group policies and the working environment, so as to make them fit in our big family as quickly as possible.
- **In-house training programmes.** These trainings target specific group of employees for catching up with essential knowledge and skills for performing their jobs and for enhancing safety practices.
- **External training and education courses.** These courses are intended to upgrade the knowledge and skills of our staff for empowering them to take up future challenges in new capacities. For example:
 - “Safety Supervisor Training” course;
 - “Technically Competent Person Training” course; and
 - Certificate, Diploma, and University Degree courses in architectural study, company secretarial practice, professional accounting and finance, etc.
- **Apprenticeship programmes.** They are for the development of young interns.

Nurturing Young Talents

KPa-BM realises bringing in people to the sector is critical for sustainable development of the construction and engineering industry in Hong Kong. This makes sure our sector has the pool of skilled and trained workforce required to manage the demand for future projects. We are committed to creating apprenticeship opportunities for young Talents and developing future Talents within our industry sector.

In this connection, we cooperate with the leading universities in Hong Kong to set up part-time employment programme for university students. Our programme is designed to give students real insight into the world of construction and engineering, while developing softer skills such as team working, communication and presentation. During the Reporting Year, two university students joined our project engineering department under this programme for a period of about two months. They are eligible for becoming our long-term employee when they have finished their studies and when there is job opportunity in our Group. We hope our efforts can help attracting young Talents to the construction industry.



We want our people to return home safely and healthily each day

Ensure Health and Safety

In the wake of the COVID-19 pandemic, the connection between our workplace environment and wellness is clearer than ever before. Are there enough hand sanitisers and hand-wash facilities? Do we have enough face masks for our staff? Which surfaces do people often touch and how clean they are? It is our uncompromised mission to ensure that all people working for KPa-BM or in our projects, or anyone who are exposed and affected by our operations activities, including subcontractors and the public where appropriate, do

not suffer from any injury or ill health. We try very hard to operate at high safety, health and environmental standards as we treat health and safety at work as an integral part of our business performance. We have set out work safety rules and procedures to provide our staff with a safe and healthy working environment.

Mission Possible

KPa-BM's mission to make everyone safe and healthy is possible as we have implemented and uphold a series of strategy based on:

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

Site Safety

Our safety supervisor is responsible for carrying out regular site safety inspection to ensure that the safety rules and measures are in place. Our staff and our subcontractor's workers working in the construction sites are required to attend safety training courses onsite arranged by the main contractor, and we are required to observe the occupational health and safety measures and policies posted up at the sites. Our directors, safety supervisor, project managers and site foreman hold regular meetings to identify occupational health and safety risks and deficiencies, and will impose mitigation measures where necessary.

We rely on our business partners, i.e. our subcontractors to carry out installation works for our projects. To avoid any accident, we require them to abide all safety laws, rules, regulations, measures and procedures as well as all safety requirements relating to their works. Our project manager and the site foremen are responsible for inspecting and monitoring the work-in-progress of the subcontractors to ensure that they have met the safety requirements of the construction sites.

Environmental, Social and Governance Report (Continued)

Office and Factory Safety

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

We have implemented a number of safety policies and measures in our factory in the PRC and there was no serious injury incurred during the Reporting Year. Major measures we have taken include:

- Keep the factory workplaces as tidy as possible and prevent falling objects from storage area;
- Keep aisles clear and clean to prevent slips and trips;
- Constantly inspect and clean the equipment to make sure they are safe;
- Appropriate personal protective equipment must be worn in working area;
- Make sure there are sufficient emergency escapes and the emergency exits are clear;
- Extra care in handling and storing combustible materials; and
- Proper training on ways to lift heavy objects.

Guidelines on Health and Safety

KPa-BM has a set of guidelines for maintaining our high standard on health and safety, and our top management will ensure they are continuously executed:

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

Respond to COVID-19

The world is responding in earnest the outbreak of the COVID-19 pandemic. As a responsible corporate citizen, our Group and our staff have to play a role to take initiatives for containing the spread of this virus, in our workplaces and in the community. We have taken the following precautionary measures at our offices to minimise the risk of contracting and spreading the coronavirus:

- Automatic hand sanitizer machines or hand rub with 70-75% alcohol are installed in the offices;
- Face masks are provided for all staff who need to use in the offices or at construction sites;
- More frequent cleaning and disinfecting services are scheduled for the offices;
- Handwashing habits are promoted in the offices;
- Social distancing is encouraged as much as possible;
- Face to face meetings are minimised and replaced by video or phone conferencing;
- Business travels to affected countries or regions are avoided;
- Notices are posted up and circulated to all staff on pandemic precautionary measures, personal and public hygiene; and
- Flexible working hour policy is implemented to avoid crowds during rush hours.

Apart from the above inhouse measures, the property management office at our head office has implemented body temperature check at the building entrance. In our construction sites, we also require our staff and subcontractors to follow the preventive measures implemented by the main contractor on environmental hygiene. To respond to the coronavirus outbreak in Shenzhen PRC, we extended the Chinese New Year holidays for our staff and workers in our office and factory, without cutting their wages and benefits.

CONSERVE OUR WORLD



Our environment is under pressing pressure, we actively minimise the environmental impacts within our reach

Environmental Management

As an engineering and construction specialist, we know very well how our business activities would affect the environment. On the other hand, we know how we can help to make our environment more sustainable and make our place better to live.

As an environmentally responsible company, we recognise our responsibility on reducing the carbon footprint. We always evaluate ways on how we can improve our environmental performance. As such we work very hard to minimise the impact of our operations and to integrate environmental considerations into our strategic business planning and project planning processes. Our project managers and engineering staff incorporate as many environmental considerations as possible into their clients' project works in order to comply with our policies on environmental programmes.

Environmental Policies

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

Compliance with environmental regulations in Hong Kong:

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

Compliance with environmental regulations in the PRC:

- Environmental Protection Law of the PRC (中華人民共和國環境保護法)

As most of our installation works in the construction sites are carried out by subcontractors, we require our subcontractors to strictly comply with all the relevant environmental laws and regulations and to take mitigation measures and work procedures to reduce adverse impacts to the environment. Our project managers also exercise stringent controls to ensure our subcontractors have fully complied with the relevant environmental laws and regulations. In the PRC, we have obtained permits from relevant authorities that we have complied with the relevant provisions in the Environmental Protection Law on noise control, air emissions control, waste water discharge control and solid waste control.

Environmental Management Systems:

In Hong Kong, we have adopted an integrated management system (“**IMS**”) for quality, environmental, health and safety in our structural engineering and installation operations. The IMS comprises of three international standards:

- ISO 9001:2015 Quality Management System (“**QMS**”);
- ISO 14001:2015 Environmental Management System (“**EMS**”); and
- OHSAS 18001:2007 Occupational Health and Safety Management System (“**OHSAS**”).

The IMS enables us to provide quality and safe products to the community in a socially responsible manner. The effectiveness of the IMS is reviewed by the top management on a regular basis. The ISO 14001:2015 EMS in our operations helps us to identify and evaluate the environmental impact of our construction activities and as such mitigating actions can be taken as necessary. Our newly acquired factory in Shenzhen has also adopted the ISO 9001:2015 for the manufacture and technological design of metal structure parts used in our projects.

**Environmental
Performance
2020**

**HK Office
GHG
Emission
Intensity**

1.94
(tonnes CO₂-e/Staff)



**HK Office
Fuel
Consumption
Intensity**

410
(litre/staff)



**HK Office
Electricity
Consumption
Intensity**

1,377
(kWh/staff)



**HK Office
Non-hazardous
Waste
Intensity**

1.54
(kg/\$'000 revenue)



CARBON FOOTPRINT

KPa-BM's operational size had undergone substantial increase during the Reporting Year. To cope with our continuous increase in business volume, we had increased our office headcount in Hong Kong by 23%, increased our office space by 50% from January 2019 onward, and acquired an existing building material processing factory in Shenzhen with 83 staff and workers.

Our engineering and construction operations does not directly generate air pollutants and greenhouse gas ("GHG") in the construction sites as we usually engage subcontractors to carry out the installation works. Air pollutants and GHG emissions are directly or indirectly produced by our Hong Kong office and Shenzhen factory.

Energy Use and Green Management

Electricity and fuel are our major energy consumption for our offices in Hong Kong and the processing factory in Shenzhen. In this year, the electricity and fuel consumption increased substantially as the result of expansion in our business and the addition of the factory operations. In particular, electricity for the factory in Shenzhen was in high demand that had resulted an increase of our total electricity by 293%. The total fuel consumption had also increased by 94%. As we had moved to a much bigger head office in Hong Kong in the beginning of 2019, our electricity consumption for the Hong Kong office and warehouses inevitably increased by 31% and the per staff intensity increased by 17%. Fuel usage for the Hong Kong operations also increased by 28% and per staff intensity increased by 18% due to the rapid expansion in our business.

KPI – Direct Energy Consumption - Fuel					
	HK office		PRC Factory		Total Usage (litre)
	Usage (litre)	Intensity (litre/HK staff)	Usage (litre)	Intensity (litre/\$'000 revenue)	
2020	29,778	410	15,234	0.33	45,012
2019	23,216	357	–	–	23,216
Change	+28%	+18%	N/A	N/A	+94%

KPI – Direct Energy Consumption – Electricity					
	HK office		PRC Factory		Total Usage (kWh)
	Usage (kWh)	Intensity (kWh/HK staff)	Usage (kWh)	Intensity (kWh/\$'000 revenue)	
2020	99,897	1,377	200,545	4.36	300,442
2019	76,403	1,175	–	–	76,403
Change	+31%	+17%	N/A	N/A	+293%

Energy consumption is a major contributor to our carbon footprint. We endeavour to enhance our energy efficiency by adopting green management policies and procedures in the consumption of energy. In our office and warehouses in Hong Kong, we set indoor temperature between 24 to 26°C during the summer. In winter where appropriate, air conditioners are set in fan mode to reduce electricity consumption. We require our staff to switch off electrical equipment, such as air-conditioning, computer, printer, photocopier, lighting, etc., whenever they are away from office for longer period.

Our Hong Kong new office was designed to be energy efficient. We maximise the use of natural daylight when designing our office layout and partitions. LED lightings are extensively used to save energy. Independent temperature control for air conditioning are installed in every room and in different zones of the new office to enable setting of appropriate temperature for different areas.

For our office in China, although it is not feasible to measure the electricity consumption as electricity is provided centrally by the property management company, we also encourage our staff to save electricity by switching off unnecessary lighting and electrical appliances.

Our Shenzhen factory and staff quarters consume most of the Group's electricity. We have policies on saving electricity and our staff and workers are required to follow. Our electrical equipment needs to be cleaned and maintained regularly to keep their power efficiency. We run equipment only when required and will turn off immediately when the works are finished. Air conditioners in the factory and dormitory are set with optimal power saving temperature and will be switched off when not in use. We have also installed LED lighting in the staff quarters to use less electricity.

In order to minimise fuel consumption, we monitor through checking the travel logs to avoid unnecessary usage of our vehicles. Carpool is arranged as far as possible for our staff to visit construction sites. We also encourage our staff to take public transportation to construction sites and other workplaces where feasible.

Air Emissions

The main sources of our emissions come from the usage of motor vehicles and consumption of electricity. Air emissions come from fuel combustion of our motor vehicles. During the Reporting Year, our business had expanded substantially and there were more sizable projects. As such, more car travelling was required for the projects. In addition, more trucks and motor cars were needed for the operations of the processing factory. In this connection, the fuel consumption and mileage incurred were significantly increased. As the result, the Group's emissions of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matter ("**PM**") had increased by 93%, 93% and 108% respectively.

Environmental, Social and Governance Report (Continued)

KPI – Air Emissions									
	HK office			PRC Factory			Total		
	NO _x (kg)	SO _x (kg)	PM (kg)	NO _x (kg)	SO _x (kg)	PM (kg)	NO _x (kg)	SO _x (kg)	PM (kg)
2020	243.5	0.470	19.43	100.2	0.235	9.24	343.7	0.705	28.67
2019	178.3	0.365	13.77	–	–	–	178.3	0.365	13.77
Change	+36%	+29%	+41%	N/A	N/A	N/A	+93%	+93%	+108%

GHG Emissions

Fuel consumption is directly related to carbon emissions and we continuously monitor the use of vehicles. The transportation routes of our trucks are planned ahead to avoid unnecessary mileage incurred. In addition, when we buy new vehicles for our business, we only select those more environmentally friendly vehicles. Our vehicles are required to take regular check and maintenance in order to reduce pollutant emissions. In this year, the GHG emissions attributable to fuel consumption for our Hong Kong office and warehouses increased by 29% as the result of increase of project works.

Electricity consumption is indirectly related to carbon emissions. In this year, we had used more electricity as we moved into the new Hong Kong head office in January 2019. Our new head office had 50% more floor area than the old one for accommodating the increasing work force and had generated 31% more carbon emissions. More significantly, our newly acquired Shenzhen factory consumed much more electricity and had generated 105 tonnes CO_{2-e}.

Paper waste is also indirectly related to carbon emissions. Paper usage in our Hong Kong office had been reduced despite our business had significantly increased, due to more paper saving initiatives implemented during the year, such as enforcing double sided printing and the reuse of scrap paper. We have been able to reduce the carbon emissions by 8% in Hong Kong office.

Environmental, Social and Governance Report (Continued)

KPI – GHG Emissions				
		2020 (tonnes CO _{2-e})	2019 (tonnes CO _{2-e})	Change
Scope 1 Direct from Fuel	HK Office	80.11	62.34	+29%
	PRC Factory	41.79	–	N/A
Scope 2 Indirect from Electricity	HK Office	50.95	38.97	+31%
	PRC Factory	105.71	–	N/A
Scope 3 Other Indirect from Paper Waste	HK Office	9.48	10.26	-8%
	PRC Factory	4.82	–	N/A
Total GHG Emissions	HK Office	140.54	111.57	+26%
	PRC Factory	152.32	–	N/A
	Total	292.86	111.57	+162%
GHG Emissions Intensity	HK Office (per HK staff)	1.94	1.72	+13%
	PRC Factory (per \$'000 revenue)	0.0033	–	N/A

The total GHG emissions had increased by 162% in this year with the addition of the new factory. However, we have been able to control the increase of carbon emissions intensity for our Hong Kong office by 13% despite the significant expansion of business.

WATER CONSERVATION

Key Performance Indicators – Water Consumption					
	Hong Kong Offices		PRC Factory		Total Water consumption (m ³)
	Usage (m ³)	Intensity (m ³ /HK staff)	Usage (m ³)	Intensity (m ³ /\$'000 revenue)	
2020	82	1.13	2,463	0.054	2,545
2019	129	1.98	–	–	129
Change	-36%	-43%	N/A	N/A	+1,873%

Water Resource Management

We are dedicated in promoting efficient use of water and encourage water conservation. In the construction sites, water is supplied by the main contractor and our sub-contractors are responsible for the usage, as such we do not have control over the usage nor have record on the consumption. We only used a little amount of water in our office and warehouses in Hong Kong for general cleaning and washing. We continue to promote water conservation concept to our staff and water conservation signage and notices are posted in prominent places to remind our staff to conserve water. Our PRC office does not consume water of our own as water is supplied by the property management company.

In this year, we have consumed a lot more water in our newly added manufacturing factory. Water was mainly used for cleaning of machineries and the factory area. Water is also consumed in our staff quarters for cooking, washing and general cleaning. After the outbreak of the coronavirus pandemic, we have scheduled more frequent cleaning in the factory and staff quarters to ensure the health and safety of our staff.

We only used 82m³ of water for our Hong Kong operations which was 36% less than last year despite the number of staff had increased. The water usage for the Hong Kong operations was relatively insignificant as compared with the factory operations. Our factory operations including the staff quarters had consumed 2,463m³ of water in 11 months during the Reporting Year. We have reminded our staff in the factory to reduce unnecessary usage of water and we would continue to monitor the water usage when we run the factory.

The water supply and drainage facilities of our offices, warehouses and the processing factory are managed by the respective property management company and the local water authorities where we locate, we do not encounter any issue in sourcing appropriate type of water for our operations purpose.

OTHER RAW MATERIALS MANAGEMENT

For our manufactured products in our Shenzhen processing factory, we require packaging materials to protect the products and for easy transportation to our customers or to our project construction sites. We usually use plastic wraps for our products, and we have consumed about 314.5kg of plastic packaging material during the year. We also use cartoon paper boxes and foam sheets for the packaging, but the amount is relatively immaterial.

As most of the products are directly transported to our construction sites for installation in our projects, we can determine on our own the amount and quality of packaging material for the products. We try our best to minimise using packaging materials as long as the products would not be damaged during the transportation.

WASTE MANAGEMENT

The main sources of non-hazardous wastes come from the packing materials disposed by our factory manufacturing operations in the PRC and the material trading operations in Hong Kong. The packaging materials are used for protecting the products as procured from the suppliers in transport. In this year, the non-hazardous wastes produced from trading operations amounted to about 18 tonnes and the intensity of non-hazardous wastes produced was 1.54 kg per HK\$'000 of revenue which was 8% less than last year. The decrease was mainly due to less packaging materials used by the suppliers. The non-hazardous wastes of packaging materials disposed by the newly acquired factory manufacturing operations was approximately 44 tonnes during the year. For this reason, the total non-hazardous wastes produced for this year was 62 tonnes, an increase of 158% over last year.

KPI – Non-Hazardous Waste					
	PRC Factory Operations		HK Material Trading Operations		Total Non-Hazardous Waste (tonnes)
	Non-Hazardous Waste (tonnes)	Non-Hazardous Waste Intensity (kg/HK\$'000 revenue)	Non-Hazardous Waste (tonnes)	Non-Hazardous Waste Intensity (kg/HK\$'000 revenue)	
2020	44	0.96	18	1.54	62
2019	–	–	24	1.67	24
Change	N/A	N/A	-25%	-8%	+158%

Measures for Waste Reduction

General non-hazardous wastes generated from our offices in Hong Kong and the PRC, and from our Shenzhen factory are mainly waste paper, office supplies and commercial wastes. Our workplaces produce only insignificant amount of these general non-hazardous wastes and so the relevant data are not reported. However, we are still trying to reduce the general wastes as much as possible and some of the measures are as follows:

- We promote “reduce and reuse” to cut down the amount of wastes produced.
- Electronics documents are used for meetings and electronic files for storage to save paper.
- Waste paper is reused for printing draft documents.
- Old envelopes are used for internal circulations among departments.

Environmental, Social and Governance Report (Continued)

Disposals of packaging materials in our Shenzhen factory and our Hong Kong trading operations are the main sources of our non-hazardous wastes. We also embrace the principle of “reduce and reuse” for minimising the wastes. We always communicate with our suppliers for the possibility of reducing packaging materials without damaging the supplied products. The packaging materials left after we have opened the products will be sorted to see if there is anything capable of recycling.

Our subcontractors are responsible for collecting the construction wastes and hazardous wastes generated in the construction sites, and disposing to the spots designated by the main contractor. Our business does not directly produce hazardous wastes. To reduce construction wastes and to lessen the impact to our environment, we collect the useful residual materials, such as iron blocks and auxiliary materials, from the construction sites and reuse for our other projects.

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

ENHANCE ENVIRONMENT CONSERVATION

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

As an engineering consultant and construction expert, we devote our efforts to enhance sustainability through the services we provide to our clients and the communities. We help our clients address their challenges by evaluating ways to make their projects more sustainable through our expertise on engineering, architecture and project management services.

We have policies and work procedures on environmental protection for our staff and subcontractors to follow. We care about the neighbours of the sites and we require the erection of hoarding along the site boundary with effective dust screens, sheeting or netting to avoid dispersion of construction dust out of the site areas. We use noise barrier or enclosure when applying noisy plant and equipment. Construction wastes are segregated into different categories so that disposal of such to appropriate spots can be arranged to lessen the environmental impact. We try our best to collect and reuse those construction and demolition materials for our other projects to reduce wastes.

We advise our clients to use green building materials as much as possible, such as heat-insulation aluminium plates, low-emission energy saving glass, etc. in our construction projects to help reducing energy consumption of the buildings. In our offices, we take initiatives to procure green FSC certified paper for office use and install energy saving lighting to lower the impact to the natural resources.

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

QUALITY AND RELIABILITY

“
We provide
products that
our customers
are happy
to own
and people
are happy
to use



Austin Road Noise Barrier project, Kowloon, Hong Kong

RESPONSIBLE COMMITMENT TO CUSTOMERS

The fundamental principle governing KPa-BM's competitiveness lies in our commitment to quality, safety and reliability in order to provide products that our customers are happy to own, and the ultimate users and general public are happy to use. To achieve this, we put our customers first as our basic policy to pursuit maximum customer satisfaction.

We continue to refine our business processes and all of our Talents are responsible for putting this into practice in project planning and design, manufacturing, project delivery, after-sale service, and administration.

The following are the key principles that KPa-BM is observing to govern the quality assurance:

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

Product Safety

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

Quality Assurance

In the project planning and design stage, the project proposals will be submitted to customers and the Building Department, if necessary, for approval. During the course of project execution, the works-in-progress are inspected constantly with our customers to ensure that the works are complied with the requirements and the expectations of the customers. We assign a project manager to each project who is responsible for the overall quality assurance, communicating and coordinating with project team members, customers' team, subcontractors and material procurement. Upon the completion of project, our customers need to inspect and certify that all works are completed in accordance with the contract and they are satisfactory with the works. A defect liability period of normally one year is offered to our customers and subsequent after-sales service will be offer where required.

To ensure the quality of our building materials used in the projects, we partner with renowned international building material companies as the authorized distributor of their products in Hong Kong, Macau and the PRC. Sample inspection and testing will be carried out to ensure safety and reliability. We may also engage external testing laboratories to perform onsite inspection of the products on the request of our customers. We also manufacture some of the materials as required for the projects in our own factory. We have set stringent quality standards for the materials and products manufactured in our factory to ensure these materials can be satisfactorily used by our customers.

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

MANAGE OUR SUPPLY CHAIN



We cooperate with suppliers who can align with KPa-BM's core values

Managing our suppliers and subcontractors is crucial to KPa-BM's sustainable operations and our commitment of quality and reliable products for our customers. We continue to communicate our commitment to purchasing goods and services in a sustainable manner with our purchasing and project team. It becomes a key priority for us to select and retain those suppliers and subcontractors who are able to align with KPa-BM's core values.

What We Believe

We are committed to uphold our corporate culture as defined by integrity. We strive to ensure, as far as possible, our suppliers and subcontractors provide goods and services ethically that have complied with local law and regulation, social, environmental and ethical requirements throughout their whole purchasing and production life cycle.

We endeavour to work with a wide network of suppliers to make positive impact on sustainability by influencing our suppliers. By building long-term collaborative partnership with our subcontractors and suppliers, we support and influence our suppliers and subcontractors to extend our believes on sustainable procurement throughout their own supply chains.

Responsible Sourcing Initiatives

We have stringent policy and procedures on selection of subcontractors and suppliers to ensure that only qualified subcontractors are included in our approved list of subcontractors and suppliers. Our subcontractors and suppliers are required to follow Hong Kong and their local applicable laws and regulations in relation to occupational health and safety and environmental protection.

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

Environmental, Social and Governance Report (Continued)

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

In 2019, we acquired a building material factory in Shenzhen, which was used to be our major long-term collaborative supplier. By acquiring the factory, we not only can lower our cost of materials, but also can further safeguard our core values by exercising better control and initiatives on the material procurement of the factory. The factory has obtained all permits as required by the PRC authorities on environmental protection.

OTHER SOCIAL COMMITMENTS

Fair Business - Anti-Corruption

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

- In conducting our business operations in Hong Kong, the PRC or elsewhere, all directors and staff are prohibited from soliciting, accepting or offering any bribe and are required to comply with the Prevention of Bribery Ordinance of Hong Kong.
- Policies and guidelines on accepting advantages such as entertainment and gifts, and handling conflict of interests are set out in the Code of Conduct of the Group.
- Whistleblowing policy has been established to encourage our staff or other stakeholders to report suspected misconduct, malpractices or fraudulent activities. Cases reported are followed up independently and kept confidential.

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

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

UPHOLDING LABOUR STANDARD

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

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

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

CONNECTING TO COMMUNITIES



We extend the care for our people to the communities where we work and live

Community Engagement

We care about our people and we encourage our people to volunteer their time and expertise to support communities through various Company-sponsored activities. We believe the community engagement not only can connect our staff to KPa-BM's values but can also bring them with fun and create teamwork. By volunteering their time and talents, our people help our Company create healthy, positive and resilient communities that make Hong Kong a better place to live.

Our business and construction projects have positive impacts to the local community. We and our business partners are creating employment in the construction industry, and on the other hand, the local communities can enjoy using our products. Furthermore, we actively deliver care to the Hong Kong communities through two main channels:

- Money contribution to charity organisations that are in need for support, preferably with the participation of our staff in the fund-raising activities; and
- Volunteering works delivered by our staffs to the local communities for helping the under-privileged.

We strive to promote a culture of giving to our staff by sponsoring and encouraging them to participate in the communities. We count on their passion and involvement to create more resilient communities. During the Reporting Year, our philanthropic initiatives were as follows:

Sowers Action Challenging 12 Hours Charity Marathon

We continue to participate in the Sowers Action Challenging 12 Hours Charity Marathon annual fund-raising campaign in this year. Sower Action is a charitable organisation committing to provide fair and equal opportunities for the disadvantaged to realise their rights to education. The donation will go directly to the recipients in China and other countries where children have lost their homes, beloved ones, or the opportunity to receive education as a result of politics, poverty, natural and man-made disasters. Participants of the event are required to walk through several sections of Wilson Trails and take this chance to experience the hardship of students who need to walk a long way to school.

28 of our Talents including our Chairman Mr. Yip and Director Mr. Wai forming 7 teams had taken part in the charity event. We participated in the 12km team challenge and all of our runners were able to finish the challenge within the time limit as set by the organiser. Finally, we were glad to have raised a total of HK\$44,800 charity fund for the organiser. We will continue to encourage our Talents to take part in charity events for the people in need.

Volunteer work with J Life Foundation (“J Life”)

J Life is a charitable organization with the aim to relief poverty by providing tangible and intangible aids to under-privileged children and families in Hong Kong. J Life also create safe places where families can come together, share their burdens, create connectivity, and help each other to promote self-efficacy.

We strongly encourage our staff to participate in the volunteer work organised by J Life. In October 2019, some of our staff participated a J life event in Sham Shui Po to distribute free rice to the poor community in the area. In December 2019, we participated again to help J life to distribute free meal to the elderlies in Sham Shui Po district.

THE HKSE ESG REPORTING GUIDE CHECKLIST

ASPECTS	DESCRIPTION	PAGE REF
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	38-43
KPI A1.1	The types of emissions and respective emissions data.	41-42
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	43
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable for disclosure
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	45
KPI A1.5	Description of measures to mitigate emissions and results achieved.	40-43
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	45-46
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	40-41, 43-44
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	40
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	43
KPI A2.3	Description of energy use, efficiency initiatives and results achieved.	40-41
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable for disclosure
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	44

Environmental, Social and Governance Report (Continued)

ASPECTS	DESCRIPTION	PAGE REF
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	38, 46
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	38, 46
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	28-33
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	35-37
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	33-34
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	51

Environmental, Social and Governance Report (Continued)

ASPECTS	DESCRIPTION	PAGE REF
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	49-50
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	48-49
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	50
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	51-52

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of these activities, including a business review of the Group for the Year and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" as set out on pages 4 to 10 of this annual report. These discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

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

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

RESULTS AND APPROPRIATIONS

The Group's results for the Year are set out in the Consolidated Statement of Comprehensive Income on page 76 of this annual report.

DIVIDEND POLICY AND DIVIDENDS

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

No interim dividend was paid during the Year.

The Board has proposed to declare a final dividend of HK2.5 cents per share for the Year (FY2019: HK1.6 cents) which, subject to the approval of shareholders at the forthcoming annual general meeting of the Company, will be payable to the shareholders of the Company whose names appear on the register of members of the Company on 1 September 2020. The total dividend will amount to HK\$15.0 million (FY2019: HK\$9.6 million) and is expected to be paid on or around 11 September 2020.

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 167 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out in note 15 to the consolidated financial statements and on page 168 of this annual report.

SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2020 are set out in note 33 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 79 of this annual report.

Movements in the reserves of the Company during the Year are set out in note 29 to the consolidated financial statements.

As at 31 March 2020, the reserves of the Company available for distribution was approximately HK\$49.2 million (2019: HK\$43.6 million) inclusive of share premium and retained profits.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 28 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

(1) Purpose of the Share Option Scheme

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

(2) Who may join

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

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

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

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

(4) Grant of options and acceptance of offers

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

(5) Maximum number of Shares

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

(6) Maximum entitlement of each Eligible Person

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

(7) Time of exercise of option

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

(8) Period of the Share Option Scheme

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

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

Directors' Report (Continued)

DIRECTORS

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

Executive Directors

Mr. Yip Pak Hung (*Chairman*)

Mr. Wai Yat Kin (*Chief Executive Officer*)

Independent Non-executive Directors

Ms. Lai Pik Chi, Peggy

Mr. Lam Chi Wai, Peter

Dr. Yeung Kit Ming

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

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

DIRECTORS' SERVICE CONTRACT

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

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

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

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

Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming, each an independent non-executive Director, will retire from office at the Company's forthcoming annual general meeting ("AGM") according to the provisions of the Company's Articles of Association and, being eligible, have offered themselves for re-election at the AGM.

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

As at 31 March 2020, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Exchange were as follows:

Long Positions in Shares of the Company

(a) Interest in the shares of the Company

Director	Capacity/Nature of Interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Mr. Wai Yat Kin	Corporate interest	369,000,000	61.5%
	Beneficial owner	31,500,000	5.25%
	Interests held jointly	31,500,000	5.25%
Mr. Yip Pak Hung	Corporate interest	369,000,000	61.5%
	Beneficial owner	31,500,000	5.25%
	Interests held jointly	31,500,000	5.25%

(b) Interest in the shares of as associated corporation

Name of associated corporations:

Success Wing Investments Limited

Director	Capacity/Nature of Interest	Number of shares	Percentage of Shareholding
Mr. Wai Yat Kin	Beneficial owner	11,182	30.3%
	Interests held jointly	21,789	59.05%
Mr. Yip Pak Hung	Beneficial owner	11,182	30.3%
	Interests held jointly	21,789	59.05%

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

As at 31 March 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of a Director, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Success Wing Investments Limited	Beneficial owner	369,000,000	61.5%
Ms. Lam Suk Lan Bonnie	Interest of spouse	432,000,000	72.0%
Ms. Wu Janet	Interest of spouse	432,000,000	72.0%
Mr. Lui Bun Yuen, Danny	Corporate interest	369,000,000	61.5%
	Interests held jointly	63,000,000	10.5%

Save as disclosed above, as at 31 March 2020, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

MAJOR CUSTOMERS

During the Year, the Group's five largest customers accounted for approximately 87.6% (2019: 72.8%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 36.5% (2019: 25.4%) 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 43.7% (2019: 50.0%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 12.0% (2019: 14.9%) 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 57.5% (2019: 68.9%) of the total subcontracting charges of the Group and the largest subcontractor of the Group accounted for approximately 24.2% (2019: 19.7%) 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'/CONTROLLING SHAREHOLDERS' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the related party transactions disclosed in note 37 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, or holding company was a party and in which a Director or controlling Shareholder, or an entity connected with a Director or controlling Shareholder, had a material interests, whether directly or indirectly, subsisted during or at the end of the Year.

PERMITTED INDEMNITY PROVISIONS

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

MANAGEMENT CONTRACTS

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

Directors' Report (Continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Directors of Subsidiaries

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

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

Name of subsidiary	Place/Country of incorporation	Place of operations	Principal activities	List of directors
Youkang Limited ("Youkang")	The BVI	Hong Kong	Investment holding	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny
應力恒富設計貿易(深圳)有限公司 ("KPa (SZ)")	The People's republic of China (the "PRC")	PRC	Provision of fabrication drawing	Mr. Lui Bun Yuen, Danny
Buildmax Holdings Limited	The BVI	Hong Kong	Investment holding	Mr. Yip Pak Hung Mr. Wai Yat Kin
Hillford Trading Limited ("Hillford")	Hong Kong	Hong Kong	Investment holding	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Lui Bun Yuen, Danny Mr. Liu Yuen Wai Mr. Chan Chi Ming
彪域科技(深圳)有限公司 ("BuildMax (SZ)")	PRC	PRC	Processing, fabrication, manufacturing and trading of building material products	Mr. Yip Pak Hung Mr. Wai Yat Kin Mr. Liu Yuen Wai

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Year set out in note 37 to the consolidated financial statements include transactions that constitute connected transactions and continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

CONTINUING CONNECTED TRANSACTIONS

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

On 20 April 2018, the Company (for itself and other group companies) entered into a master supply agreement (the "**Master Supply Agreement**") with BuildMax Technology (Shenzhen) Limited ("**BuildMax (SZ)**"), pursuant to which BuildMax (SZ) agreed to sell and/or supply and the Company (for itself and other group companies) agreed to purchase on 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 Master Supply Agreement was subsequently approved by the independent shareholders of the Company at an extraordinary general meeting held on 14 June 2018.

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

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

The duration of the Master Supply Agreement is from 1 April 2018 to 31 March 2021. Either party may terminate the Master Supply Agreement by serving a notice of not less than three months to the other.

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

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

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 2020, which covered the period from 1 April 2019 to 29 April 2019 (the day on which the Master Supply Agreement was terminated) was approximately HK\$5.6 million.

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

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

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

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

NON-COMPETITION UNDERTAKING

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

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

Hong Kong, 19 June 2020

Independent Auditor's Report



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TO THE SHAREHOLDERS OF KP_a-BM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KP_a-BM Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 76 to 166, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

KEY AUDIT MATTERS

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

Recognition of contract revenue, contract assets and contract liabilities for construction contracts

Refer to notes 2(i)(i), 4(i), 6 and 19 to the consolidated financial statements

For the year ended 31 March 2020, the Group recognised revenue from rendering of structural engineering works and supply and installation of building material products amounting to HK\$723,866,000 in aggregate and as at 31 March 2020, the Group recorded contract assets and contract liabilities of HK\$43,603,000 and HK\$79,330,000 respectively. Contract revenue is recognised over time by measuring the progress towards complete satisfaction of the performance obligation on the basis of the contract costs incurred to date as a proportion to the total estimated contract costs, whereas the measurement of contract assets and contract liabilities is also dependent on estimation of contract costs. As disclosed in note 4(i) to the consolidated financial statements, the estimation of contract costs for an individual contract, which mainly comprise subcontracting charges, materials and processing charges and direct labour, is based on quotations provided by subcontractors and suppliers/vendors as well as from the experience of the directors, which is revised regularly as the contract progresses. Apart from the above, variable considerations in construction contracts are recognised as contract revenue to the extent that the modification has been approved by the parties to the contracts and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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

Our audit procedures in relation to the recognition of contract revenue, contract assets and contract liabilities included:

- Understanding the procedures and relevant controls of the Group in preparing and updating budget for construction works and recording contract costs.
- Agreeing budgeted costs, on a sample basis, to respective construction budgets.
- Evaluating reasonableness of contract budgets through discussion with management about preparation of those budgets.
- Testing contract costs incurred to date and estimated total costs, on a sample basis, to underlying supporting evidence.
- Testing material contract modifications, on a sample basis, to underlying supporting evidence.
- Assessing reliability of contract budgets by comparing actual contract costs against budgeted costs of completed projects.
- Checking calculations of progress towards complete satisfaction of individual contracts and the amounts of contract revenue and gross profit recognised.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

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

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

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

BDO Limited

Certified Public Accountants

Lee Ming Wai

Practising Certificate no. P05682

Hong Kong, 19 June 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	6	733,345	414,990
Cost of revenue		(623,640)	(342,816)
Gross profit		109,705	72,174
Other income	7	1,731	1,027
Fair value (loss)/gain on investment properties	15	(778)	400
Gain on disposal of property, plant and equipment	14	4,287	–
Marketing and distribution expenses		(3,311)	(3,265)
Administrative and other operating expenses		(46,638)	(36,445)
Finance costs	8	(1,833)	(634)
Profit before income tax	9	63,163	33,257
Income tax expense	10	(9,410)	(4,955)
Profit for the year		53,753	28,302
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		(808)	(56)
Other comprehensive income for the year		(808)	(56)
Total comprehensive income for the year		52,945	28,246
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	13	8.96	4.72

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	24,717	7,470
Investment properties	15	26,317	21,500
Goodwill	16	601	–
Deferred tax assets	27	148	117
		51,783	29,087
Current assets			
Inventories	18	8,643	3,281
Contract assets	19(a)	43,603	68,164
Trade and other receivables, deposits and prepayments	20	203,963	130,129
Tax recoverable		–	1,713
Pledged deposit	17	104	3,044
Pledged bank deposits	21	–	10,014
Cash and bank balances	22	125,842	82,542
		382,155	298,887
Current liabilities			
Contract liabilities	19(b)	79,330	22,333
Trade and other payables	23	99,145	89,660
Lease liabilities	24(a)	7,269	–
Tax payable		4,820	1,085
Bank borrowings	25	–	25,386
Obligations under finance leases	26	–	157
		190,564	138,621
Net current assets		191,591	160,266
Total assets less current liabilities		243,374	189,353

Consolidated Statement of Financial Position (Continued)

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Lease liabilities	24(a)	10,625	–
Obligations under finance leases	26	–	107
Deferred tax liabilities	27	875	717
		11,500	824
Net assets		231,874	188,529
CAPITAL AND RESERVES			
Share capital	28	6,000	6,000
Reserves	29	225,874	182,529
Total equity		231,874	188,529

On behalf of the directors

Yip Pak Hung
Director

Wai Yat Kin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital HK\$'000 (note 28)	Share premium* HK\$'000 (note 29)	Merger reserve* HK\$'000 (note 29)	Asset revaluation reserve* HK\$'000 (note 29)	Exchange reserve* HK\$'000 (note 29)	Retained profits* HK\$'000 (note 29)	Total HK\$'000
As at 1 April 2018	6,000	33,942	7,437	15,646	(18)	106,876	169,883
Profit for the year	-	-	-	-	-	28,302	28,302
Other comprehensive income							
Exchange differences arising from translation of foreign operations	-	-	-	-	(56)	-	(56)
Total comprehensive income for the year	-	-	-	-	(56)	28,302	28,246
Transactions with owners							
Final dividend in respect of 2018 (note 12(b))	-	-	-	-	-	(9,600)	(9,600)
At 31 March 2019 and 1 April 2019	6,000	33,942	7,437	15,646	(74)	125,578	188,529
Profit for the year	-	-	-	-	-	53,753	53,753
Other comprehensive income							
Exchange differences arising from translation of foreign operations	-	-	-	-	(808)	-	(808)
Total comprehensive income for the year	-	-	-	-	(808)	53,753	52,945
Transactions with owners							
Final dividend in respect of 2019 (note 12(b))	-	-	-	-	-	(9,600)	(9,600)
At 31 March 2020	6,000	33,942	7,437	15,646	(882)	169,731	231,874

* 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 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Operating activities			
Profit before income tax		63,163	33,257
Adjustments for:			
Depreciation on property, plant and equipment		9,383	2,023
Write-off of property, plant and equipment		68	664
Gain on disposal of property, plant and equipment		(4,287)	–
Fair value loss/(gain) on investment properties		778	(400)
Allowance for inventories		115	184
Write-off of inventories		41	27
Interest income		(538)	(244)
Finance costs		1,833	634
Impairment loss on trade receivables		314	242
Impairment loss/(Reversal of impairment loss) on retention receivables		887	(8)
Reversal of impairment loss on contract assets		(854)	(18)
Exchange differences		(51)	(35)
Operating profit before working capital changes		70,852	36,326
Increase in inventories		(2,957)	(1,617)
Decrease in contract assets		25,415	8,252
Increase in trade and other receivables, deposits and prepayments		(72,094)	(32,326)
Increase in contract liabilities		56,997	14,282
Increase in trade and other payables		6,991	19,959
Decrease in pledged deposit		2,940	656
Net cash generated from operations		88,144	45,532
Interest paid on bank borrowings		(878)	(624)
Interest element of finance lease payments		–	(10)
Interest received		538	244
Income tax paid, net		(4,209)	(6,766)
Net cash from operating activities		83,595	38,376
Investing activities			
Decrease in pledged bank deposits		10,014	9,204
Purchase of property, plant and equipment		(2,314)	(4,016)
Proceeds from disposal of property, plant and equipment		5,760	–
Acquisition of subsidiaries, net of cash acquired	32	(11,298)	–
Net cash from investing activities		2,162	5,188

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Financing activities			
Dividends paid	<i>12(b)</i>	(9,600)	(9,600)
Proceeds from bank borrowings	<i>36(b)</i>	72,201	24,298
Repayments of bank borrowings	<i>36(b)</i>	(97,587)	(16,966)
Capital element of finance lease payments	<i>36(b)</i>	–	(152)
Payment of principal element of lease liabilities	<i>36(b)</i>	(6,421)	–
Payment of interest element of lease liabilities	<i>36(b)</i>	(955)	–
Net cash used in financing activities		(42,362)	(2,420)
Net increase in cash and cash equivalents		43,395	41,144
Cash and cash equivalents at the beginning of year		82,542	41,401
Effect of exchange rate changes on cash and cash equivalents		(95)	(3)
Cash and cash equivalents at the end of year		125,842	82,542

Notes to the Financial Statements

For the year ended 31 March 2020

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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 27/F., The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

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

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

The financial statements for the year ended 31 March 2020 were approved and authorised for issue by the directors on 19 June 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately 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 4.

(b) Business combination and basis of consolidation

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

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

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

Goodwill arising on business combination is measured according to the policy as disclosed in note 2(d).

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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) Goodwill

Goodwill arising from the acquisition of subsidiaries represents the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed including contingent liabilities as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at the end of each reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 2(o)). On the subsequent disposal of a subsidiary, the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

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 with ownership interests	Over the shorter of remaining lease term or estimated useful life
Other right-of-use assets	Over the shorter of remaining lease term or estimated useful life (note 2(g)(A)(i))
Leasehold improvements	Over the shorter of 5 years or the remaining lease terms
Plant and machineries	10 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicles	5 years

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment property

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

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

(g) Leasing

(A) Accounting policies applicable from 1 April 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration.

(i) Accounting as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use assets

Right-of-use assets are recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group accounts for leasehold land and buildings that are held to earn rentals and/or for capital appreciation under HKAS 40 *Investment Property* ("HKAS 40") and those assets are carried at fair value (note 2(f)). The Group accounts for leasehold land and buildings which the Group has ownership interest and are held for own use under HKAS 16 *Property, Plant and Equipment*. These assets are carried at cost less subsequent accumulated depreciation and impairment losses (note 2(e)) and presented in property, plant and equipment under the category of "right-of-use assets".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

(A) Accounting policies applicable from 1 April 2019 (Continued)

(i) Accounting as a lessee (Continued)

Right-of-use assets (Continued)

Other than the above, the Group may lease properties under tenancy agreements and acquire motor vehicle under hire purchase arrangement. These leases are measured according to the following policies and presented in property, plant and equipment under the category of "right-of-use assets" as "other properties leased for own use" and "motor vehicles". Right-of-use assets of these leases are measured at cost. Right-of-use assets are depreciated over the shorter of the assets' useful life and lease term on a straight-line basis, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liabilities

Lease liabilities are recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities separately in the consolidated statement of financial position.

(ii) Accounting as a lessor

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

(B) Accounting policies applied until 31 March 2019

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

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

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

The Group as lessee under finance lease

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

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

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

The Group as lessee under operating lease

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

The Group as lessor under operating lease

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments

(i) Financial assets

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

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

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

Debt instruments

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

– Fair value through profit or loss (“FVTPL”)

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

Equity instruments

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

(ii) Impairment loss on financial assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

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

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 2(h)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9 *Financial Instruments* ("HKFRS 9").

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

(i) Recognition of revenue and other income

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

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Group has determined that there are significant integration of different elements underlying a structural engineering contract and supply and installation contract and thus such contracts are considered to contain only a single performance obligation. In addition, the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Accordingly, the revenue from these contracts are recognised over time.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Contract assets and liabilities

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

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

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

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

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

(ii) Sales of building material products

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

(iii) Other income

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Cash and cash equivalents

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

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

(k) Income taxes

Income taxes comprise current tax and deferred tax.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income taxes (Continued)

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

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

(l) Inventories

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

(m) Foreign currency

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign currency (Continued)

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

(n) Employee benefits

(i) Short-term employee benefits

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits (Continued)

(ii) Defined contribution retirement plans

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

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

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

(iii) Termination benefits

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

(o) Impairment of non-financial assets

Goodwill, property, plant and equipment and investments in subsidiaries are subject to impairment testing.

Goodwill with an indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' 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. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

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.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of non-financial assets (Continued)

Impairment loss recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro-rata to other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

Impairment loss on goodwill is not reversed in subsequent periods, including impairment loss recognised in an interim period. In respect of other assets, 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, but 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) had no impairment loss been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(p) Borrowing costs

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

(q) Provisions and contingent liabilities

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

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

Onerous contracts

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Segment reporting

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

(s) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Related parties (Continued)

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

3. ADOPTION OF NEW OR REVISED HKFRS

(a) Adoption of new or revised HKFRS – effective on 1 April 2019

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 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Annual Improvements to HKFRS 2015-2017 Cycle	Amendments to HKFRS 3 <i>Business Combinations</i> , HKAS 12 <i>Income Taxes</i> , and HKAS 23 <i>Borrowing Costs</i>

The impact of the adoption of HKFRS 16 *Leases* ("HKFRS 16") have been summarised below. The other new or amended HKFRS that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 *Leases* ("HKAS 17"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. Details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's consolidated financial statements and accounting policies and the transition method adopted by the Group as allowed under HKFRS 16 are set out below.

3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

(a) Adoption of new or revised HKFRS – effective on 1 April 2019 (Continued)

HKFRS 16 (Continued)

(i) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(ii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

The new accounting policies for leases under HKFRS 16 are set out in note 2(g)(A).

(iii) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

(a) Adoption of new or revised HKFRS – effective on 1 April 2019 (Continued)

HKFRS 16 (Continued)

(iv) Transition

The Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance of retained profits at the date of initial application, i.e. 1 April 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has recognised right-of-use assets at 1 April 2019 for lease previously classified as operating lease under HKAS 17 at the amount equals to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 *Impairment of Assets* at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application, i.e. 1 April 2019 and accounted for those leases as short-term leases; and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the following practical expedients: (i) applied HKFRS 16 to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and; (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

3. ADOPTION OF NEW OR REVISED HKFRS (Continued)**(a) Adoption of new or revised HKFRS – effective on 1 April 2019 (Continued)****HKFRS 16 (Continued)****(v) Impact of the adoption of HKFRS 16**

The impact of transition to HKFRS 16 on the consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 is summarised as follows:

	As previously reported	HKFRS 16 contract capitalisation	HKFRS 16 reclassification	As restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(note(b))</i>	<i>(note (a))</i>	<i>(note(b))</i>	
Assets				
Right-of-use assets presented in property, plant and equipment				
– Other properties leased for own use	–	11,732	24	11,756
Trade and other receivables, deposits and prepayments	68,164	–	(24)	68,140
Liabilities				
Lease liabilities (current)	–	3,835	157	3,992
Lease liabilities (non-current)	–	7,897	107	8,004
Obligations under finance leases (current)	157	–	(157)	–
Obligations under finance leases (non-current)	107	–	(107)	–

Notes:

- (a) The Group has leased certain office premises and warehouse which were previously accounted for as operating leases under HKAS 17. Upon initial adoption of HKFRS 16 on 1 April 2019, the Group recognised right-of-use assets and lease liabilities of HK\$11,732,000 and HK\$11,732,000 (classified as to HK\$3,835,000 as current liabilities and HK\$7,897,000 as non-current liabilities) respectively for the above leases.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

(a) Adoption of new or revised HKFRS – effective on 1 April 2019 (Continued)

HKFRS 16 (Continued)

(v) Impact of the adoption of HKFRS 16 (Continued)

Notes: (Continued)

- (b) The Group has also acquired a motor vehicle under hire purchase arrangement and the motor vehicle was previously accounted for as finance lease under HKAS 17. Upon initial adoption of HKFRS 16 on 1 April 2019, the motor vehicle with carrying amount of HK\$255,000 was still classified as "Property, plant and equipment" but was grouped under the category of "Right-of-use assets" within "Property, plant and equipment". In addition, the liabilities arising from the acquisition of the motor vehicle amounting to HK\$264,000 as at 1 April 2019 (classified as to HK\$157,000 as current liabilities and HK\$107,000 as non-current liabilities) were reclassified from "Obligations under finance leases" to "Lease liabilities".

In addition, the prepayment of lease payments of HK\$24,000 was reclassified from "Trade and other receivables, deposits and prepayments" to the category of "Right-of-use assets" within "Property, plant and equipment" upon initial adoption of HKFRS 16 on 1 April 2019.

- (c) The leasehold land and buildings owned by the Group with carrying amount of HK\$1,490,000 as at 1 April 2019 which were classified as "Property, plant and equipment" were grouped under the category of "Right-of-use assets" within "Property, plant and equipment" upon initial adoption of HKFRS 16 on 1 April 2019.

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 April 2019:

	HK\$'000
Operating lease commitments as at 31 March 2019	12,704
Add: Finance lease liabilities as at 31 March 2019	264
Less: Short-term leases for which lease terms end within 31 March 2020	(174)
Less: Future interest expenses	(798)
<hr/>	
Total lease liabilities as at 1 April 2019	11,996

The weighted average of the incremental borrowing rates applied to the lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 is 4.4%.

3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

(a) Adoption of new or revised HKFRS – effective on 1 April 2019 (Continued)

HK(IFRIC) – Int 23 Uncertainty over Income Tax Treatments

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Annual Improvements to HKFRS 2015-2017 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include the followings:

Amendments to HKFRS 3 Business Combinations

Amendments to HKFRS 3 clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Amendments to HKAS 12 Income Taxes

Amendments to HKAS 12 clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Amendments to HKAS 23 Borrowing Costs

Amendments to HKAS 23 clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

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

The following new or revised HKFRS, 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:

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ²

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

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

Amendments to HKFRS 16 COVID-19-Related Rent Concessions

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The above new or revised HKFRS that have been issued but not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

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

Key sources of estimation uncertainty

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

(i) Construction contracts

Construction contract revenue is recognised over time by measuring the progress towards complete satisfaction of the performance obligation on the basis of the contract costs incurred to date as a proportion to total estimated contract costs, which is the input method under HKFRS 15. Contract assets and contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and contract assets/contract liabilities requires significant management judgment and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and processing charges and direct labour, are supported by contract budget which was prepared by the directors of the Company on the basis of estimated subcontracting charges, cost of materials and processing charges, and cost of direct labour based on quotations provided by subcontractors and suppliers/vendors as well as from the experience of the directors. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. For the purpose of updating the contract budget, the management may request for updated quotations from counterparties. Recognition of variations and claims also requires estimation and judgment by the management, particularly in assessing whether it is highly probable that a significant reversal in the amount of revenue recognised will not occur. In this assessment, management takes into account the up-to-date exchange with customers and past experience with similar contracts. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the financial statements.

(ii) Impairment of financial assets

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

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

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

Key sources of estimation uncertainty (Continued)

(iii) Fair value of investment properties

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

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

5. SEGMENT INFORMATION

(a) Operating segment information

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

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

Structural Engineering Works	– This segment mainly engages in provision of structural engineering works for the public and private sectors in Hong Kong and the Group mainly acts as a subcontractor.
Supply and Installation of Building Material Products	– This segment engages in supply of building material products with installation services provided in Hong Kong.
Trading of Building Material Products	– This segment mainly engages in sales of building material products to third-party customers in Hong Kong, the PRC (other than Hong Kong) and overseas.

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

5. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

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

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

Segment results, segment assets and other segment information

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

	Structural Engineering Works HK\$'000	Supply and Installation of Building Material Products HK\$'000	Trading of Building Material Products HK\$'000	Total HK\$'000
Year ended 31 March 2020				
Segment revenue				
Sales to external customers	706,068	17,798	9,479	733,345
Intersegment sales	–	23	2,239	2,262
	706,068	17,821	11,718	735,607
Elimination of intersegment sales				(2,262)
				733,345
Segment profit	94,693	8,663	2,738	106,094
Corporate and unallocated income				1,731
Fair value loss on investment properties				(778)
Gain on disposal of property, plant and equipment				4,287
Corporate and unallocated expenses				(661)
– Marketing and distribution expenses				(661)
– Administrative and other operating expenses*				(45,677)
– Finance costs				(1,833)
Profit before income tax				63,163

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

5. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

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

	Structural Engineering Works HK\$'000	Supply and Installation of Building Material Products HK\$'000	Trading of Building Material Products HK\$'000	Total HK\$'000
Year ended 31 March 2019				
Segment revenue				
Sales to external customers	380,024	20,644	14,322	414,990
Intersegment sales	–	219	291	510
	380,024	20,863	14,613	415,500
Elimination of intersegment sales				(510)
				414,990
Segment profit	53,680	10,441	4,778	68,899
Corporate and unallocated income				1,027
Fair value gain on investment properties				400
Corporate and unallocated expenses				(560)
– Marketing and distribution expenses				(560)
– Administrative and other operating expenses*				(35,875)
– Finance costs				(634)
Profit before income tax				33,257

* Administrative and other operating expenses mainly comprise employee costs, depreciation of right-of-use assets and property, plant and equipment and legal and professional fees.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

5. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

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

	Structural Engineering Works HK\$'000	Supply and Installation of Building Material Products HK\$'000	Trading of Building Material Products HK\$'000	Total HK\$'000
As at 31 March 2020				
Segment assets	250,152	6,284	3,046	259,482
Property, plant and equipment				15,294
Investment properties				26,317
Tax assets				148
Cash and bank balances				125,842
Other corporate assets				6,855
Total consolidated assets				433,938
	Structural Engineering Works HK\$'000	Supply and Installation of Building Material Products HK\$'000	Trading of Building Material Products HK\$'000	Total HK\$'000
As at 31 March 2019				
Segment assets	191,829	4,890	4,919	201,638
Property, plant and equipment				6,495
Investment properties				21,500
Tax assets				1,830
Pledged bank deposits				10,014
Cash and bank balances				82,542
Other corporate assets				3,955
Total consolidated assets				327,974

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

5. SEGMENT INFORMATION (Continued)

(a) Operating segment information (Continued)

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

	Structural Engineering Works HK\$'000	Supply and Installation of Building Material Products HK\$'000	Trading of Building Material Products HK\$'000	Corporate/ Unallocated HK\$'000	Total HK\$'000
Year ended 31 March 2020					
Other information					
Interest income	-	-	-	538	538
Interest expense	-	-	-	1,833	1,833
Depreciation	614	-	-	8,769	9,383
Write (up)/down of inventories	-	(5)	161	-	156
Impairment loss/(Reversal of impairment loss) on trade receivables	324	(10)	-	-	314
Impairment loss on retention receivables	886	1	-	-	887
Reversal of impairment loss on contract assets	854	-	-	-	854
Additions to specified non-current assets [#]	10,367	-	-	13,312	23,679
Year ended 31 March 2019					
Other information					
Interest income	-	-	-	244	244
Interest expense	-	-	-	634	634
Depreciation	355	-	-	1,668	2,023
Write down of inventories	-	58	153	-	211
Impairment loss on trade receivables	236	6	-	-	242
Reversal of impairment loss/(Impairment loss) on retention receivables	11	(3)	-	-	8
Reversal of impairment loss on contract assets	17	1	-	-	18
Additions to specified non-current assets [#]	-	-	-	4,308	4,308

[#] Specific non-current assets represent non-current assets other than financial instruments and deferred assets. They include additions arising from acquisition of subsidiaries (note 32).

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

5. SEGMENT INFORMATION (Continued)

(b) Geographical segment information

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

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong	733,280	412,907
Macau	–	2,083
The PRC	65	–
	733,345	414,990

An analysis of the Group's specified non-current assets by geographical locations, determined based on physical location of the assets is as follows:

	2020 HK\$'000	2019 HK\$'000
Hong Kong	34,947	28,970
The PRC	16,688	–
	51,635	28,970

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

5. SEGMENT INFORMATION (Continued)

(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:

	2020 HK\$'000	2019 HK\$'000
Customer A	268,008	52,033
Customer B	219,009	105,374
Customer C	N/A	89,547

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

Revenue from Customer A and C were generated for the Structural Engineering Works segment whereas revenue from Customer B was generated for the Structural Engineering Works and Supply and Installation of Building Material Products segments.

6. REVENUE

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

	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue recognised over time:		
– Structural engineering works	706,068	380,024
– Supply and installation of building material products	17,798	20,644
Revenue recognised at a point in time:		
– Trading of building material products	9,479	14,322
	733,345	414,990

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

6. REVENUE (Continued)

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

	2020 HK\$'000	2019 HK\$'000
– Structural engineering works	398,052	819,305
– Supply and installation of building material products	11,849	25,586
	409,901	844,891

The Group will recognise the expected revenue arising from its existing contracts of construction work in future as the project work is progressed, which is expected to occur over the next 1 to 27 months.

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

7. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Bank interest income	538	244
Rental income	850	754
Others	343	29
	1,731	1,027

8. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	878	624
Interest on lease liabilities (note 24(a))	955	–
Interest element of finance lease payments	–	10
	1,833	634

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

9. PROFIT BEFORE INCOME TAX

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

	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration	730	680
Impairment loss on trade receivables (<i>note 20(a)</i>)	314	242
Impairment loss/(Reversal of impairment loss) on retention receivables (<i>note 20(b)</i>)	887	(8)
Reversal of impairment loss on contract assets (<i>note 19(a)</i>)	(854)	(18)
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	162,513	142,202
– Allowance for inventories	115	184
– Write-off of inventories	41	27
	162,669	142,413
Depreciation in respect of:		
Right-of-use assets included in property, plant and equipment under the following categories (<i>note (a)</i>):		
– Ownership interest in leasehold land and buildings	17	–
– Other properties leased for own use	6,604	–
– Motor vehicles	330	–
Other property, plant and equipment [#]	2,432	2,023
	9,383	2,023
Employee costs (including Directors' emoluments) (<i>note 11(a)</i>)		
– Salaries, allowances and other benefits	60,763	44,278
– Contribution to defined contribution retirement plans (<i>note (b)</i>)	3,472	1,973
	64,235	46,251
Exchange loss, net*	360	193
Short-term leases expenses	686	–
Total minimum lease payments for leases previously classified as operating lease under HKAS 17 in respect of:		
– Land and buildings	–	4,266
– Office equipment	–	223
Write-off of property, plant and equipment	68	664

* Included in "Administrative and other operating expenses"

9. PROFIT BEFORE INCOME TAX (Continued)

- # Depreciation of other property, plant and equipment for the year ended 31 March 2019 included depreciation charge of a motor vehicle amounting to HK\$161,000 which was held under hire purchase arrangement and was accounted for as a finance lease under HKAS 17. Such motor vehicle was identified as a right-of-use asset upon the adoption of HKFRS 16 on 1 April 2019.

Notes:

- (a) The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to lease which was previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which was previously included in property, plant and equipment is identified as right-of-use assets. After initial recognition of right-of-use assets at 1 April 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information in 2019 has not been restated (note 3(a)).
- (b) In respect of the Group's contribution to defined contribution retirement plans, no contribution is available for reducing the Group's existing level of contribution for the year ended 31 March 2020 (2019: nil).

10. INCOME TAX EXPENSE

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

	2020 HK\$'000	2019 HK\$'000
Current tax for the year		
– Hong Kong Profits Tax	9,479	5,358
– Other regions of the PRC – Enterprise Income Tax ("EIT")	227	–
Over provision in respect of prior years	(46)	(458)
	9,660	4,900
Deferred tax (note 27)	(250)	55
	9,410	4,955

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the year.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

10. INCOME TAX EXPENSE (Continued)

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

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

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

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	63,163	33,257
Tax calculated at rates applicable to profits in the jurisdictions concerned	10,605	5,530
Effect on adoption of two-tiered profits tax regime	(165)	(165)
Tax effect of revenue not taxable for tax purposes	(925)	(98)
Tax effect of expenses not deductible for tax purposes	380	291
Tax effect of temporary differences not recognised	65	(68)
Over provision in respect of prior years	(46)	(458)
Others	(504)	(77)
Income tax expense	9,410	4,955

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

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonus HK\$'000	Pension scheme contribution HK\$'000	Total HK\$'000
Year ended 31 March 2020					
Executive directors					
Mr. Wai Yat Kin ("Mr. Wai")	–	2,669	3,000	18	5,687
Mr. Yip Pak Hung ("Mr. Yip")	–	2,669	3,000	18	5,687
Independent non-executive directors					
Ms. Lai Pik Chi, Peggy	240	–	–	–	240
Mr. Lam Chi Wai, Peter	240	–	–	–	240
Dr. Yeung Kit Ming	240	–	–	–	240
Total	720	5,338	6,000	36	12,094
Year ended 31 March 2019					
Executive directors					
Mr. Lui Bun Yuen, Danny ("Mr. Lui") (Note)	–	1,127	–	8	1,135
Mr. Wai	–	2,467	1,000	18	3,485
Mr. Yip	–	2,467	1,000	18	3,485
Independent non-executive directors					
Ms. Lai Pik Chi, Peggy	240	–	–	–	240
Mr. Lam Chi Wai, Peter	240	–	–	–	240
Dr. Yeung Kit Ming	240	–	–	–	240
Total	720	6,061	2,000	44	8,825

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

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

(a) Directors' emoluments (Continued)

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

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2020 included two (2019: two) directors whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining three (2019: three) highest paid individuals are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and other benefits	3,122	3,528
Discretionary bonus	2,214	654
Contribution to pension scheme	54	54
	5,390	4,236

Their emoluments were within the following bands:

	2020 Number of individuals	2019 Number of individuals
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–

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

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

(c) Senior management's emoluments

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

	2020 Number of individuals	2019 Number of individuals
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$2,500,001 to HK\$3,000,000	1	–

12. DIVIDENDS

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

	2020 HK\$'000	2019 HK\$'000
Proposed final dividend – HK2.5 cents (2019: HK1.6 cents) per ordinary share	15,000	9,600

The final dividend in respect of the financial year ended 31 March 2020 of HK2.5 cents (2019: HK1.6 cents) per ordinary share, amounting to HK\$15,000,000 (2019: HK\$9,600,000) has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

The final dividend declared subsequent to 31 March 2020 has not been recognised as a liability as at 31 March 2020.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

12. DIVIDENDS (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK1.6 cents (2019: HK1.6 cents) per ordinary share	9,600	9,600

13. EARNINGS PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
Earnings		
Profit for the year attributable to owners of the Company	53,753	28,302

	2020 '000	2019 '000
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue during the year	600,000	600,000

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets (note (a))									
	Ownership interests in leasehold land and buildings HK\$'000	Other properties leased for own use HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Plant and machineries 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 2018										
Cost	1,920	-	-	1,743	-	2,765	1,154	2,727	4,627	14,936
Accumulated depreciation	(377)	-	-	(641)	-	(2,480)	(1,083)	(2,009)	(2,454)	(9,044)
Net carrying amount	1,543	-	-	1,102	-	285	71	718	2,173	5,892
Year ended 31 March 2019										
Opening net carrying amount	1,543	-	-	1,102	-	285	71	718	2,173	5,892
Exchange adjustment	-	-	-	(17)	-	-	-	(26)	-	(43)
Additions	-	-	-	3,073	-	606	55	574	-	4,308
Write-off	-	-	-	(664)	-	-	-	-	-	(664)
Depreciation	(53)	-	-	(665)	-	(152)	(44)	(326)	(783)	(2,023)
Closing net carrying amount	1,490	-	-	2,829	-	739	82	940	1,390	7,470
At 31 March 2019										
Cost	1,920	-	-	3,075	-	3,371	1,209	3,261	4,627	17,463
Accumulated depreciation	(430)	-	-	(246)	-	(2,632)	(1,127)	(2,321)	(3,237)	(9,993)
Net carrying amount	1,490	-	-	2,829	-	739	82	940	1,390	7,470
Year ended 31 March 2020										
Opening net carrying amount as originally presented	1,490	-	-	2,829	-	739	82	940	1,390	7,470
Initial adoption of HKFRS 16 (note 3(a)(v))	-	11,756	255	-	-	-	-	-	(255)	11,756
Restated balance as at 1 April 2019	1,490	11,756	255	2,829	-	739	82	940	1,135	19,226
Exchange adjustment	-	(569)	-	(10)	(107)	-	(2)	(29)	(5)	(722)
Additions	-	7,007	1,474	44	255	-	1	585	816	10,182
Acquisition of subsidiaries (note 32)	-	5,017	-	-	1,773	-	38	99	28	6,955
Disposals (note (b))	(1,473)	-	-	-	-	-	-	-	-	(1,473)
Write-off	-	-	-	-	-	-	-	(60)	(8)	(68)
Depreciation	(17)	(6,604)	(330)	(1,024)	(259)	(217)	(39)	(412)	(481)	(9,383)
Closing net carrying amount	-	16,607	1,399	1,839	1,662	522	80	1,123	1,485	24,717
At 31 March 2020										
Cost	-	23,172	1,729	3,108	1,917	3,371	1,243	3,720	5,070	43,330
Accumulated depreciation	-	(6,565)	(330)	(1,269)	(255)	(2,849)	(1,163)	(2,597)	(3,585)	(18,613)
Net carrying amount	-	16,607	1,399	1,839	1,662	522	80	1,123	1,485	24,717

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 March 2020 HK\$'000	1 April 2019 HK\$'000
Ownership interests in leasehold land and building, carried at depreciated cost (note (i))	–	1,490
Other properties leased for own use, carried at depreciated cost (note (ii))	16,607	11,756
Motor vehicles, carried at depreciated cost (note (ii))	1,399	255
	18,006	13,501

Notes:

- (i) The Group is the registered owner of these property interests located in Hong Kong which are held for own use and with remaining lease term of below 50 years.
- (ii) The Group has entered into lease arrangements for certain office premises, warehouses, quarters and motor vehicles for own use and has applied HKFRS 16 in accounting for those leases.

The Group has initially applied HKFRS 16 using the modified retrospective approach and for those leases which existed as at 1 April 2019, the Group adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to those leases which were previously classified as operating leases (for properties) or finance leases (for motor vehicles) under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. Further details of the transition to HKFRS 16 are set out in note 3(a). Details about the leases and the corresponding lease liabilities are disclosed in note 24.

- (b) During the year, the Group disposed of certain self-owned properties with carrying amount of HK\$1,473,000 at a consideration of HK\$5,580,000 and disposed of a fully depreciated motor vehicle at a consideration of HK\$180,000, resulting in gain on disposal of property, plant and equipment of HK\$4,287,000.
- (c) As at 31 March 2019, the net carrying amount of the Group's motor vehicle held under finance lease was HK\$255,000.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

15. INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
Fair value		
At the beginning of the reporting period	21,500	21,100
Acquisition of subsidiaries (note 32)	5,941	–
Change in fair value (note (a))	(778)	400
Exchange adjustment	(346)	–
At the end of the reporting period	26,317	21,500

Notes:

- (a) The fair values of investment properties as at 31 March 2020 and 2019 are level 2 recurring fair value measurement.

The fair value loss arising from remeasurement of the investment properties for the year ended 31 March 2020 amounting to HK\$778,000 (2019: gain of HK\$400,000) represented an unrealised loss/gain relating to those investment properties as at 31 March 2020.

- (b) The fair values of the Group's investment properties as at 31 March 2020 and 2019 were determined by the directors with reference to the valuation carried out by RHL Appraisal Limited, which is an independent firm of professionally qualified valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in nearby location.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

15. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(c) Below is a summary of the valuation technique used and the key inputs to the valuation:

Property	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial premises	Hong Kong	Comparison method	Premium/Discount to the unit selling price per unit of market comparables, taking into account differences such as size, character and location, etc.	2020: -10.6% to 10.0% (2019: -0.4% to 3.7%)	The higher the premium/discount, the higher/lower the fair value
Commercial premises	The PRC	Comparison method	Premium/Discount to the unit selling price per unit of market comparables, taking into account differences such as size, character and location, etc.	2020: -3.0% to 20.0%	The higher the premium/discount, the higher/lower the fair value

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

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

(d) The investment properties are leased to third parties under operating lease to earn rental income, further details of which are included in note 24(b).

16. GOODWILL

	2020 HK\$'000
At the beginning of the year	–
Acquisition of subsidiaries (<i>note 32</i>)	601
At the end of the year	601

The amount of goodwill at the end of the reporting period is allocated to the cash-generating unit which is the segment of “Structural engineering works” and is tested for impairment by the management by estimating the recoverable amount of this cash-generating unit based on value-in-use calculations. The calculation comprise cash flow projections based on the financial budgets approved by the management. The period covered by the financial budgets is two years. Cash flows beyond the two-year period are extrapolated using an estimated growth rate of 2%. Based on the results of the impairment testing, management determines that there is no impairment in respect of this cash-generating unit.

Key assumptions used by the management in the value-in-use calculations of this cash-generating unit include:

	2020
Discount rate (pre-tax)	17.1%
Gross profit margin	12.2%-12.3%

These assumptions have been determined based on past performance and management’s expectations in respect of the market conditions and economy which have impact on the business in which this cash-generating unit is engaged. Revenue are forecasted with reference to the progress towards complete satisfaction of the performance obligation of the awarded projects, which is estimated with reference to the expected work schedule requirements and duration of the projects. Gross profit margin is forecasted based on the gross profit margin achieved in prior year adjusted for the expected change in market conditions and taking into account the revenue and cost budget of individual structural engineering project. The pre-tax discount rate used reflects the specific risks relating to the business and industry in which this cash-generating unit is engaged.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

17. PLEDGED DEPOSIT

Balance as at 31 March 2020 of HK\$104,000 (2019: HK\$3,044,000) represented deposit placed by the Group with an insurance company as collateral for the surety bond issued in favour of the customer of a construction contract. The value of the surety bond arranged by the insurance company as at 31 March 2020 was HK\$348,000 (2019: HK\$10,147,000). Surety bond is generally required for the period upon which the construction work is substantially completed. The pledged deposits as at 31 March 2020 and 2019 were expected to be released within one year after the respective year-end dates.

18. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials and supplies	4,202	3,281
Work-in-progress	1,136	–
Finished goods	3,305	–
	8,643	3,281

19. CONTRACT ASSETS/CONTRACT LIABILITIES**(a) Contract assets**

	2020 HK\$'000	2019 HK\$'000
Contract assets arising from:		
– Structural engineering works	43,861	69,342
– Supply and installation of building material products	305	239
	44,166	69,581
Less: Loss allowance	(563)	(1,417)
	43,603	68,164

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

The expected timing of recovery or settlement for contract assets at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	14,380	62,767
More than one year and less than two years	29,786	6,814
	44,166	69,581

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

19. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(a) Contract assets (Continued)

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

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	1,417	1,435
Reversal of impairment losses	(854)	(18)
At the end of the year	563	1,417

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

Set out below is the information about the credit risk exposure on the Group's contract assets:

	2020	2019
Expected credit loss rate	1.3%	2.0%

	2020 HK\$'000	2019 HK\$'000
Gross carrying amount	44,166	69,581
Expected credit losses	563	1,417

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

19. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	2020 HK\$'000	2019 HK\$'000
Contract liabilities arising from:		
– Structural engineering works	76,189	17,922
– Supply and installation of building material products	2,579	3,641
– Trading of building material products	562	770
	79,330	22,333

The movements in contract liabilities are as follows:

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	22,333	8,051
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(21,322)	(7,882)
Increase in contract liabilities as a result of billing in advance during the year	78,319	22,164
At the end of the year	79,330	22,333

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Trade receivables	126,796	73,209
Less: Loss allowance	(842)	(528)
Trade receivables, net (<i>note (a)</i>)	125,954	72,681
Retention receivables	72,364	52,493
Less: Loss allowance	(1,621)	(734)
Retention receivables, net (<i>note (b)</i>)	70,743	51,759
Other receivables (<i>note (c)</i>)	3,654	206
Deposits (<i>note (c)</i>)	2,225	1,828
Prepayments	1,387	3,655
	7,266	5,689
	203,963	130,129

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

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

Notes:

(a) Trade receivables

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

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	69,051	57,292
31 – 60 days	28,276	11,441
61 – 90 days	17,637	1,664
Over 90 days	11,832	2,812
	126,796	73,209

The Group normally allows a credit period of 30 and 60 days to its customers for provision of construction works and trading of building material products respectively. The movements in the loss allowance for impairment on trade receivables are as follows:

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	528	286
Impairment loss charged to profit or loss	314	242
At the end of the year	842	528

The Group recognises impairment loss on trade receivables based on the accounting policies set out in notes 2(h) (ii). Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 40(a).

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

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

Notes: (Continued)

(b) Retention receivables

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

The movements in the loss allowance for impairment on retention receivables are as follows:

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	734	742
Impairment loss charged to profit or loss/(Reversal of impairment loss)	887	(8)
At the end of the year	1,621	734

Set out below is the information about the credit risk exposure on the Group's retention receivables:

	2020	2019
Expected credit loss rate	2.2%	1.4%

	2020 HK\$'000	2019 HK\$'000
Gross carrying amount	72,364	52,493
Expected credit losses	1,621	734

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

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

Notes: (Continued)

(b) Retention receivables (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Within one year	21,250	17,512
After one year or more	49,493	34,247
	70,743	51,759

(c) Other receivables and deposits

Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in note 40(a).

21. PLEDGED BANK DEPOSITS

Pledged bank deposits amounted to HK\$10,014,000 as at 31 March 2019 were interest-bearing at fixed rate of 0.25% per annum and had maturity period of one month. All of the Group's pledged bank deposits were denominated in HK\$. Such pledged bank deposits were placed in a bank to secure the bank borrowings and banking facilities of the Group (note 25).

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

22. CASH AND BANK BALANCES

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

As at 31 March 2020, the Group had time deposits of HK\$65,411,000 (2019: HK\$18,104,000) placed with banks with original maturity of two to three months (2019: one to three months) and earn interest income at interest rates ranged from 1.60% to 2.05% (2019: 0.90% to 1.53%) per annum.

As at 31 March 2020, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$2,533,000 (2019: HK\$517,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables (<i>note (a)</i>)	51,532	49,088
Bills payable	–	8,459
Trade and bills payables (<i>note (b)</i>)	51,532	57,547
Retention payables (<i>note (c)</i>)	36,120	21,551
Other payables and accruals	11,493	10,562
	99,145	89,660

Notes:

- (a) Included in trade payables as at 31 March 2019 were balance due to a related company amounting to HK\$721,000 which arose from the trading transactions as disclosed in note 37(a). These balances are unsecured, interest-free and due for settlement within 30 days from invoice date.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

23. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

- (b) For trade payables, the credit period granted by suppliers and contractors is normally 30 to 60 days. The Group's bills payable as at 31 March 2019 were subject to a tenor of up to 60 days.

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

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	26,810	38,662
31 – 60 days	19,669	15,445
61 – 90 days	1,427	79
Over 90 days	3,626	3,361
	51,532	57,547

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

	2020 HK\$'000	2019 HK\$'000
On demand or within one year	8,253	6,384
After one year or more	27,867	15,167
	36,120	21,551

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

24. LEASES

HKFRS 16 was adopted by the Group on 1 April 2019 without restating comparative information. Details of the transitional provision that were applied as at 1 April 2019 are set out in note 3(a)(iv). The Group recognises lease contracts as at 31 March 2020 and 2019 based on the accounting policies stated in note 2(g)(A) and note 2(g)(B) respectively.

(a) The Group as lessee

The Group leases office premises, car parks, factories, warehouses, quarters and motor vehicles for use in its operation. The periodic rent is fixed over the lease term, and the leases are negotiated for an initial period of two to ten years.

The movements of the right-of-use assets of these leases are disclosed in note 14. The movements of the lease liabilities are as follows:

	Other properties HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2019	11,732	264	11,996
Acquisition of subsidiaries (note 32)	5,017	–	5,017
New leases	7,007	861	7,868
Finance cost (note 8)	923	32	955
Lease payments	(7,006)	(370)	(7,376)
Exchange adjustment	(566)	–	(566)
At 31 March 2020	17,107	787	17,894

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

24. LEASES (Continued)

(a) The Group as lessee (Continued)

Future lease payments are due as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value of minimum lease payments HK\$'000
As at 31 March 2020			
Not later than one year	7,977	(708)	7,269
Later than one year but no later than two years	6,540	(369)	6,171
Later than two years but no later than five years	4,596	(142)	4,454
	19,113	(1,219)	17,894

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value of minimum lease payments HK\$'000
As at 1 April 2019			
Not later than one year	4,421	(429)	3,992
Later than one year but no later than two years	4,318	(257)	4,061
Later than two years but no later than five years	4,055	(112)	3,943
	12,794	(798)	11,996

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

	31 March 2020 HK\$'000	1 April 2019 HK\$'000
Current liabilities	7,269	3,992
Non-current liabilities	10,625	8,004
	17,894	11,996

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

24. LEASES (Continued)

(a) The Group as lessee (Continued)

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating lease under HKAS 17. In addition, the carrying amount of lease liabilities as at 31 March 2019 relating to lease previously classified as finance lease and included in obligations under finance leases (note 26) were reclassified to lease liabilities upon initial adoption of HKFRS 16 on 1 April 2019. Further details on the impact of the transition to HKFRS 16 are set out in note 3(a)(iv).

The Group's obligations under the lease of the motor vehicles are secured by the motor vehicles and subject to corporate guarantee provided by the Company to the extent of HK\$545,000 (2019: HK\$264,000).

(b) The Group as lessor

The Group leases its investment properties (note 15) to third party tenants. The leases run for an initial period of one to three years (2019: three years). As at 31 March 2020, the Group had the following future minimum lease payments receivables:

	2020 HK\$'000	2019 HK\$'000
Within one year	924	723
After one year but within two years	754	–
After two years but within three years	691	–
	2,369	723

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

25. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Current liabilities		
<i>Secured and interest-bearing bank borrowings</i>		
Bank loans subject to repayment on demand clause		
– Bank loans due for repayment within one year	–	25,386

Bank borrowings, including trade financing, are interest-bearing at the banks' prime rates or cost of funds or Hong Kong Inter-Bank Offered Rate or London Inter-Bank Offered Rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 March 2019 granted under banking facilities ranged from 3.62% to 5.88% per annum. As at 31 March 2019, all bank loans were denominated in HK\$ and the Group's bank borrowings and banking facilities were secured by the bank deposits of HK\$10,014,000.

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

	2020 HK\$'000	2019 HK\$'000
On demand or within one year	–	25,386

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

26. OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2019, the Group leased a motor vehicle and the lease was classified as finance lease under HKAS 17. The lease obligation was secured by the leased asset. Upon initial adoption of HKFRS 16 on 1 April 2019, the carrying amount of lease liabilities relating to this lease was reclassified to lease liabilities (note 24(a)).

The future lease payments under the finance leases as at 31 March 2019 were due as follows:

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

The present value of future lease payments as at 31 March 2019 were analysed as follows:

	HK\$'000
Current liabilities	157
Non-current liabilities	107
	264

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

27. DEFERRED TAX

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

	Accelerated tax depreciation HK\$'000	Allowance for inventories HK\$'000	Revaluation of properties HK\$'000	Total HK\$'000
At 1 April 2018	646	(101)	–	545
Charged to profit or loss (<i>note 10</i>)	85	(30)	–	55
At 31 March 2019 and 1 April 2019	731	(131)	–	600
Acquisition of subsidiaries (<i>note 32</i>)	–	–	398	398
Credited to profit or loss (<i>note 10</i>)	(36)	(19)	(195)	(250)
Exchange adjustment	–	–	(21)	(21)
At 31 March 2020	695	(150)	182	727

Represented by:

	2020 HK\$'000	2019 HK\$'000
Deferred tax liabilities	875	717
Deferred tax assets	(148)	(117)
	727	600

The two-tiered profits tax rates regime have no material impact on the deferred tax balances of the Group as at 31 March 2019 and 2020 as the qualifying entity nominated by the Group did not have material temporary differences as at 31 March 2019 and 2020. Deferred tax assets and liabilities of other group entities were continued to be measured using a flat tax rate of 16.5%.

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

At 31 March 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiaries established in the PRC that are subject to withholding taxes, which amounted to HK\$4,843,000 (2019: HK\$519,000). In the opinion of the directors, it is not probable that the subsidiaries will distribute such earnings in the foreseeable future.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

28. SHARE CAPITAL

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

29. RESERVES

The Group

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

Share premium

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

Merger reserve

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

Asset revaluation reserve

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

Exchange reserve

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

Retained profits

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

29. RESERVES (Continued)**The Company**

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

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
As 1 April 2018	33,942	9,767	43,709
Profit for the year	–	9,529	9,529
Final dividend in respect of 2018 (note 12(b))	–	(9,600)	(9,600)
As at 31 March 2019 and 1 April 2019	33,942	9,696	43,638
Profit for the year	–	15,136	15,136
Final dividend in respect of 2019 (note 12(b))	–	(9,600)	(9,600)
As at 31 March 2020	33,942	15,232	49,174

30. SHARE OPTION SCHEME

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	33	–	–
Current assets			
Other receivables, deposits and prepayments		224	643
Amounts due from subsidiaries		56,612	50,130
Cash and bank balances		92	157
		56,928	50,930
Current liabilities			
Other payables and accruals		254	112
Amounts due to subsidiaries		1,500	1,180
		1,754	1,292
Net current assets/Net assets		55,174	49,638
CAPITAL AND RESERVES			
Share capital	28	6,000	6,000
Reserves	29	49,174	43,638
Total equity		55,174	49,638

On behalf of the directors

Yip Pak Hung
Director

Wai Yat Kin
Director

32. ACQUISITION OF SUBSIDIARIES

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

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

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

The Acquisition is accounted for using the acquisition method of accounting.

Details of net assets acquired and goodwill arising on the Acquisition were as follows:

	Hillford Group's fair value at acquisition date on 29 April 2019
	HK\$'000
Net assets acquired:	
Property, plant and equipment	6,955
Investment property	5,941
Inventories	2,774
Trade and other receivables, deposits and prepayments	3,179
Cash and bank balances	924
Trade and other payables and accruals	(2,737)
Lease liabilities	(5,017)
Deferred tax liabilities	(398)
Shareholder's loan	(9,250)
	<hr/> 2,371 <hr/>
Goodwill arising on Acquisition:	
Purchase consideration settled by cash	12,222
Less: acquisition of shareholder's loan	(9,250)
	<hr/> 2,972 <hr/>
Consideration for equity interest	2,972
Less: net assets acquired	(2,371)
	<hr/> 601 <hr/>
Goodwill	601

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

32. ACQUISITION OF SUBSIDIARIES (Continued)

	HK\$'000
<hr/>	
Cash (outflow)/inflow arising on Acquisition:	
Purchase consideration settled by cash	(12,222)
Cash and bank balances acquired	924
<hr/>	
Cash outflow on Acquisition included in cash flows from investing activities	(11,298)
Transaction costs of the Acquisition included in cash flows from operating activities	(652)
<hr/>	
	(11,950)
<hr/>	

The fair value of the investment property at the date of Acquisition have been determined with reference to the valuation carried out by RHL Appraisal Limited.

The fair value of trade and other receivables amounted to HK\$3,179,000, which is same as the gross amount of these receivables. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of HK\$601,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the date of the Acquisition, Hillford Group has contributed revenue of HK\$65,000 and loss of HK\$5,079,000 to the Group's profit or loss. Had the Acquisition been occurred on 1 April 2019, the Group's revenue and profit would have been HK\$733,345,000 and HK\$53,518,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 April 2019, nor it is intended to be a projection of future performance.

The acquisition-related costs of HK\$652,000 have been expensed and are included in administrative and other operating expenses.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

33. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2020 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	The BVI/Limited liability company	Hong Kong	16 shares of US\$1 each	100%	–	Investment holding
AcouSystem Limited	Hong Kong/Limited liability company	Hong Kong	300 shares of HK\$300	–	100%	Trademark Holding
BuildMax Limited	Hong Kong/Limited liability company	Hong Kong	50,000 shares of HK\$50,000	–	100%	Supply and installation of building material products and trading of building material products
BuildMax Holdings Limited	The BVI/Limited liability company	Hong Kong	1 shares of US\$1 each	–	100%	Investment holding
BuildMax (SZ) (note)	The PRC/Wholly foreign-owned enterprise	The PRC	RMB6,500,000	–	100%	Processing, fabrication, manufacturing and trading of building material products
Hillford (note)	Hong Kong/Limited liability company	Hong Kong	10,000 shares of HK\$10,000	–	100%	Investment holding
KPa Contracting Limited	Hong Kong/Limited liability company	Hong Kong	300 shares of HK\$300	–	100%	Provision of structural engineering works
KPa Engineering Limited	Hong Kong/Limited liability company	Hong Kong	15,000,000 shares of HK\$15,000,000	–	100%	Provision of structural engineering works
KPa Engineering (HK) Limited	Hong Kong/Limited liability company	Hong Kong	300 shares of HK\$300	–	100%	Provision of structural engineering works
Sun Pool Engineering Limited	Hong Kong/Limited liability company	Hong Kong	150,000 shares of HK\$150,000	–	100%	Property investment and investment holding
Youkang Limited	The BVI/Limited liability company	Hong Kong	10 shares of US\$1 each	–	100%	Investment holding
應力恒富設計貿易(深圳)有限公司	The PRC/Wholly foreign-owned enterprise	The PRC	HK\$1,000,000	–	100%	Provision of fabrication drawing

Note: These subsidiaries were newly invested during the year ended 31 March 2020.

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

34. GUARANTEE

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

	2020 HK\$'000	2019 HK\$'000
Aggregate value of the surety bonds issued in favour of customers	1,433	11,232

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

35. LITIGATION

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) During the year ended 31 March 2020, the Group acquired two motor vehicles at acquisition cost of HK\$1,474,000 (note 14) under lease arrangements (note 24(a)). The Group paid down payment of HK\$613,000 and the remaining balance of HK\$861,000 is to be settled by monthly instalments.
- (b) Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK\$'000 (note 25)	Obligations under finance leases HK\$'000 (note 26)	Lease liabilities HK\$'000 (note 24(a))
At 1 April 2018	18,054	416	–
Changes from cash flows			
Proceeds from bank borrowings	24,298	–	–
Repayment of bank borrowings	(16,966)	–	–
Capital element of finance lease payments	–	(152)	–
	7,332	(152)	–
At 31 March 2019 as originally presented	25,386	264	–
Adjustment on initial adoption of HKFRS 16 (note 3(a)(iv))	–	(264)	11,996
Restated balance as at 1 April 2019	25,386	–	11,996
Changes from cash flows			
Proceeds from bank borrowings	72,201	–	–
Repayment of bank borrowings	(97,587)	–	–
Principal element of lease payments	–	–	(6,421)
Interest element of lease payments	–	–	(955)
	(25,386)	–	(7,376)
Exchange adjustment	–	–	(566)
Other changes			
Interest expenses	–	–	955
Increase in lease liabilities from entering into new leases	–	–	7,868
Increase in lease liabilities from acquisition of subsidiaries	–	–	5,017
	–	–	13,840
At 31 March 2020	–	–	17,894

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

37. 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	
			2020 HK\$'000	2019 HK\$'000
BuildMax (SZ)	Directors and key management have equity interest	Purchase of building material products and processing charges paid/payable	5,637	21,239

Prior to the Acquisition, Mr. Wai and Mr. Yip, who are directors and shareholders of the Company, and Mr. Lui, Mr. Liu and Mr. Chan, who are key management of the Group having indirect equity interests in the Company, have equity interest in BuildMax (SZ). The Acquisition was completed on 29 April 2019 and BuildMax (SZ) then became an indirect wholly-owned subsidiary of the Company. Accordingly, the transactions between BuildMax (SZ) and the Group subsequent to 29 April 2019 were no longer related party transactions for disclosure purpose.

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

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and other benefits	17,175	11,676
Contributions to defined contribution retirement plan	120	117
	17,295	11,793

38. CAPITAL MANAGEMENT

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

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

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

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

	2020 HK\$'000	2019 HK\$'000
Lease liabilities	17,894	–
Bank borrowings	–	25,386
Obligations under finance leases	–	264
	17,894	25,650
Total equity	231,874	188,529
Gearing ratio	7.7%	13.6%

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.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2020 HK\$'000	2019 HK\$'000
Financial assets		
<i>Financial assets measured at amortised cost</i>		
– Trade and bills receivables	125,954	72,681
– Other receivables and deposits	5,879	2,034
– Pledged deposit	104	3,044
– Pledged bank deposits	–	10,014
– Cash and bank balances	125,842	82,542
	257,779	170,315
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
– Trade and other payables	99,145	89,660
– Lease liabilities	17,894	–
– Bank borrowings	–	25,386
– Obligations under finance leases	–	264
	117,039	115,310

(a) Financial instruments not measured at fair value

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

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

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

(b) Financial instruments measured at fair value

As at 31 March 2020 and 2019, the Group did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

40. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment under ECL model

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

- Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.
- Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.
- Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

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

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

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtors’ ability to meet their debt obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of the debtors; and
- actual or expected significant adverse change in the regulatory, economic, or technological environment in which the debtors operate that results in a significant change in the debtors’ ability to meet their debt obligations.

40. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment under ECL model (Continued)

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

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

- (i) significant financial difficulty of the debtor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) granting a concession to the debtors that the lender would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty;
- (iv) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- (v) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment under ECL model (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at the end of the reporting period:

As at 31 March 2020	Gross carrying amount HK\$'000	Less: Individual assessed loss allowance HK\$'000	Carrying amount under collective measurement HK\$'000	Weighted average lifetime ECLs rate	ECL loss allowance for collective measurement HK\$'000	Individually assessed loss allowance HK\$'000	Total loss allowance HK\$'000
Not yet past due and past due within one year	121,331	–	121,331	0.4%	537	–	537
Past due for more than one year but within two years	4,178	–	4,178	2.5%	103	–	103
Past due for more than two years	1,287	168	1,119	3.0%	34	168	202
	126,796	168	126,628		674	168	842
As at 31 March 2019	Gross carrying amount HK\$'000	Less: Individual assessed loss allowance HK\$'000	Carrying amount under collective measurement HK\$'000	Weighted average lifetime ECLs rate	ECL loss allowance for collective measurement HK\$'000	Individually assessed loss allowance HK\$'000	Total loss allowance HK\$'000
Not yet past due and past due within one year	72,328	–	72,328	0.5%	337	–	337
Past due for more than one year but within two years	667	–	667	0.6%	4	–	4
Past due for more than two years	214	186	28	3.6%	1	186	187
	73,209	186	73,023		342	186	528

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

40. FINANCIAL RISK MANAGEMENT (Continued)**(a) Credit risk (Continued)****Impairment under ECL model (Continued)**

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

(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, lease liabilities, bank borrowings and obligations under finance leases. Financial instruments arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

All of the Group's bank borrowings bore interest at floating rates whereas its lease liabilities and obligations under finance leases bear interest at fixed rates. Details of bank borrowings, lease liabilities and obligations under finance leases are disclosed in notes 25, 24(a) and 26 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	
	2020	2019
	HK\$'000	HK\$'000
Changes in interest rate		
+ 1%	–	(212)
– 1%	–	212

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Interest rate risk (Continued)

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

(c) Foreign currency risk

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

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

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

	2020 HK\$'000	2019 HK\$'000
Net monetary assets/(liabilities)		
HK\$	(235)	624
RMB	(270)	(847)
EUR	(101)	(912)

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

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

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

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

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

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
As at 31 March 2020					
Trade and other payables	99,145	99,145	71,278	27,087	780
Lease liabilities	17,894	19,113	7,977	6,540	4,596
	117,039	118,258	79,255	33,627	5,376
As at 31 March 2019					
Trade and other payables	89,660	89,660	74,493	9,253	5,914
Bank borrowings subject to repayment demand clause	25,386	25,386	25,386	–	–
Obligations under finance leases	264	270	162	108	–
	115,310	115,316	100,041	9,361	5,914

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

40. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

The following table summarises the maturity analysis of the Group's bank loans as at 31 March 2019 with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "within one year or on demand" time band in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Bank loans subject to repayment on demand clause					
As at 31 March 2019	25,386	25,610	25,610	–	–

41. EVENTS AFTER THE REPORTING PERIOD

The outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment since the beginning of 2020. During the year ended 31 March 2020 and up to the date of these financial statements, COVID-19 has not resulted in material impacts on the financial performance of the Group. However, management expects that the financial performance of the Group of 2021 might be adversely affected to a certain extent, which will depend on the new development concerning the global severity of and actions taken to contain the COVID-19 outbreak that are highly uncertain. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the consolidated financial statements and operation results.

Financial Summary

For the year ended 31 March 2020

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

RESULTS

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	733,345	414,990	378,433	381,394	343,806
Cost of revenue	(623,640)	(342,816)	(304,483)	(312,282)	(276,478)
Gross profit	109,705	72,174	73,950	69,112	67,328
Other income and gains	1,731	1,027	2,723	166	250
Fair value (loss)/gain on investment properties	(778)	400	–	–	–
Gain on disposal of property, plant and equipment	4,287	–	–	–	–
Marketing and distribution expenses	(3,311)	(3,265)	(3,353)	(1,997)	(1,526)
Administrative and other operating expenses	(46,638)	(36,445)	(39,338)	(28,147)	(32,338)
Finance costs	(1,833)	(634)	(1,476)	(1,358)	(1,246)
Profit before income tax	63,163	33,257	32,506	37,776	32,468
Income tax expense	(9,410)	(4,955)	(6,286)	(6,812)	(6,812)
Profit for the year	53,753	28,302	26,220	30,964	25,656
Other comprehensive income for the year					
Exchange differences arising from translation of foreign operations	(808)	(56)	116	(106)	(42)
Revaluation gain on self-occupied properties	–	–	–	15,646	–
Other comprehensive income for the year	(808)	(56)	116	15,540	(42)
Total comprehensive income for the year	52,945	28,246	26,336	46,504	25,614

ASSETS AND LIABILITIES

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	433,938	327,974	270,925	248,708	238,457
Total liabilities	(202,064)	(139,445)	(99,384)	(93,903)	(121,156)
Net assets	231,874	188,529	171,541	154,805	117,301

Particulars of Principal Properties

As at 31 March 2020

INVESTMENT PROPERTIES

Location	Lot No.	Gross floor area (square feet ("sq.ft."))	Effective % held	Type	Lease term
Workshop B on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	120/999 3rd shares of and in Lot No. 312 in D. D. 444	1,050 sq.ft.	100%	Industrial premises	Long-term lease
Workshop C on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	243/999 3rd shares of and in Lot No. 312 in D. D. 444	2,235 sq.ft.	100%	Industrial premises	Long-term lease
Workshop A on 4/F & Flat Roof A and Workshop B on 4/F & Flat Roof B, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	395/999 3rd shares of and in Lot No. 312 in D. D. 444	Workshop area and roof area is 3,000 sq.ft. and 1,437 sq.ft. respectively	100%	Industrial premises	Long-term lease
Room 1508, Ruisi Building, the Junction of Yan He South Road and Shen Nan East Road, Shenzhen, the Guandong Province, the PRC	N/A	162.9 sq.m.	100%	Commercial premises	Medium-term lease