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KPa-BM Holdings Limited

應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION**

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2018

	<i>Notes</i>	Six months ended 30 September 2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	174,367	161,976
Cost of revenue		<u>(141,624)</u>	<u>(128,937)</u>
Gross profit		32,743	33,039
Other income and gains		533	607
Marketing and distribution expenses		(339)	(243)
Administrative and other operating expenses		(16,927)	(16,488)
Finance costs		<u>(360)</u>	<u>(543)</u>
Profit before income tax	4	15,650	16,372
Income tax expense	5	<u>(2,433)</u>	<u>(2,765)</u>
Profit for the period		13,217	13,607
Other comprehensive income for the period		<u>—</u>	<u>63</u>
Total comprehensive income for the period		<u>13,217</u>	<u>13,670</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
Basic and diluted earnings per share		<u>2.20</u>	<u>2.27</u>

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	<i>Notes</i>	As at 30 September 2018 (Unaudited) <i>HK\$'000</i>	As at 31 March 2018 (Audited) <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	5,125	5,892
Investment properties	8	21,100	21,100
Pledged deposits	11	1,500	1,500
Deferred tax assets		89	89
		<u>27,814</u>	<u>28,581</u>
Current assets			
Inventories		2,391	1,875
Contract assets	9	48,022	—
Amounts due from customers for contract works	9	—	69,015
Trade and other receivables, deposits and prepayments	10	131,235	107,091
Tax recoverable		2,488	1,544
Pledged deposits	11	—	2,200
Pledged bank deposits		11,075	19,218
Cash and bank balances		53,704	41,401
		<u>248,915</u>	<u>242,344</u>
Current liabilities			
Contract liabilities	9	16,141	—
Amounts due to customers for contract works	9	—	7,788
Trade and other payables	12	64,298	69,699
Dividend payable	6	9,600	—
Tax payable		5,212	2,793
Bank borrowings	13	5,428	18,054
Obligation under finance leases		155	153
		<u>100,834</u>	<u>98,487</u>
Net current assets		<u>148,081</u>	<u>143,857</u>
Total assets less current liabilities		<u>175,895</u>	<u>172,438</u>

	<i>Notes</i>	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Non-current liabilities			
Obligation under finance leases		185	263
Deferred tax liabilities		634	634
		<u>819</u>	<u>897</u>
Net assets		<u>175,076</u>	<u>171,541</u>
CAPITAL AND RESERVES			
Share capital	<i>14</i>	6,000	6,000
Reserves		169,076	165,541
Total equity		<u>175,076</u>	<u>171,541</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Asset revaluation reserve* HK\$'000	Exchange reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000
Six months ended							
30 September 2017 (unaudited)							
At 1 April 2017	6,000	33,942	7,437	15,646	(134)	91,914	154,805
Profit for the period	—	—	—	—	—	13,607	13,607
Other comprehensive income for the period	—	—	—	—	63	—	63
Total comprehensive income for the period	—	—	—	—	63	13,607	13,670
Transactions with owners:							
Final dividend in respect of 2017 (note 6)	—	—	—	—	—	(9,600)	(9,600)
At 30 September 2017 (unaudited)	<u>6,000</u>	<u>33,942</u>	<u>7,437</u>	<u>15,646</u>	<u>(71)</u>	<u>95,921</u>	<u>158,875</u>
Six months ended							
30 September 2018 (unaudited)							
At 1 April 2018	6,000	33,942	7,437	15,646	(18)	108,534	171,541
Profit for the period	—	—	—	—	—	13,217	13,217
Other comprehensive income for the period	—	—	—	—	(82)	—	(82)
Total comprehensive income for the period	—	—	—	—	(82)	13,217	13,135
Transactions with owners:							
Final dividend in respect of 2018 (note 6)	—	—	—	—	—	(9,600)	(9,600)
At 30 September 2018 (unaudited)	<u>6,000</u>	<u>33,942</u>	<u>7,437</u>	<u>15,646</u>	<u>(100)</u>	<u>112,151</u>	<u>175,076</u>

* The total of these equity accounts as at 30 September 2017 and 2018 represent "Reserves" in the condensed consolidated statements of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	Six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	16,995	(12,822)
Cash flows from investing activities		
Purchase of property, plant and equipment	(143)	(113)
Decrease/(Increase) in pledged bank deposits	8,143	(2)
Interest received	67	—
	<u>8,067</u>	<u>—</u>
<i>Net cash generated from/(used in) investing activities</i>	<u>8,067</u>	<u>(115)</u>
Cash flows from financing activities		
Dividend paid	—	(9,600)
Proceed from bank borrowings	—	20,140
Repayment of bank borrowings	(12,626)	—
Capital element of finance lease payments	(80)	(74)
	<u>(12,706)</u>	<u>10,466</u>
<i>Net cash (used in)/generated from financing activities</i>	<u>(12,706)</u>	<u>10,466</u>
Net increase/(decrease) in cash and cash equivalents	12,356	(2,471)
Cash and cash equivalents at the beginning of period	41,401	35,961
Effect of exchange rate changes on cash and cash equivalents	<u>(53)</u>	<u>(15)</u>
Cash and cash equivalents at the end of period	<u><u>53,704</u></u>	<u><u>33,475</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u><u>53,704</u></u>	<u><u>33,475</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

The condensed consolidated financial statements of the Group for the six months ended 30 September 2018 (the “interim financial statements”) are unaudited, but have been reviewed by the audit committee of the Company. These interim financial statements were approved for issue by the Company’s board of directors on 23 November 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2018 (“2018 Financial Statements”) which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The interim financial statements have been prepared under the historical cost basis except for investment properties which are measured at fair value. The interim financial statements are presented in Hong Kong dollars (“HK\$”), which is same as the functional currency of the Company and its major subsidiaries.

The accounting policies applied and methods of computation used in the preparation of the interim financial statements are consistent with those used in 2018 Financial Statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of the new or revised HKFRSs issued by the HKICPA as set out in note 2.1.

Adoption of new or revised HKFRSs

2.1 Adoption of new or revised HKFRSs effective on 1 April 2018

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

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

The following explains the impact of the adoption of HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” on the Group’s financial statements and the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods. Certain of the Group’s accounting policies have been changed to comply with the adoption of HKFRS 9 and HKFRS 15.

HKFRS 9 Financial Instruments

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

HKFRS 9 includes a new expected loss impairment model (“ECLs”) for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Except for the ECLs which may result in earlier provision of credit losses, the application of HKFRS 9 have no material impact on the Group’s financial statements.

The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECLs model to the following items:

- financial assets measured at amortised cost (including trade and bills receivables, retention receivables, other receivables and deposits, pledged deposits, pledged bank deposits and cash and bank balances);
- contract assets as defined in HKFRS 15; and
- financial guarantee contracts issued.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For trade receivables, retention receivables and contract assets, the Group applies a simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses. Expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. For other debt financial assets, the Group measures the loss allowance either based on 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of receivables has occurred since initial recognition, loss allowance is measured based on lifetime expected credit losses.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 1 year past due.

Presentation of ECLs

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

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

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

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

The following table summarised the impact of adopting HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018:

	<i>HK\$'000</i>
	Increase/ (Decrease)
ASSETS	
Current assets	
Amount due from customers for contract works	(48,022)
Contract assets	48,022
	<hr/>
Total current assets	<hr/> <hr/> —
LIABILITIES	
Current liabilities	
Amount due to customers for contract works	(16,141)
Contract liabilities	16,141
	<hr/>
Total current liabilities	<hr/> <hr/> —

There was no material impact on the Group's condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period ended 30 September 2018.

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

Product or service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018
Rendering structural engineering works and supply and installation of building material products	<p>The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced and thus the performance obligation of these contracts is satisfied over time. The satisfaction of performance obligation is determined using percentage of completion method. Payments are received in arrears or in advance of the revenue to be recognised based on the percentage of completion and recognized as a contract assets or contract liabilities respectively.</p>	<p>Impact As of 1 April 2018, for amounts due from customers for contract works, HK\$69,015,000 were classified to contract assets and for amounts due to customers for contract works, HK\$7,788,000 were classified to contract liabilities.</p>
Trading of building material products	<p>Customers obtain control of the building material products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customers accept the goods. There is no other goods or services agreed to be provided in the contract and in practice. There is generally only one performance obligation. Payments are received according to credit terms with individual customers.</p>	<p>HKFRS 15 did not result in any significant change or impact on the Group's accounting policies as the recognition method has been the same under HKAS 18 and HKFRS 15.</p>

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

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

HKFRS 16	Lease ¹
Amendments to HKFRS 9	Prepayment Features With Negative Compensation ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs ¹
HK(IFRIC)-Int 23	Uncertainty Over Income Tax Treatments ¹

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

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

HKFRS 16 Leases

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

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

As set out in note 15, the Group leases office premises, car parks, warehouse and office equipment under operating lease arrangements. As at 30 September 2018, the total operating lease commitment in respect of these lease arrangements amounted to HK\$4,522,000. The directors have performed a preliminary assessment and consider that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of these lease arrangements upon the application of HKFRS 16. In the income statement, as the lease will be capitalised in future, operating lease expense will no longer be recorded for these leases while

depreciation and interest expense will increase due to the depreciation charge on the right-of-use asset and the interest expense on the lease liability. The new standard is not expected to apply until the financial year ending 31 March 2020 and the impact on the Group's financial position and results upon the adoption of HKFRS 16 on these leases are not expected to be material. In addition, more quantitative and qualitative disclosures about the leases will be made following the requirements of HKFRS 16.

Accounting estimates and assumptions are used in the preparation of financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. In preparing the interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Financial Statements.

3. SEGMENT INFORMATION AND REVENUE

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

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

Supply and Installation of Building Material Products — This segment engages in supply of building material products together with installation services of such products in Hong Kong. In some circumstances, the Group designs and supplies building material products without providing installation works.

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

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

Six months ended 30 September 2018 (unaudited)	Structural Engineering Works HK\$'000	Supply and Installation of Building Material Products HK\$'000	Trading of Building Material Products HK\$'000	Total HK\$'000
<i>Segment revenue</i>				
Sales to external customers	162,125	8,625	3,617	174,367
Intersegment sales	—	—	263	263
	<u>162,125</u>	<u>8,625</u>	<u>3,880</u>	174,630
Elimination of intersegment sales				<u>(263)</u>
				<u>174,367</u>
<i>Segment profit</i>	<u>26,662</u>	<u>4,850</u>	<u>1,408</u>	32,920
Corporate and unallocated income				533
Corporate and unallocated expenses				
— Marketing and distribution expenses				(339)
— Administrative and other operating expenses				(17,104)
— Finance costs				<u>(360)</u>
Profit before income tax				<u>15,650</u>

Six months ended 30 September 2017 (unaudited)	Structural Engineering Works <i>HK\$'000</i>	Supply and Installation of Building Material Products <i>HK\$'000</i>	Trading of Building Material Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Segment revenue</i>				
Sales to external customers	147,708	6,121	8,147	161,976
Intersegment sales	<u>—</u>	<u>—</u>	<u>737</u>	<u>737</u>
	<u>147,708</u>	<u>6,121</u>	<u>8,884</u>	162,713
Elimination of intersegment sales				<u>(737)</u>
				<u>161,976</u>
<i>Segment profit</i>	<u>27,445</u>	<u>2,798</u>	<u>2,796</u>	33,039
Corporate and unallocated income				607
Corporate and unallocated expenses				(243)
— Marketing and distribution expenses				(16,488)
— Administrative and other operating expenses				(543)
— Finance costs				<u>(543)</u>
Profit before income tax				<u>16,372</u>

During the period, the segment asset had not been presented as there has not been a material change from the 2018 Financial Statements for the reportable segment.

- (b) In the following table, revenue from contracts with customers is disaggregated by major products and service lines and timing of revenue recognition provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period.

Disaggregation of revenue

Six months ended 30 September (unaudited)

Structural Engineering Works		Supply and Installation of Building Material Products		Trading of Building Material Products		Total	
2018	2017	2018	2017	2018	2017	2018	2017
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Timing of revenue recognition

Point in time	—	—	—	—	3,617	8,147	3,617	8,147
Over time	<u>162,125</u>	<u>147,708</u>	<u>8,625</u>	<u>6,121</u>	<u>—</u>	<u>—</u>	<u>170,750</u>	<u>153,829</u>
	<u><u>162,125</u></u>	<u><u>147,708</u></u>	<u><u>8,625</u></u>	<u><u>6,121</u></u>	<u><u>3,617</u></u>	<u><u>8,147</u></u>	<u><u>174,367</u></u>	<u><u>161,976</u></u>

Contract liabilities mainly relate to the amount due to customers for contract works which represented progress billing in advance. HK\$7,788,000 of the contract liabilities as of 1 April 2018 were recognised as revenue for the six months ended 30 September 2018.

4. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation in respect of:		
— Owned assets	776	768
— Leased assets	80	80
	<u>856</u>	<u>848</u>
Employee benefit expenses (including directors' emoluments)		
— Salaries, allowances and benefits in kind	16,123	16,059
— Contribution to defined contribution retirement plan	517	507
	<u>16,640</u>	<u>16,566</u>

5. INCOME TAX EXPENSE

The amounts of income tax expense in the unaudited condensed consolidated statement of comprehensive income represents:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax for the period		
— Hong Kong Profits Tax	2,433	2,758
— Other regions of the PRC — Enterprise Income Tax ("EIT")	—	7
	<u>2,433</u>	<u>2,765</u>

For the six months ended 30 September 2017, Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for that period.

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 rates 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% (Six months ended 30 September 2017: 25%) on the estimated assessable profits for the period.

At 30 September 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Company’s subsidiary established in the PRC of HK\$387,000 that are subject to withholding taxes. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future.

6. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (30 September 2017: nil).

The final dividend in respect of the year ended 31 March 2018 amounting to HK\$9,600,000 was paid in October 2018 and is recorded in dividend payable as at 30 September 2018.

7. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Profit for the period attributable to owners of the Company	13,217	13,607
	Number of shares	
	<i>(thousands)</i>	
Weighted average number of ordinary share in issue		
Weighted average number of ordinary shares in issue during the period	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 current period and prior period.

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 September 2018, the Group used approximately HK\$44,000, HK\$48,000 and HK\$51,000 on acquisition of furniture & fixtures, computer equipment and office equipment respectively (six months ended 30 September 2017: approximately nil, HK\$99,000 and HK\$14,000 respectively).

The Group has pledged its leasehold land and buildings with net carrying amount as at 30 September 2018 of HK\$1,517,000 (31 March 2018: HK\$1,543,000) to secure the bank borrowings and banking facilities granted to the Group (note 13).

The investment properties were carried at fair value. The fair value of the investment properties as at 30 September 2018 was approximately HK\$21,100,000 (31 March 2018: approximately HK\$21,100,000), which was determined by the Directors by reference to recent market prices for properties in the similar locations and conditions. The fair value of investment properties as at 30 September 2018 and 31 March 2018 is a level 2 recurring fair value measurement. No fair value gain or loss arose from remeasurement of the investment properties as at 30 September 2018 (six months ended 30 September 2017: nil), which were pledged to banks to secure for the bank borrowings and banking facilities granted to the Group (note 13).

The investment properties are leased to a third party under operating lease to earn rental income, further details of which are included in note 15.

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

	As at 30 September 2018 (Unaudited) <i>HK\$'000</i>	As at 31 March 2018 (Audited) <i>HK\$'000</i>
Costs incurred to date plus recognised profits	765,266	876,667
Less: Progress billings to date	(733,385)	(815,440)
	31,881	61,227
Contract assets	48,022	—
Amounts due from customers for contract works	—	69,015
Contract liabilities	(16,141)	—
Amounts due to customers for contract works	—	(7,788)
	31,881	61,227

Balances are reclassified from “amounts due from customers for contract works” to “contract assets” and from “amounts due to customers for contract works” to “contract liabilities” to be consistent with the terminology used under HKFRS 15.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Trade and bills receivables	85,031	56,429
Less: Provision for impairment	<u>(805)</u>	<u>(621)</u>
Trade and bills receivables, net (<i>note (a)</i>)	<u>84,226</u>	<u>55,808</u>
Retention receivables	44,133	46,793
Less: Provision for impairment	<u>—</u>	<u>(184)</u>
Retention receivables, net (<i>note (b)</i>)	<u>44,133</u>	<u>46,609</u>
Other receivables	826	2,401
Deposits	1,254	1,221
Prepayments	<u>796</u>	<u>1,052</u>
	<u>2,876</u>	<u>4,674</u>
	<u><u>131,235</u></u>	<u><u>107,091</u></u>

Notes:

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

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
0-30 days	70,397	38,131
31-60 days	2,961	3,172
61-90 days	1,233	9,903
Over 90 days	<u>9,635</u>	<u>4,602</u>
	<u>84,226</u>	<u>55,808</u>

(b) Retention receivables

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:

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
On demand or within one year	15,652	17,798
After one year or more	28,481	28,811
	44,133	46,609

As at 30 September 2018, based on due date of retention receivables, the Group's retention receivables of approximately HK\$32,926,000 (31 March 2018: HK\$36,321,000) were not yet past due and the remaining balance of approximately HK\$11,207,000 (31 March 2018: HK\$10,288,000), of which approximately HK\$1,288,000 (31 March 2018: HK\$1,288,000) were past due for one year. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the of the reporting periods as those balances are from customers with long business relationship and there has not been a significant change in their credit quality.

(c) Credit policy

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

11. PLEDGED DEPOSITS

As at 30 September 2018, the Group had pledged deposits of HK\$1,500,000 (31 March 2018: HK\$3,700,000), which represented deposits placed by the Group with an insurance company as collaterals for the surety bonds issued in favour of the customers of certain construction contracts. The aggregate bond values as at 30 September 2018 was HK\$5,007,000 (31 March 2018: HK\$10,739,000). The surety bonds are required for the entire period of the relevant construction contracts. As at 30 September 2018 and 31 March 2018, the respective construction contracts are expected to be completed after year 2019 and in year 2019 respectively.

12. TRADE AND OTHER PAYABLES

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Trade payables	42,809	42,690
Retention payables (<i>note (b)</i>)	17,988	16,908
Receipts in advance	387	263
Other payables, accruals and deposits	3,114	9,838
	<u>64,298</u>	<u>69,699</u>

Notes:

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

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
0-30 days	40,012	27,222
31-60 days	121	8,570
61-90 days	164	3,497
Over 90 days	2,512	3,401
	<u>42,809</u>	<u>42,690</u>

- (b) 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:

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
On demand or within one year	4,112	1,619
After one year or more	13,876	15,289
	<u>17,988</u>	<u>16,908</u>

13. BANK BORROWINGS

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Current liabilities		
Secured and interest-bearing bank borrowings		
Bank loans subject to repayment on demand clause (<i>note (a)</i>)		
— Bank loans due for repayment within one year	3,413	15,842
— Bank loans due for repayment after one year (<i>note (b)</i>)	2,015	2,212
	<u>5,428</u>	<u>18,054</u>

Notes:

- (a) Bank borrowings, including trade financing, are interest bearing at the banks' prime rates or cost of funds or Hong Kong Inter-Bank Offered Rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 30 September 2018 granted under banking facilities ranged from 3.44% to 4.71% (31 March 2018: 3.44% to 4.92%) per annum.
- (b) Included in bank borrowings as at 30 September 2018 are bank loans of HK\$2,015,000 (31 March 2018: HK\$2,212,000) that are not scheduled to repay within one year after the end of the reporting periods. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.
- (c) The Group's bank borrowings and banking facilities are secured by the followings:
- land and buildings with net carrying amount of HK\$1,517,000 as at 30 September 2018 (31 March 2018: HK\$1,543,000);
 - investment properties with net carrying amount of HK\$21,100,000 as at 30 September 2018 (31 March 2018: HK\$21,100,000); and
 - bank deposits of HK\$11,075,000 as at 30 September 2018 (31 March 2018: HK\$19,218,000).

14. SHARE CAPITAL

Ordinary shares	Par value <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised:			
At 30 September 2018 and 31 March 2018	0.01	2,000,000,000	20,000
Issued and fully paid:			
At 30 September 2018 and 31 March 2018	0.01	600,000,000	6,000

15. OPERATING LEASE COMMITMENTS

Operating leases — The Group as lessee

The Group leases office premises, car parks, warehouses and office equipment under operating lease arrangement. The leases run for an initial period of one to five year (31 March 2018: one to five years) and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	As at 30 September 2018 (Unaudited) <i>HK\$'000</i>	As at 31 March 2018 (Audited) <i>HK\$'000</i>
Within one year	3,448	3,325
Later than one year and not more than five years	1,074	959
	<u>4,522</u>	<u>4,284</u>

Operating leases — The Group as lessor

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

	As at 30 September 2018 (Unaudited) <i>HK\$'000</i>	As at 31 March 2018 (Audited) <i>HK\$'000</i>
Within one year	754	754
Later than one year and not more than five years	377	692
	<u>1,131</u>	<u>1,446</u>

16. GUARANTEE

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

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Aggregate value of the surety bonds issued in favour of customers	6,092	11,824

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 fulfill the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made.

17. LITIGATIONS

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

18. RELATED PARTY TRANSACTIONS

- (a) During the six months period ended 30 September 2018 and 2017, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount	
			Six months ended 30 September 2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
BuildMax Technology (Shenzhen) Limited (“BuildMax (SZ)”) (note (i))	Directors and key management have equity interest	Purchase of building material products and processing charges paid/payable	8,381	7,164

Note:

- (i) Mr. Lui, Mr. Wai, Mr. Yip, Mr. Liu Yuen Wai (“Mr. Liu”) and Mr. Chan Chi Ming (“Mr. Chan”) have equity interest in BuildMax (SZ). Mr. Wai and Mr. Yip are directors and substantial shareholders and Mr. Lui is a substantial shareholder and key management of the Company while Mr. Liu and Mr. Chan are key management of the Group having indirect equity interests in the Company.

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

- (b) As at 30 September 2018 and 31 March 2018, certain of the Group’s lease arrangements are subject to the personal guarantees provided by the directors of the Company.
- (c) The remuneration of directors and other members of key management during the periods was as follows:

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Salaries, allowances and benefits	3,728	3,330
Contributions to defined contribution retirement plan	27	27
	<u>3,755</u>	<u>3,357</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Background, Recent Development And Outlook

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.

The construction market has been steadily growing in 2018 due to the Hong Kong Government's implementation of long-term policies on housing supply, mass transit railway extension and infrastructural development. The Directors believe that the availability of private and public sector construction projects is expected to grow in the coming years, and with our experienced management team and reputation in the market, we can further strengthen our position as a well-established one-stop solution service provider which covers design, supply and installation of Structural Steel Works, Noise Barriers and Façade. The Group is confident in the industry outlooks and prospects of the construction market in Hong Kong for the upcoming years. Subsequent to 30 September 2018, the Group further secured new contracts with estimated total value of approximately HK\$585.0 million and the total value of outstanding contracts on hand is approximately HK\$930.0 million.

Looking ahead, the Group will continue to further expand our project teams by recruiting more designers and engineers for undertaking more sizeable projects as well as exploring new opportunities that are beneficial to the Group and our shareholders.

Financial Review

Revenue

The Group's revenue amounted to approximately HK\$174.4 million for the six months ended 30 September 2018 (the "Period") as compared to that of approximately HK\$162.0 million for six months ended 30 September 2017 (the "Previous Period"), representing an increase of approximately HK\$12.4 million or 7.6%. Such increase was mainly due to three key projects that were still at the design and preliminary stage in Previous Period had started to generate more revenue during the Period.

Cost of Revenue and Gross Profit

The Group's cost of revenue mainly comprised material and processing charges and subcontracting charges; the rise in cost of revenue was generally in line with the increase in revenue recognised for the Period. The Group implemented various control measures to monitor project progress, including periodic review of project budgets against actual performance. For the Previous Period, the Group had successfully negotiated with customers on compensation for certain variation works and thus further adjustments for higher profit margin have been made on a number of project budgets, resulting a relatively high overall gross profit margin at approximately 20.4%. The Group achieved a gross profit margin of approximately 18.8% for the Period, which was considered to be

within the normal range of the Group's margin level. The Group's gross profit for the Period decreased by approximately HK\$0.3 million because of the increase in material cost and labour cost outweighed the increase in revenue.

Administrative and Other Operating Expenses

Administrative and other operating expenses primarily consisted of staff costs, rental expenses, and legal and other professional fees. Administrative and other operating expenses of the Group increased by approximately 2.7% from approximately HK\$16.5 million for the Previous Period to approximately HK\$16.9 million for the Period. The increase was attributable to the increase in office overhead, including rental, staff costs paid to Directors and staff for business expansion during the Period.

Finance Costs

For the Period, the Group's finance costs were approximately HK\$0.4 million, representing a decrease of approximately HK\$0.2 million or 33.7% as compared to that of approximately HK\$0.6 million for the Previous Period, which was mainly due to the decrease in borrowings for financing for operational needs during the Period.

Income Tax Expense

Income tax expense of the Group amounted to approximately HK\$2.4 million and HK\$2.8 million for the Period and the Previous Period, respectively. Such decrease was not only because of the decrease in profit before income tax but also related to the introduction of two-tiered profits tax rates regime during the Period. 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%. Therefore, the effective tax rate is lower for the current period.

Profit for the Period

The Group's profit for the Period decreased by approximately HK\$0.4 million, which was mainly attributable to (i) the decrease in gross profit of approximately HK\$0.3 million; (ii) an increase of approximately HK\$0.4 million in administrative and other operating expenses; and (iii) partly offset by a decrease in income tax expense.

Liquidity, Financial Resources and Capital Structure

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Current assets	248,915	242,344
Current liabilities	100,834	98,487
Current ratio	2.5	2.5

During the six months ended 30 September 2018, the Group financed its operations by its internal resources and bank facilities. As at 30 September 2018, the Group had net current assets of approximately HK\$148.1 million (31 March 2018: approximately HK\$143.9 million), including cash and bank balances of approximately HK\$53.7 million (31 March 2018: approximately HK\$41.4 million). The Group's current ratio as at 30 September 2018 was approximately 2.5 times (31 March 2018: approximately 2.5 times).

As at 30 September 2018, the Group had a total available banking and other facilities of approximately HK\$99.5 million, of which approximately HK\$5.5 million was utilised and approximately HK\$94.0 million was unutilised and available for use.

Please refer to note 13 to the financial statements for more detailed information, including maturity profile, on the Group's loans and borrowings.

There has been no change in capital structure of the Company since 31 March 2018. As at 30 September 2018, the equity amounted to approximately HK\$175.1 million (31 March 2018: approximately HK\$171.5 million).

Gearing Ratio

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

The gearing ratio of the Group as at 30 September 2018 was approximately 3.3% (31 March 2018: approximately 10.8%), the decrease was mainly due to repayment of bank borrowing with the cash inflow from operation during the Period.

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars, Pound Sterling, Euro and Renminbi. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group and will closely monitor its foreign exchange position. During the Period, the Group did not engage in any hedging activities.

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

PLEDGE OF ASSETS

As at 30 September 2018, the Group had bank borrowings of approximately HK\$5,428,000 (as at 31 March 2018: approximately HK\$18,054,000) and banking facilities are secured by the followings:

- land and buildings with net carrying amount of approximately HK\$1,517,000 as at 30 September 2018 (31 March 2018: approximately HK\$1,543,000);
- investment properties with net carrying amount of approximately HK\$21,100,000 as at 30 September 2018 (31 March 2018: approximately HK\$21,100,000);
- bank deposits of approximately HK\$11,075,000 as at 30 September 2018 (31 March 2018: approximately HK\$19,218,000);

As at 30 September 2018, the Group had pledged deposit of approximately HK\$1,500,000 (31 March 2018: approximately HK\$3,700,000), which represented deposits placed by the Group with an insurance company as collaterals for the surety bonds issued in favour of the customers of certain construction contracts. The aggregate bond values as at 30 September 2018 of approximately HK\$5,007,000 (31 March 2018: approximately HK\$10,739,000). The surety bonds are required for the entire period of the relevant construction contracts. Pledged deposits as at 30 September 2018 amounting to HK\$1,500,000 are expected to be released after year 2019.

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any significant contingent liabilities.

INTERIM DIVIDEND

The Board did not recommend a payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group had 90 staff members (31 March 2018: 90). The total employee benefit expenses for the six months ended 30 September 2018 (including Directors' emoluments, salaries to staff and other staff benefits included provident fund contributions, medical insurance coverage and other staff benefits) was approximately HK\$16.6 million. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the six months ended 30 September 2018, 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.

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

As at 30 September 2018, the interests or short positions of the Directors and chief executive in the share of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock 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 Stock 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	27,000,000	4.5%
	Interests held jointly	36,000,000	6.0%
Mr. Yip Pak Hung	Corporate interest	369,000,000	61.5%
	Beneficial owner	27,000,000	4.5%
	Interests held jointly	36,000,000	6.0%

(b) Interest in the shares of an associated corporation

**Name of associated corporation:
Success Wing Investments Limited**

Director	Capacity/ Nature of interest	Number of shares	Percentage of Shareholding
Mr. Wai Yat Kin	Beneficial owner	11,182	30.30%
Mr. Yip Pak Hung	Beneficial owner	11,182	30.30%

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

As at 30 September 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of a Director, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of the Company

Name of shareholder	Capacity/ Nature of interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Success Wing Investments Limited	Beneficial owner	369,000,000	61.5%
Ms. Lam Suk Lan Bonnie	Interest of spouse	432,000,000	72.0%
Ms. Wu Janet	Interest of spouse	432,000,000	72.0%
Mr. Lui Bun Yuen Danny	Corporate interest	369,000,000	61.5%
	Beneficial owner	9,000,000	1.5%
	Interests held jointly	54,000,000	9.0%

Save as disclosed above, as at 30 September 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

SHARE OPTION SCHEME

The share option scheme was adopted by the Company on 22 September 2015 (the "Share Option Scheme"). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 September 2018, no share option was outstanding under the Share Option Scheme. During the Period, no share option has been granted by the Company under the Share Option Scheme.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the Period.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

Save for the related party transactions disclosed in note 18 to the interim 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 Period.

CHANGES IN DIRECTORS' INFORMATION

Mr. Lui Bun Yuen Danny has retired as an executive Director with effect from the conclusion of the Company's annual general meeting (the "AGM") held on 10 September 2018. Mr. Lui was due to retire by rotation at the AGM and did not offer himself for re-election as he wishes to focus his time on managing the Group's business on the subsidiary level. Mr. Lui remains as director of certain subsidiaries of the Company.

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 set out in Appendix 14 of the Listing Rules during the Period. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors. In accordance to the requirements of the Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with specific written terms of reference.

COMPETING INTEREST

None of the Directors, substantial shareholders of the Company and their respective associates had engaged in a business which competes or is likely to compete with the business of the Group during the Period.

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) comprises three independent non-executive Directors and is chaired by Ms. Lai Pik Chi Peggy, who has appropriate professional qualifications and experience as required under Rule 3.10(2) of the Listing Rules. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the Period, and was of the opinion that such information complied with the applicable accounting standards and requirements, and that adequate disclosures have been made.

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

Hong Kong, 23 November 2018

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

* *For identification purpose only*