鄺文記集團有限公司

KWONG MAN KEE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8023

ANNUAL REPORT 2017

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

CONTENTS

BOARD OF DIRECTOR

Executive Director

Mr. Kwong Chi Man *(Chairman)*
Mr. Yip Wai Man

Independent Non-Executive Directors

Ms. Yu Wan Wah Amparo
Mr. Law Pui Cheung
Mr. Wat Danny Hiu Yan

AUDIT COMMITTEE

Mr. Law Pui Cheung *(Chairman)*
Ms. Yu Wan Wah Amparo
Mr. Wat Danny Hiu Yan

REMUNERATION COMMITTEE

Mr. Wat Danny Hiu Yan *(Chairman)*
Mr. Kwong Chi Man
Ms. Yu Wan Wah Amparo

NOMINATION COMMITTEE

Mr. Kwong Chi Man *(Chairman)*
Mr. Wat Danny Hiu Yan
Ms. Yu Wan Wah Amparo

LEGAL COMPLIANCE COMMITTEE

Ms. Yu Wan Wah Amparo *(Chairlady)*
Mr. Law Pui Cheung
Mr. Wat Danny Hiu Yan

COMPANY SECRETARY

Ms. Tse Ka Wing *(HKICPA)*

AUTHORISED REPRESENTATIVES

Mr. Kwong Chi Man
Ms. Tse Ka Wing

COMPLIANCE OFFICER

Mr. Kwong Chi Man

REGISTERED OFFICE

PO Box 309, Ugland House
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKER

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Alliance Capital Partners Limited
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Hong Kong

COMPANY'S WEBSITE

http://www.kmk.com.hk

STOCK CODE

8023

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of the Company, I am pleased to present the first annual report of the Company for the year ended 31 March 2017 after its successful listing (the "**Listing**") on GEM on 13 October 2016 (the "**Listing Date**").

Review

The Listing is a remarkable milestone of our business development which increased the Group's profile in the industry and assisted us in promotion of brand awareness. I believe that upon the Listing the regulatory compliance and corporate governance of the Group will be further enhanced.

For the year ended 31 March 2017, the revenue of the Group slightly increased by 5.52% to approximately HK$72.4 million from approximately HK$68.6 million for the year ended 31 March 2016. Our revenue increment was mainly due to contracts secured before the year end and contracts signed during the reporting period for which works were performed in the same time.

Despite our increase in the revenue for the year ended 31 March 2017, the Group recorded a loss attributable to the shareholders of approximately HK$2.8 million, which was mainly due to, among other things, the one-off listing expenses of approximately HK$14.2 million (for the year ended 31 March 2016: approximately HK$4.1 million).

Forward

Looking forward, the future opportunities and challenges facing the Group will continue to be affected by the development of the policies of the Hong Kong Government as well as the construction schedule of our customers who are mainly property developers.

To explore new market and strengthen the revenue base, the Group has started its business expansion to Macau. There are also several projects upcoming which are in the process of tendering.

Appreciation

I would like to express my gratitude on behalf of the Group to all customers, suppliers, subcontractors, business partners and professional parties for their support to our business development and Listing process. I also take this opportunity to thank for the management and employees of the Group for their contribution and commitment throughout the year.

Kwong Man Kee Group Limited
Kwong Chi Man
Chairman and Executive Director

Hong Kong, 23 June 2017

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. KWONG Chi Man (鄺志文), aged 61, is the chairman and chief executive officer of the Group. Mr. Kwong is mainly responsible for the overall business development and technical operations and strategic planning of the Group. Mr. Kwong was appointed as an executive Director on 30 May 2016.

Mr. Kwong has accumulated over 30 years of experience in the construction industry. Mr. Kwong entered into the construction industry as a sole proprietor with the business registration of Kwong Man Kee Engineering in 1982. Mr. Kwong started the car park flooring business in 2003 and in 2005 undertook projects from major property developers, architects, main contractors and government bodies. In 2003, Mr. Kwong became the manager of Kwong Man Kee Engineering Limited ("**KMK**"). In 2008, Mr. Kwong became a shareholder and director of KMK and subsequently became the sole shareholder of KMK in 2013. Mr. Kwong has accumulated over 13 years of experience in the carpark flooring industry. He received secondary education in Hong Kong.

Mr. Yip Wai Man (葉偉文), aged 43, is an executive Director principally responsible for supervision and management of site works, quality control and work safety. Mr. Yip WM worked in his family business in frozen food trading before joining the Group in November 2005 as a technician. He left the Group in January 2006 to rejoin his family business but returned as the technician in June 2006. In 2010, Mr. Yip WM became a site foreman of the Group and has accumulated over 10 years of experience working in the Group. Mr. Yip WM was appointed as an executive Director on 13 June 2016.

In October 2012, Mr. Yip WM completed and passed the Technically Competent Person T1 Training Course at the Hong Kong Institute of Vocational Education. Mr. Yip WM has also completed the Safety Supervisor Training Course at Hong Kong Human Resources Limited in March 2013. He received secondary education in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yu Wan Wah Amparo (余韻華), aged 42, was appointed as an independent non-executive Director on 24 September 2016. Ms. Yu has accumulated over 7 years of experience in the civil and geotechnical engineering field when she was employed from 1998 to 2005 by Greg Wong & Associates Limited, a civil and structural engineering company. In February 2012, Ms. Yu commenced her legal career as a trainee solicitor with Messrs. Phyllis Kwong & Associates. In October 2012, Ms. Yu continued her legal training with Messrs. Ng, Au Yeung & Partners and she was subsequently promoted to the position of Assistant Solicitor in April 2014. Ms. Yu is currently an Assistant Solicitor of Messrs. Ng, Au Yeung & Partners.

Ms. Yu was admitted as a solicitor of the High Court in Hong Kong in April 2014.

Ms. Yu graduated from The University of British Columbia with a bachelor's degree of applied science in civil engineering in May 1997. In May 1998, she obtained a master's degree of engineering (civil) from Cornell University (USA). In November 2007, Ms. Yu obtained a master's degree of science in engineering (industrial engineering & logistics management) from the University of Hong Kong. In December 2010, Ms. Yu obtained her Juris Doctor degree from the Chinese University of Hong Kong and she subsequently completed the Postgraduate Certificate in Laws (PCLL) in July 2011 at the same university.

Mr. Law Pui Cheung (羅沛昌), aged 61, was appointed as an independent non-executive Director on 24 September 2016. Mr. Law has accumulated over 35 years of experience in the accountancy. Mr. Law began his career with Ernst and Whinney, the predecessor firm of Ernst & Young, an international accounting firm in Hong Kong. Mr. Law joined Li, Tang, Chen & Co., a practicing certified public accountants firm in Hong Kong in 1989 as an audit principal and was subsequently promoted to become a partner of the same in 1991. Mr. Law is an ex-partner of Li, Tang, Chen & Co. He is currently a director of Yong Zheng CPA Limited.

Mr. Law is currently a fellow or member of the following professional organisations:

Organisation	**Capacity**	**Since (Year)**
The Chartered Association of Certified Accountants	Fellow	1990
Hong Kong Institute of Certified Public Accountants	Fellow	1985
Macau Society of Certified Practising Accountants	Member	1995
Hong Kong Securities and Investment Institute	Fellow	2015
The Hong Kong Institute of Directors	Fellow	2011
The Institute of Chartered Accountants in England and Wales	Fellow	2015

Mr. Law is currently a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He acted as an independent non-executive director of Birmingham International Holdings Limited (stock Code: 02309) between March 2015 and October 2016. He has served as an independent non-executive Director of China Shanshui Cement Group Limited (stock Code: 00691) since December 2015.

Mr. Wat Danny Hiu Yan (屈曉昕), aged 41, was appointed as an independent non-executive Director on 24 September 2016. Mr. Wat has accumulated over 11 years of experience in the civil and geotechnical engineering field when he was employed from August 1998 to November 2009 by Mott MacDonald Hong Kong Limited, a global management, engineering and development consultancy firm. In November 2009, Mr. Wat became a director of Kin Wah Hong Paper Limited, a company with the principle business of paper agency and distributorship in Hong Kong, where he is responsible for the overall administration, procurement, financial control and sales and marketing.

Mr. Wat has been a member of the Hong Kong Institution of Engineers (Civil Discipline) since March 2003.

Mr Wat graduated from The University of British Columbia in May 1997 with a bachelor's degree in civil engineering and subsequently obtained a master's degree of Engineering (Civil) from Cornell University (USA) in May 1998.

SENIOR MANAGEMENT

Ms. Tse Ka Wing (謝嘉穎), aged 33, is the financial controller and company secretary of the Group and is principally responsible for supervision of the Group's financial reporting, financial planning, treasury, financial control and company secretarial matters. Ms. Tse joined the Group in March 2016.

From September 2006 to January 2008, Ms. Tse worked as an auditor in Andrew Tse & Co., a Certified Public Accountant firm where she was responsible for audit assignments for private companies in Hong Kong. From February 2008 to November 2013, Ms. Tse served as an assistant manager of BDO Limited, an accounting firm where she participated in various audit assignments for both listed companies and multi-national companies. In November 2013, Ms. Tse joined Union Honor International Enterprise Limited, a group specialising in medical beauty services as an assistant accounting manager. Prior to joining the Group, Ms. Tse was the financial controller of Hong Kong Universal Education Limited, an education service provider, from November 2014 to March 2016, in which her responsibilities included the financial reporting and financial management.

Since January 2011, Ms. Tse has been a member of the HKICPA and a practising member of HKICPA since 2014. Ms. Tse is also a member of the Young Member Committee of HKICPA and is an authorised supervisor to provide training to prospective members of HKICPA.

In 2006, Ms. Tse obtained a bachelor's degree in business administration in accountancy from the City University of Hong Kong. Ms. Tse has accumulated more than 10 years of financial and accounting experience.

Mr. Jason Yip (葉港樂), aged 41, is a manager of the Group and is principally responsible for the overall management of sales and marketing and project management. Mr. Jason Yip first joined the Group in November 2003 on a part time basis to assist Mr. Kwong in the sourcing of appropriate car park flooring materials and to promote the Group's business. In November 2007, Mr. Jason Yip became the marketing manager on a full time basis and in April 2009, Mr. Jason Yip became a consultant of the Group on a part time basis. In August 2015, upon becoming a 30% shareholder in Sage City Investments Limited ("**Sage City**") following his exercise of share option granted to him in 2003, Mr. Jason Yip took up the position of manager of KMK on a full time basis. Mr. Jason Yip has accumulated over 13 years of experience in the car park flooring industry.

Mr. Jason Yip supplemented his experience as a subcontractor when he managed Joint Surplus Limited from April 2011 to July 2015. Prior to joining the Group as a marketing manager in November 2007, Mr. Jason Yip was a sales manager of Mandas Enterprises, a company which specialised in movement joint systems and waterproofing system from 2001 to 2007. Before that, Mr. Jason Yip was the regional assistant manager in the structural movement joint division of Vexcolt Asia Ltd from 1999 to 2000 and the Sales Engineer of product development in construction materials of Specialist Products Ltd. from 1998 to 1999.

Mr. Jason Yip graduated from The University of British Columbia in May 1997 with a bachelor's degree in civil engineering with distinction and subsequently obtained a master's degree in engineering from the same university in May 1998.

The Group is principally engaged in the Hong Kong car park flooring industry. We provide (i) flooring services, which involve the application of proprietary floor coating products for the purpose of providing a colorful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and (ii) ancillary services, which include concrete repairing and wall painting work in Hong Kong. Our target segment range from mid to high end projects in the car park flooring market.

Our Board and management are actively exploring new business opportunities by keeping track of any new construction projects in Hong Kong through existing network, and soliciting new business through sending our marketing material to architects, who are responsible for determining products and services specifications for new construction projects. In order to further develop the market, to create a higher company profile and explore new business opportunities, we cooperate with our supplier to participate in industry exhibition and luncheon presentations. Our listing status enhanced our corporate profile and recognition that in turn reinforce our brand awareness and image in both of our existing and potential customers.

Looking forward, the future opportunities and challenges facing the Group will continue to be affected by the development of the policies of the Hong Kong Government as well as the construction schedule of our customers who are mainly property developers.

The Group acquired a property in May 2017 to serve as its workshop and office (the "**Property**") to strengthen the Group's leading position in the construction market and expand its presence in the refurbishment market. Such purchase is expected to facilitate the marketing of the Group's services to both existing and new customers and in raising its profile. The Directors consider that the Property will, amongst other things, (i) cater for the Group's expanding staff; (ii) mitigate the risk of possible substantial increases in rental expenses; (iii) mitigate the risk of early termination or non-renewal of the Group's existing lease by the relevant landlord; and (iv) ensure the continuity of its operation.

To explore new market and strengthen our revenue base, the Group has started to expand its business to Macau. In May 2017, the Group has signed its first contract amounting to approximately MOP$7,900,000 which is expected to commence in the financial year 2017/2018. There are several projects upcoming which are in the process of tendering.

FINANCIAL REVIEW

Revenue and gross profit

Our revenue, principally generated from the provision of car park flooring services for construction projects, was approximately HK$72.4 million for the year ended 31 March 2017 and HK$68.6 million for the year ended 2016. The Group's gross profit margin decreased from 48% for the year ended 31 March 2016 to 41% for the year ended 31 March 2017. Our revenue increment was mainly due to contracts secured before year ended 31 March 2017 and contracts signed during the reporting period for which works were performed during the reporting period.

General and administrative expenses

General and administrative expenses of the Group increased by approximately HK$18.2 million from approximately HK$11.8 million for the year ended 31 March 2016 to approximately HK$29.9 million for the year ended 31 March 2017. General and administrative expenses consist primarily of staff cost, depreciation, rental expenses, listing expenses and other general administrative expenses. The increase was mainly due to non-recurring listing expenses which accounted for approximately HK$14.2 million, increase in staff cost due to additional staff hired during the year, retirement of staff with long service payment paid and a general increase in professional fees such as legal consultation fees, advisory fees and listing maintenance fee during the reporting period.

Loss attributable to owners of the Company

The Group's loss attributable to equity holders was approximately HK$2.8 million for the year ended 31 March 2017. The loss attributable to shareholders was mainly due to (i) the one-off listing expenses of approximately HK$14.2 million (year ended 31 March 2016: approximately HK$4.1 million) incurred during the year ended 31 March 2017; (ii) the revenue for the year ended 31 March 2017 was less than expected, principally due to the delay in certain car park flooring projects (thereby delaying the progress payments of approximately HK$6.0 million payable to the Group); (iii) the increase in direct costs in relation to the car park flooring projects; and (iv) provision for bad debt of approximately HK$1.1 million relating to trade receivables due from a listed company customer whose shares were suspended from trading on the Hong Kong Stock Exchange since April 2017 due to going concern uncertainties.

Liquidity, financial resources and capital structure

As at 31 March 2017, the Group's current ratio was approximately 8.15 compared to approximately 2.37 at 31 March 2016. As at 31 March 2017, the Group had total assets of approximately HK$85.1 million (31 March 2016: approximately HK$41.1 million). As at 31 March 2017, the Group had cash and bank balances of approximately HK$35.1 million (31 March 2016: approximately HK$14.2 million). The management is of the view that the Group has adequate capital base for further growth.

Gearing ratio

The Group does not have any outstanding borrowing as at 31 March 2017 except for a bank overdraft of HK$10.0 million drawn down in October 2016, which was repaid in December 2016.

Charges on assets

As at 31 March 2017, the Group did not have any charge on its assets.

Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures

There was no significant investment held by the Group nor any material acquisition or disposal of subsidiary, associate and joint venture for the year ended 31 March 2017, except the corporate reorganisation undergone in preparation for the Listing as set out in the prospectus of the Company dated 30 September 2016 (the "**Prospectus**").

Future plans for material investments or capital assets

As at the date of this report, the Board does not have any plan for material investments or additions of capital assets.

Risk of foreign exchange fluctuations

The Group's flooring business activities are primarily operated in Hong Kong and most of the transactions are settled in Hong Kong dollars. The Board considers that the risk of foreign exchange fluctuations to the Group is insignificant. No hedging arrangement has been made during the year ended 31 March 2017.

Treasury policy

The Group adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the reporting period. 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 commitments can meet its funding requirements from time to time.

Employees and remuneration policy

As at 31 March 2017, the Group had 26 employees in total. The staff costs of the Group (including directors' emoluments, and management, administrative and operational staff costs) for the year ended 31 March 2017 were approximately HK$10.0 million.

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

Commitments and contingent liability

The Company entered into a preliminary sale-and-purchase agreement acquiring a property and two car park spaces amounting to HK$30.0 million for its own use during the reporting period. The purchase transactions was completed in May 2017. Apart from such, the Group did not have significant lease commitments and contingent liabilities as at 31 March 2017.

Events after the reporting period

The Board is not aware of any events after the reporting period that requires disclosure.

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the achievement of business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2017 is set out below:

Business objectives	Implementation plans	Actual business progress for the year ended 31 March 2017
To expand our presence in the refurbishment market and purchase of an office	To purchase an office	The Group entered into a preliminary sale and purchase agreement in March 2017 to purchase a workshop and office located on the 21st Floor and Car Park Nos. P5 and P6 on the 1st Floor of The Bedford, Nos. 91-93 Bedford Road, Tai Kok Tsui, Kowloon, Hong Kong for the consideration of HK$30.0 million, completion of which took place in May 2017.
To strengthen the Group's leading position in the new construction market	To strengthen the sales and marketing efforts and brand awareness in the industry	The Group has conducted luncheons with property developers, cross-over exhibition with the suppliers to promote awareness and gather market intelligence to create higher company profile.
	To strengthen the manpower and capacity	The Group has recruited refurbishment expert to explore the refurbishment market.
To repay the bank loan	To discuss with the bank on repayment of the bank loan	The bank loan of HK$10.0 million was repaid in December 2016.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting the underwriting fees, the Stock Exchange trading fee and transaction levy of the Securities & Futures Commission and estimated listing expenses, were approximately HK$42.3 million.

The Group adjusted the use of proceeds, which is (i) approximately HK$17.2 million, representing 40.7% of the net proceeds, for expanding our presence in the refurbishment market and purchase of an office; (ii) approximately HK$13.0 million, representing 30.8% of the net proceeds, for strengthening the Group's leading position in the new construction market by improving the overall capacity and project management efficiency; (iii) approximately HK10.0 million, representing 23.6% of the net proceeds, for repaying bank loan; and (iv) approximately HK$2.1 million, representing 4.9% of the net proceeds, for general working capital and other general corporate uses of the Group.

An analysis of the utilisation of the net proceeds from the Listing Date up to 31 March 2017 is set out below:

	Adjusted use of the net proceeds (HK$ million)	**Planned use of the net proceeds up to 31 March 2017** (HK$ million)	**Actual use of the net proceeds up to 31 March 2017** (HK$ million)
expanding our presence in the refurbishment market and purchase of an office	17.2	0.6	0.6
strengthening the Group's leading position in the new construction market by improving the overall capacity and project management efficiency	13.0	4.5	3.6
repaying bank loan	10.0	10.0	10.0
general working capital and other general corporate uses	2.1	0.6	0.6
Total:	42.3	15.7	14.8

MANAGEMENT DISCUSSION AND ANALYSIS

The business objectives, implementation plans and planned use of proceeds were based on the estimation and assumption of future market conditions made by the Group for the purpose of Listing. The actual use of proceeds was based on the Group's business operations and development.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (for the year ended 31 March 2016: HK$3.5 million).

INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the first corporate governance report of the Company for the year ended 31 March 2017.

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

The Board believes that good and effective corporate governance practices are keys to obtaining and maintaining the trust of the shareholders of the Company (the "**Shareholders**") and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the Shareholders.

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules, which includes developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

The Company has complied with the principles and applicable code provisions of the CG Code for the year ended 31 March 2017, except the deviation from CG Code provision A.2.1 set out below.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Kwong Chi Man ("**Mr. Kwong**") is the chairman and the chief executive officer of the Company. Mr. Kwong has been the key leadership figure of the Group for over 14 years and is well recognised in the car park flooring industry in Hong Kong. Mr. Kwong has been primarily involved in the overall business development, technical operations and strategic planning of the Group. The Directors are of the view that it would be in the Group's best interest for Mr. Kwong to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**"). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 March 2017.

BOARD OF DIRECTORS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of our Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The Directors' responsibilities include inter alias:

- To attend regular Board meetings focusing on business strategy, operational issues and financial performance;
- To approve annual budgets covering strategy, financial and business performance, key risks and opportunities;
- To monitor the quality, timeliness, relevance and reliability of internal and external reporting;
- To consider and approve the consolidated financial statements in interim reports, annual reports and announcements;
- To focus its attention on matters affecting the Company's overall strategic policies, finances and Shareholders;
- To consider dividend policy and dividend amount; and
- To review and monitor the corporate governance policies and practices of the Group to ensure compliance with the legal and regulatory requirements.

The Company has taken out director and officer liability insurance to cover liabilities arising from legal action against the Directors.

Composition

The composition of the Board from the Listing Date up to the date of this report is set out as follows.

Executive Directors

Mr. Kwong Chi Man *(Chairman)* (appointed on 30 May 2016)
Mr. Yip Wai Man (appointed on 13 June 2016)

Independent non-executive Directors

Ms. Yu Wan Wah Amparo (appointed on 24 September 2016)
Mr. Law Pui Cheung (appointed on 24 September 2016)
Mr. Wat Danny Hiu Yan (appointed on 24 September 2016)

There is no financial, business, family or other material/relevant relationship among members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The profile of each Director are set out in the section headed "Profile of Directors and Senior Management" on pages 5 to 8 of this report.

With the various experience of the executive Directors and the independent non-executive Directors (the "**INEDs**") and having regard to the nature of the Group's business, the Company recognises the benefits of having a Board with well-balanced experience and qualification to maintain a sustainable business development of the Group in long run. In recognition of the Company's commitment to a well-balanced Board, the nomination committee is entrusted to review the Company's human resources policy and recruitment process to ensure the effectiveness of the policy.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Upon the Listing, three Board meetings were respectively held on 11 November 2016, 9 February 2017 and 1 March 2017 during the year ended 31 March 2017. The individual attendance record of the Board meetings is set out as follows:

Name of Directors	Number of Board Meetings attended/eligible to attend
Mr. Kwong Chi Man	3/3
Mr. Yip Wai Man	3/3
Ms. Yu Wan Wah Amparo	3/3
Mr. Law Pui Cheung	3/3
Mr. Wat Danny Hiu Yan	3/3

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three INEDs representing at least one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. As such, there is a strong element in the Board to provide independent judgment.

In accordance with code provision A.4.1 of the Code, the Company has entered into a letter of appointment with each of the INEDs for initially a fixed term of three years commencing from 24 September 2016 and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this report.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive Director has entered into a service agreement with the Company for initially a fixed term of three years commencing from 24 September 2016 and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The service agreements and/or letters of appointment of the Directors are subject to termination in accordance with their respective terms. They can be renewed in accordance with the articles of association of the Company ("**Articles**") and the applicable GEM Listing Rules.

As required under the Articles, all Directors are subject to election by the Shareholders at the first general meeting after their appointment. At every annual general meeting of the Company at least one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election thereat.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the Shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars and forums organised by qualified professionals, to develop and refresh their knowledge as to the industry and skills in relation to their contribution to the Board.

All the Directors understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

During the year ended 31 March 2017, all the Directors participated in a training seminar regarding director's responsibilities and duties by the Company's then legal advisers to ensure that he/she has appropriate understanding of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. Such training seminar was related to corporate governance, connected transactions and directors' continuing obligations.

The Company has maintained the training record in respect of each Director. There are also arrangements in place for providing continuing briefing and professional development to Directors by the Company whenever necessary.

BOARD COMMITTEES

The Board has established four Board committees, namely, the audit committee, the remuneration committee, the nomination committee and the legal compliance committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with respective written terms of reference. All the Board committees should report to the Board on their decisions and works. The practices, procedures and arrangements of conduct of committee meetings follow in line with, so far as practicable, those of the Board meetings and the respective terms of reference of the committees.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Audit Committee

The audit committee was established on 24 September 2016 with its written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee consists of three members, being Mr. Law Pui Cheung, Ms. Yu Wan Wah Amparo and Mr. Wat Danny Hiu Yan. Mr. Law Pui Cheung currently serves as the chairman of the audit committee.

Upon Listing, one audit committee meeting was held on 10 November 2016 during the year ended 31 March 2017. The individual attendance record of the meetings of the audit committee is set out as follows:

Name of Directors	Number of meetings of the audit committee attended/eligible to attend
Ms. Yu Wan Wah Amparo	1/1
Mr. Law Pui Cheung	1/1
Mr. Wat Danny Hiu Yan	1/1

During the year ended 31 March 2017, the audit committee reviewed (i) the Group's unaudited consolidated financial statements for the six months ended 30 September 2016, with a recommendation to the Board for approval; (ii) the Group's financing and accounting policies; and (iii) the Group's internal control system and risk management functions.

Remuneration Committee

The remuneration committee was established on 24 September 2016 with its written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of all Directors and senior management and determine, with delegated responsibilities, the renumeration package of individual Director and senior management.

The remuneration committee consists of three members, being Mr. Wat Danny Hiu Yan, Mr. Kwong Chi Man and Ms. Yu Wan Wah Amparo. Mr. Wat Danny Hiu Yan currently serves as the chairman of the remuneration committee.

Upon Listing, no remuneration committee meeting has been held for the year ended 31 March 2017.

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

Nomination Committee

The nomination committee was established on 24 September 2016 with its written terms of reference in compliance with the code provisions of the CG Code. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee consists of three members, being Mr. Kwong Chi Man, Mr. Wat Danny Hiu Yan and Ms. Yu Wan Wah Amparo. Mr. Kwong Chi Man currently serves as the chairman of the nomination committee.

Upon Listing, no nomination committee meeting has been held for the year ended 31 March 2017.

Legal Compliance Committee

The legal compliance committee on 24 September 2016 with its written terms of reference by reference to the code provisions of the CG Code. The primary duties of the legal compliance committee are to assist the Board in overseeing the Group's compliance with laws and regulations relevant to its business operations and to review the effectiveness of the Group's regulatory compliance procedures and system.

The legal compliance committee consists of three members, being Ms. Yu Wan Wah Amparo, Mr. Law Pui Cheung and Mr. Wat Danny Hiu Yan. Ms. Yu Wan Wah Amparo currently serves as the chairlady of the legal compliance committee.

Upon Listing, no legal compliance committee meeting has been held for the year ended 31 March 2017.

INTERNAL CONTROLS AND RISK ASSESSMENT

The Board is responsible for the Group's internal control and has conducted a review of the effectiveness of the internal control of the Group, including financial, operational and compliance controls and risk management functions. There revealed no material inadequacy of internal controls and that the Board has played regard to risk management in the decision-making process.

There being no internal audit unit as the Board does not perceive the cost efficiency to set up one at the present scale of operations of the Company, the Board has invested resources to enhance the internal control system and to take active steps in addressing the recommendation of the internal control system review in the management letter from the external auditors during the audit process.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for the year ended 31 March 2017 to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements for the year ended 31 March 2017 in this report.

AUDITOR'S REMUNERATION

Apart from provision of annual audit services for the year ended 31 March 2017, PricewaterhouseCoopers, the Company's auditor, was also the reporting accountant of the Company in relation to the Listing.

For the year ended 31 March 2017, the remuneration paid or payable to PricewaterhouseCoopers and its affiliate companies in respect of audit and non-audit services were HK$700,000 and HK$20,000 respectively.

COMPANY SECRETARY

Ms. Tse Ka Wing, an employee of the Company, was appointed by the Board as the company secretary of the Company on 21 March 2016. The biographical details of Ms. Tse are set out in the section headed "Profile of Directors and Senior Management" on page 7 of this report. Ms. Tse is principally responsible for supervision of the Group's financial reporting, financial planning, treasury, financial control and company secretarial matters.

Ms. Tse had confirmed that she had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules during the year ended 31 March 2017.

SHAREHOLDERS' RIGHT

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 12.3 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within 3 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting within a further 21 days, the requisitionists themselves may convene a meeting in accordance with the Articles and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

Right to put enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Procedure for shareholders to put forward proposals at shareholders' meetings

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, Shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

INVESTOR RELATIONS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities.

The Company's annual and interim reports and circulars are printed and sent to all Shareholders.

Moreover, announcements, circulars, publications and press releases of the Company are published on the Company's website (www.kmk.com.hk). The Company's website disseminates corporate information and other relevant financial and non-financial information electronically on a timely basis.

The Company acknowledges that general meetings are good communication channel with Shareholders and the Directors and the members of the Board committees are encouraged to attend and answer questions raised by Shareholders at the general meetings.

CORPORATE GOVERNANCE REPORT

The Company is committed to promoting and maintaining effective communication with Shareholders and other stakeholders. The Board is committed to ensuring that the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company so as to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders to engage actively with the Company.

From the Listing Date to 31 March 2017, there had been no significant change in the Company's constitutional documents.

The Board hereby present the Directors' report and the consolidated financial statements for the year ended 31 March 2017.

LISTING ON GEM

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 May 2016.

The Company became the holding company of the Group upon the completion of the corporate reorganisation (the "**Reorganisation**") on 16 June 2016, details of which are set out in note 1.2 to the consolidated financial statements in this report.

For further particulars of the subsidiaries of the Group, details of which are set out in note 26 to the consolidated financial statements in this report.

The shares of the Company (the "**Shares**") were listed on the GEM on 13 October 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is the investment holding company of the Group. The Company's operating subsidiaries principally engage in providing (i) flooring services which involve the application of proprietary floor coating products for the purpose of providing a colourful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and (ii) ancillary services which include concrete repairing and wall painting work in Hong Kong.

For the development, performance or position of the Group's business, details are set out in the section headed "Chairman's Statement" on page 4 and the section headed "Management Discussion and Analysis" on pages 9 to 14 of this report.

For the principal financial risks and uncertainties facing the Company, details are set out in note 3 to the consolidated financial statements in this report.

(A) Environmental policies and performance

The Board is aware that addressing environmental concerns is an important issue for contributing to the continuous development of society (along with the business activities of the Company).

The Group's operation is not subject to any environmental requirements in Hong Kong, except the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) (the "**Dangerous Goods Ordinance**"), and that some of the works conducted by the Group are subject to environmental compliance examination under The Hong Kong Green Building Council's "BEAM Plus" scheme. The Group has established effective environmental management system in conformity with the international standard requirements, for the provision of design, construction, installation and maintenance services to the customers.

An environmental policy and manual of procedures have been effective upon Listing which demonstrates the Group's commitment to environmental protection. All staff, subcontractors and suppliers are required to diligently implement the policy and the manual, which will be reviewed regularly in light of experience, feedback from staff, business development, current legislations and regulations.

(B) Compliance with laws and regulations

Apart from the licensing requirement under the Dangerous Goods Ordinance, the Group is not subject to any requirement to obtain any particular approval or permit for carrying out the business in Hong Kong. The Dangerous Goods Ordinance controls the usage, storage, manufacturing and conveyance of the dangerous goods under the ordinance and sets out the relevant licensing requirements in relation to these activities.

To the best knowledge and belief of the Directors, the Group's operation in Hong Kong has complied with the applicable laws and regulations in all material respects during the year ended 31 March 2017, and up to the date of this report.

(C) Key relationships with employees, customers and suppliers

The Directors are of the view that the Company has maintained good relationship with its employees, customers, suppliers and bankers.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2017 are presented in the consolidated statements of profit or loss and other comprehensive income on page 40 of this report.

No dividend has been paid or declared by the Company since its incorporation.

During the year ended 31 March 2017 and prior to the Listing, a dividends of HK$3.5 million in respect of the results of Victor Ease Limited for the year ended 31 March 2016 were declared to its then shareholders.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017.

SUMMARY FINANCIAL INFORMATION

A summary of the results and the assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Company for the years ended 31 March 2015, 2016 and 2017 are set out on page 88 of this report

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by our Group during the year ended 31 March 2017 are set out in note 24 to the consolidated financial statements in this report.

During the year ended 31 March 2017, the Group entered into a transaction with connected persons of the Company (as defined under the GEM Listing Rules) and such transaction is expected to continue. This transaction constitutes a de minimis continuing connected transaction of the Company upon Listing, which are fully exempt from the reporting announcement, independent shareholders' approval, annual review and all other relevant disclosure requirements under Chapter 20 of the GEM Listing Rules.

The INEDs are of the view that (i) the continuing connected transaction was entered in the ordinary and usual course of business of the Group, on normal commercial terms or better; and (ii) the terms are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 March 2017 are set out in note 12 to the consolidated financial statements in this report.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 September 2016, the terms of which are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

A summary of the Scheme is set out below:

(a) Purpose of the Share Option Scheme

The purpose of the Scheme is to provide additional incentive to any eligible persons of the Group and to promote the success of the Group's business.

(b) Participants

The Board may, at its absolute discretion and on such terms as it may think fit, invite any eligible persons to join the Scheme.

(c) Total number of Shares available for issue under the Scheme

The maximum number of Shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. i.e. a total of 60,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this report.

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit must be separately approved by Shareholders in general meeting.

(e) Period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

(f) Minimum period for which an option must be held before exercise

The Board may in its absolute discretion set a minimum period for which an option must be held before an option can be exercised.

(g) Time of acceptance and the amount payable on acceptance of the option

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.

(h) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least 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 option, which must be a business day; (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.

(i) Remaining life of the Scheme

The Scheme will remain in force for a period of ten years commencing on 24 September 2016 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by Shareholders in general meeting.

No share option has been granted or exercised under the Scheme during the year ended 31 March 2017. No share option was outstanding as at 31 March 2017.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 March 2017.

DEBENTURE

No debenture was issued by the Company during the year ended 31 March 2017.

EQUITY-LINKED AGREEMENT

Save as the Scheme, no equity-linked agreement was entered into by the Company or subsisted during the year ended 31 March 2017 which (a) will or may result in the Company issuing Shares; or (b) requires the Company to enter into an agreement that will or may result in the Company issuing Shares.

DONATION

The Group has not made any charitable donation of not less than HK$10,000 during the year ended 31 March 2017.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, each Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate insurance cover in respect of claims and legal actions against the Directors and its officers.

DISCLOSURE OF INTERESTS

(A) Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debenture of the Company or any associated corporation

As at 31 March 2017, the interests and short positions of the Directors or chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares

Name of Director	Nature of Interest	Number of Shares held or interested	Percentage of shareholding
Mr. Kwong Chi Man ("**Mr. Kwong**")	Interest in controlled corporation *(note)*	375,750,000	62.63%

Note: Mr. Kwong beneficially owns 70% of the issued share capital of Sage City, the beneficial owner holding 62.63% shareholding in the Company. Therefore, Mr. Kwong is deemed to be interested in all the Shares which are beneficially owned by Sage City for the purpose of the SFO. Mr. Kwong is the chairman, an executive Director of the Company and a director of Sage City.

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive officer of the Company had any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

(B) Substantial shareholders' and other persons' interests and short positions in the Shares, underlying Shares and debenture of the Company

So far as the Directors were aware, as at 31 March 2017, the following persons (other than the Directors or chief executive officer of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register of interests required to be kept under section 336 of the SFO:

Long Position in the Shares

Name	Nature of Interest	Number of Shares held or interested	Percentage of shareholding
Sage City	Beneficial interest *(note 1)*	375,750,000	62.63%
Ms. Li Chuen Chun	Interest of spouse *(note 2)*	375,750,000	62.63%

Notes:

1. Sage City is a company incorporated in the British Virgin Islands and is owned by Mr. Kwong and Mr. Jason Yip as to 70% and 30%, respectively. Mr. Kwong is the chairman, an executive Director of the Company and a director of Sage City. Mr. Jason Yip is a senior management of the Company.

2. Ms. Li Chuen Chun is the spouse of Mr. Kwong and is deemed to be interested in all the Shares in which Mr. Kwong is interested for the purposes of the SFO.

Save as disclosed above, as at 31 March 2017, the Directors were not aware that any persons (other than the Directors or chief executive officer of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were required to be recorded in the register of interests required to be kept under section 336 of the SFO.

DIRECTORS AND THEIR SERVICE AGREEMENTS

The composition of the Board from the Listing Date up to the date of this report is set out as follows.

Executive Directors
Mr. Kwong Chi Man *(Chairman)* (appointed on 30 May 2016)
Mr. Yip Wai Man (appointed on 13 June 2016)

Independent non-executive Directors
Ms. Yu Wan Wah Amparo (appointed on 24 September 2016)
Mr. Law Pui Cheung (appointed on 24 September 2016)
Mr. Wat Danny Hiu Yan (appointed on 24 September 2016)

Each Director has entered into a service agreement or letter of appointment with the Company for initially a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

Biography details of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 5 to 8 of this report.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this report.

None of the Directors has entered into any service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

EMOLUMENT OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emolument of the Directors and the five highest paid individuals of the Group are set out in notes 17 and 22 to the consolidated financial statements in this report.

EMOLUMENT POLICY

The remuneration committee of the Board will make recommendations on the remuneration of the Directors and senior management and to recommend members of the Board and determine, with delegated responsibilities, the remuneration package of individual Director and senior management. The remuneration committee regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as the transactions set out in note 24 to the consolidated financial statements in this report, the Group has not entered into any transaction, arrangement or contract that is significant in relation to the Group's business to which any of member of the Group was a party and in which a Director or a connected entity of that Director had, directly or indirectly, a material interest.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

INTEREST OF CONTROLLING SHAREHOLDERS

Save as disclosed in this report, the Directors are not aware of any business or interest of the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2017.

NON-COMPETITION UNDERTAKING

Each of Mr. Kwong and Sage City (together the "**Covenantors**") entered into a deed of non-competition in favour of the Group (the "**Deed of Non-competition**") on 24 September 2016, details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Deed of non-competition" in the Prospectus.

The Company received from each of the Covenantors an annual confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition. The INEDs have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with their undertaking for the year ended 31 March 2017.

MANAGEMENT CONTRACT

During the year ended 31 March 2017, neither the Company nor its subsidiaries has entered into a contract by which (a) a person undertakes the management and administration of the whole or any substantial part of the business of the Company; and (b) the contract is not a contract of service with any Director or any person engaged in the full-time employment of the Company.

MAJOR CUSTOMERS

For the year ended 31 March 2017, the Group's five largest customers accounted for approximately 41.4% of the total revenue of the Group and the largest customer of the Group accounted for approximately 11.3% of the total revenue.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.

MAJOR SUPPLIERS AND SUBCONTRACTORS

For the year ended 31 March 2017, the Group's five largest suppliers and subcontractors accounted for approximately 81.8% of the total direct costs of the Group and the largest supplier and subcontractor of the Group accounted for approximately 56.0% of the total direct costs.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers and subcontractors.

CORPORATE GOVERNANCE

The corporate governance report of the Company for the year ended 31 March 2017 is set out on pages 15 to 24 of this report.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Alliance Capital Partners Limited ("**ACP**"), as at 31 March 2017, save as the compliance adviser agreement entered into between the Company and ACP dated 17 June 2016, neither ACP nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the public float of the Company's issued securities is sufficient with at least 25% held by the public.

DISTRIBUTABLE RESERVES

As at 31 March 2017, the Company's reserves available for distribution to its Shareholders, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$8.8 million.

AUDITOR

The consolidated financial statements for the year ended 31 March 2017 have been audited by PricewaterhouseCoopers ("**PwC**"). PwC will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting (the "**AGM**") of the Company. A resolution for their re-appointment as the auditor of the Company will be proposed at the AGM.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any events after the reporting period that requires disclosure.

Kwong Man Kee Group Limited
Mr. Kwong Chi Man
Chairman and Executive Director

Hong Kong, 23 June 2017

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of Kwong Man Kee Group Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Kwong Man Kee Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 40 to 87, which comprise:

- the consolidated statement of financial position as at 31 March 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition on construction contracts
- Impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition on construction contracts	
Refer to notes 2.12, 4(a) and 5 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. For the year ended 31 March 2017, revenue from construction contracts was HK$70.1 million, representing over 96% of the Group's total revenue. Revenue from construction contracts is recognised based on the stage of completion of the Group's projects, which is calculated as a ratio of "total cost incurred" to "total estimated cost to complete". Based on the stage of completion, the Group recognises revenue as a percentage of the total contract amount at the end of a reporting period. Management judgement is involved in the estimation of total cost to complete, including assessment of future cost of materials and subcontracting costs.	Our audit procedures included testing the Group's internal controls over revenue recognition. Specifically, we tested the effectiveness of key management controls designed and implemented over the process to record contract costs and contract revenues and the calculation of the stage of completion by checking a sample of projects to underlying supporting documents such as quotations budgets, sales invoices and customer acceptance notices approved by management. We assessed and challenged management's assumptions on estimated costs to complete for a sample of projects, including future subcontracting and material costs, by referring to actual costs incurred for previously completed projects. We also tested the mathematical accuracy of the estimated costs to complete. We tested the total cost incurred as at the end of the reporting period, on a sample basis, by checking to the underlying documents supporting these costs (including invoices of material costs and subcontracting fees). This included performing cut-off testing on a sample basis for the revenue recognised near the end of the reporting period, by checking the appropriateness of the revenue journal entry timing.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition on construction contracts (continued)	
We focused on this area as the determination of stage of completion for a project involves significant management judgement, which in turn affects the recognition of revenue for the Group.	We also discussed the status of projects under construction with management to determine whether there could be other factors affecting the calculation of stage of completion, for example potential claims, by checking to subsequent events and financial information available to us. Based on our audit procedures performed, we found that the recognition of construction contract revenue based on stage of completion was supported by the available evidence.
Impairment of trade receivables	
Refer to notes 2.10 and 4(b) to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. We focused on this area because trade receivables represent 38% of current assets and certain balances are long aged. There is also subjective judgement over both the timing of recognition and the magnitude of trade receivables impairment, which amounted to approximately HK$1.7 million as at 31 March 2017. Management estimates impairment of trade receivables that are individually significant by considering the ageing profiles, their knowledge about the customers, market conditions, and past settlement pattern.	We evaluated and tested the design and operating effectiveness of the key management controls over debt collection and the impairment assessment process, in particular those over the identification of impaired receivables and the calculation of the impairment provision. We tested the accuracy of the ageing of trade receivables on a sample basis by tracing to the respective invoices. We discussed with management the recoverability of individually significant receivables, corroborating management explanations by checking to the status of underlying projects, information about contracted parties and subsequent settlements, if any. We also tested the existence of subsequent settlement on a sample basis by checking to the underlying bank pay-in slips. We found that management's assessment of the provision for impairment of trade receivables was supported by the available audit evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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 audit committee is responsible for overseeing the Group's financial reporting process.

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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the audit committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Chung Kit Yi, Kitty.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

		Year ended 31 March	
		2017	2016
	Note	**HK$**	HK$
Revenue	5	**72,362,730**	68,575,030
Cost of sales	16	**(43,020,269)**	(35,917,504)
Gross profit		**29,342,461**	32,657,526
Other income		**9,439**	25,500
General and administrative expenses	16	**(29,922,135)**	(11,771,927)
Operating (loss)/profit		**(570,235)**	20,911,099
Finance income, net	18	**9,176**	–
(Loss)/profit before income tax		**(561,059)**	20,911,099
Income tax expense	19	**(2,277,034)**	(4,114,281)
(Loss)/profit and total comprehensive (loss)/income for the year attributable to owners of the Company		**(2,838,093)**	16,796,818
(Loss)/earnings per share attributable to owners of the Company			
– Basic and diluted (HK cents per share)	21	**(0.55)**	3.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	As at 31 March 2017 HK$	2016 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3,695,324**	472,522
Prepayments for non-current assets	9	**8,544,300**	–
Deferred income tax assets	13	**–**	9,456
		12,239,624	481,978
Current assets			
Inventories	7	**1,859,875**	5,942,646
Trade and retention receivables	8	**33,485,473**	17,203,858
Prepayments and other receivables	9	**975,507**	2,135,026
Amounts due from customers for contract work	10	**414,716**	1,200,660
Current income tax recoverable		**1,010,510**	–
Cash and cash equivalents	11	**35,085,289**	14,172,321
		72,831,370	40,654,511
Total assets		**85,070,994**	41,136,489
EQUITY			
Share capital	12	**6,000,000**	77,500
Reserves	12	**61,283,063**	8,722,608
Retained earnings		**8,820,284**	15,158,377
Total equity		**76,103,347**	23,958,485
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	**29,503**	–
Current liabilities			
Trade payables	14	**7,818,371**	9,527,025
Accruals and other payables	15	**845,545**	4,068,151
Amounts due to customers for contract work	10	**274,228**	1,141,896
Current income tax liabilities		**–**	2,440,932
		8,938,144	17,178,004
Total liabilities		**8,967,647**	17,178,004
Total equity and liabilities		**85,070,994**	41,136,489

The consolidated financial statements on pages 40 to 87 were approved by the Board of Directors on 23 June 2017 and were signed on its behalf.

Mr. Kwong Chi Man
Director

Mr. Yip Wai Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital (Note 12(a)) HK$	Share premium (Note 12(a)) HK$	Capital reserve (Note 12(b)) HK$	Shareholder contribution (Note 12(c)) HK$	Retained earnings HK$	Total HK$
At 1 April 2015	100	–	–	8,800,000	4,861,559	13,661,659
Profit and total comprehensive income for the year	–	–	–	–	16,796,818	16,796,818
Transactions with equity owners in their capacity as equity owners						
Additional paid in capital	77,500	–	–	–	–	77,500
Capital reserve arising on business combination	(100)	–	(77,392)	–	–	(77,492)
Dividend *(Note 20)*	–	–	–	–	(6,500,000)	(6,500,000)
At 31 March 2016	77,500	–	(77,392)	8,800,000	15,158,377	23,958,485
At 1 April 2016	**77,500**	**–**	**(77,392)**	**8,800,000**	**15,158,377**	**23,958,485**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(2,838,093)**	**(2,838,093)**
Transactions with equity owners in their capacity as equity owners						
Capital reserve arising on business combination	**(77,500)**	**–**	**77,500**	**–**	**–**	**–**
Additional paid in capital	**100**	**–**	**–**	**–**	**–**	**100**
Issuance of shares pursuant to Capitalisation	**4,499,900**	**(4,499,900)**	**–**	**–**	**–**	**–**
Issuance of ordinary shares pursuant to Listing	**1,500,000**	**63,000,000**	**–**	**–**	**–**	**64,500,000**
Listing expenses charged to share premium	**–**	**(6,017,145)**	**–**	**–**	**–**	**(6,017,145)**
Dividend *(Note 20)*	**–**	**–**	**–**	**–**	**(3,500,000)**	**(3,500,000)**
At 31 March 2017	**6,000,000**	**52,482,955**	**108**	**8,800,000**	**8,820,284**	**76,103,347**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Year ended 31 March	
	2017	2016
	HK$	HK$
Cash flows from operating activities		
(Loss)/profit before income tax	**(561,059)**	20,911,099
Adjustments for:		
– Interest income	**(16,781)**	–
– Interest expense	**7,605**	–
– Depreciation of property, plant and equipment	**502,904**	574,639
– Provision for impairment of trade receivables	**1,740,946**	–
– Provision for inventory obsolescence	**83,379**	94,499
Operating profit before working capital changes	**1,756,994**	21,580,237
Changes in working capital:		
– Decrease/(increase) in inventories	**3,999,392**	(1,942,240)
– Increase in trade and retention receivables	**(18,022,561)**	(8,638,750)
– Decrease/(increase) in prepayments and other receivables	**114,874**	(30,656)
– Decrease/(increase) in amounts due from customers for contract work	**785,944**	(831,399)
– Decrease in amounts due to customer for contract work	**(867,668)**	(2,668,081)
– (Decrease)/increase in trade payables	**(1,708,654)**	1,507,810
– (Decrease)/increase in accruals and other payables	**(3,222,606)**	2,739,256
– Decrease in amount due from the director	**–**	28,027
– Decrease in amount due from a related party	**–**	203,653
Net cash (used in)/generated from operations	**(17,164,285)**	11,947,857
Hong Kong profits tax paid	**(5,689,517)**	(2,381,382)
Net cash (used in)/generated from operating activities	**(22,853,802)**	9,566,475

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Year ended 31 March	
	2017	2016
	HK$	HK$
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,725,706)**	(453,117)
Prepayments for property, plant and equipment	**(8,544,300)**	–
Interest income received	**16,781**	–
Net cash used in investing activities	**(12,253,225)**	(453,117)
Cash flows from financing activities		
Contribution from shareholders	**100**	8
Issuance of ordinary share pursuant to Listing	**64,500,000**	–
Dividends paid	**(3,500,000)**	(6,500,000)
Amount paid to the director	**–**	(4,313,481)
Payment for listing expenses	**(4,972,500)**	(1,044,645)
Proceeds from bank borrowing	**10,000,000**	–
Repayment of bank borrowing	**(10,000,000)**	–
Interest paid	**(7,605)**	–
Net cash generated from/(used in) financing activities	**56,019,995**	(11,858,118)
Net increase/(decrease) in cash and cash equivalents	**20,912,968**	(2,744,760)
Cash and cash equivalents at beginning of the year	**14,172,321**	16,917,081
Cash and cash equivalents at end of the year	**35,085,289**	14,172,321

1.1 GENERAL INFORMATION

Kwong Man Kee Group Limited (the "Company") was incorporated in the Cayman Islands on 30 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is Office J, 11th Floor, Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") provide engineering services in flooring, screeding, anti-skid surfacing and concrete repairing. Its immediate and ultimate holding company is Sage City Investments Limited. The directors regard Mr. Kwong Chi Man, ("Mr. Kwong") as being the ultimate beneficial owner of the Group.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

The Company has listed its shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 13 October 2016 (the "Listing").

1.2 REORGANISATION

The Group underwent the following Reorganisation in preparation for the Listing:

(i) Victor Ease Limited ("Victor Ease") was incorporated on 10 July 2015 in the British Virgin Islands ("BVI"). On 14 August 2015, 1 share was allotted and issued to Mr. Kwong at par.

(ii) On 14 August 2015, Victor Ease acquired the entire issued share capital of Kwong Man Kee Engineering Limited ("KMK") from Mr. Kwong by issuing and allotting 9,999 shares in Victor Ease, credited as fully paid, to Mr. Kwong.

(iii) Sage City Investments Limited ("Sage City") was incorporated on 10 July 2015 in the BVI. On 14 August 2015, 1 share was allotted and issued to Mr. Kwong at par.

(iv) On 14 August 2015, Sage City aquired the entire issued share capital of Victor Ease from Mr. Kwong by issuing and allotting 9,999 shares of Sage City, credited as fully paid, to Mr Kwong.

1.2 REORGANISATION (continued)

(v) On 14 August 2015, Silver Thrive Investments Limited ("Silver Thrive"), Speedtown Limited ("Speedtown"), Marine Assets Holding Limited ("Marine Assets") and United Solutions International Limited ("United Solutions") entered into share transfer agreements with Sage City to acquire 550, 366, 367 and 367 shares of Victor Ease, at considerations of HK$5,142,500, HK$3,422,100, HK$3,431,450 and HK$3,431,450 respectively.

(vi) On 14 August 2015, Sage City transferred 550 shares to Mr. Jason Yip upon his exercise of share options pursuant to a share option agreement dated 18 December 2003.

(vii) The Company was incorporated in the Cayman Islands with liability and authorised share capital of HK$5,000,000 divided into 500,000,000 shares. On 30 May 2016, 1 share was allotted and issued as fully paid, to Sage City with par value of HK$0.01.

(viii) On 16 June 2016, Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions as vendors and the Company as purchaser entered into a share swap agreement, pursuant to which the Company acquired 8,350, 550, 366, 367 and 367 shares of Victor Ease from Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions respectively, and as consideration for which 8,349, 366, 367, 367 and 550 shares of the Company were allotted and issued as fully paid, to Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions respectively.

(ix) The ordinary shares of the Company were increased by 449,990,000 shares by way of additional issue of 449,990,000 shares at HK$0.01 each on 24 September 2016 (the "Capitalisation Issue").

(x) In connection with the Listing, 150,000,000 shares of HK$0.01 each were issued at the offer price of HK$0.43 to public investors with gross proceeds of HK$64,500,000. HK$1,500,000 was credited to the share capital account and HK$52,482,955 (net of professional fees of HK$6,017,145) was credited to the share premium account.

After the completion of the Reorganisation as described above, the Company became the holding company of the subsidiaries now comprising the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New/revised standards and interpretations effective during the year ended 31 March 2017

The Group has adopted and applied the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 April 2016.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle
HKFRS 14	Regulatory Deferral Accounts
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New/revised standards and interpretations effective during the year ended 31 March 2017 (continued)

The adoption of the above new standards and amendments to existing standards did not have significant effect on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies, except for certain changes in presentation and disclosures.

(b) New and amended standards and interpretations and amendments to existing standards that have been issued but not yet effective

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted:

		Effective for annual periods beginning on
HKAS 7 Amendment	Disclosure Initiative	1 April 2017
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses	1 April 2017
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1 April 2018
HKFRS 9	Financial Instruments	1 April 2018
HKFRS 15	Revenue from Contracts with Customers	1 April 2018
HKFRS 16	Leases	1 April 2019
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined

The Group is assessing the impact of these new standards and amendments to standards and will apply them when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and amended standards and interpretations and amendments to existing standards that have been issued but not yet effective (continued)

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;
(2) Identify separate performance obligations in a contract;
(3) Determine the transaction price;
(4) Allocate transaction price to performance obligations;
(5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management is currently assessing the impact of applying HKFRS 15 on the Group's financial statements by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, which could affect the timing of the revenue recognition. The directors of the Company is currently in the process of evaluating the full impact of HKFRS 15 on the Group's financial statements but not yet in a position to provide quantified information. Management will make more detailed assessments of the impact over the next twelve months.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation set out in note 2 to the consolidated financial statements, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in HK$, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company who make strategic decisions.

2.6 Property, plant and equipment

The property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is 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. All other repairs and maintenance costs are charged in the consolidated statement of comprehensive income during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the period of lease
Buildings	30 years
Leasehold improvements	Shorter of remaining period of the lease or 3 years
Furniture and equipment	3 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of comprehensive income.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises costs of purchase and other costs incurred in bringing the inventories to the construction sites to be consumed in the provision of construction services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period or after the normal operating cycle of the Group. These are classified as non-current assets. The Group's loans and receivables comprise "trade and retention receivables", "other receivables" and "cash and cash equivalents" in the consolidated statements of financial position (Notes 2.11 and 2.13). Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.11 Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within general and administrative expenses. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the consolidated statement of comprehensive income.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to costs incurred to date as a percentage of total contract costs.

All construction contract by the Group are warranted to be free of defects for a period of one year. Expected cost for warranty repairs are accrued when necessary.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attribute to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Current and deferred income tax (continued)

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Current and deferred income tax (continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of construction services in the ordinary course of the Group's activities. Revenue is shown net of discounts.

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in Note 2.12 above.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee benefits

(a) *Employee leave entitlements*

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 reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Pension obligations*

The Group participates in a defined contribution plan in Hong Kong and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) *Long service payment liabilities*

The Group's net obligation in respect of long service accounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine the present value and reduced by entitlements accrued under the defined contribution scheme.

(d) *Bonus plan*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 Operating lease (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Interest rate risk

The Group has no significant interest-bearing assets except for cash and cash equivalents, the income and operating cash flows of which are substantially independent of changes in market interest rates.

Interest rate risk mainly arises from bank deposits at variable interest rates which are subject to cash flow interest rate risk. The directors are of the opinion that any reasonable changes in interest rates would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for interest rate risk.

(b) Credit risk

Credit risk mainly arises from trade receivables, retention receivables, deposits, other receivables and cash and cash equivalents. The carrying amounts of these balances except cash on hand in the statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

The majority of the Group's bank balances are placed in banks and financial institutions which are independently rated with high credit ratings. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group's credit risk is concentrated on a number of major and long established customers. Revenue to the top five customers accounted for approximately 41% of the Group's total revenue; while as at 31 March 2017, approximately 56% of the Group's accounts receivables was due from top five debtors. The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. The Group's historical experience in collection of receivables falls within recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from external parties.

The Group's primary cash requirements have been for payments for capital expenditures, trade payables, other creditors, accrued liabilities and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances to meet its liquidity requirements in the short and long-term.

As at 31 March 2016 and 2017, all of the Group's financial liabilities were due within 12 months and equal their carrying amounts as the impact of discounting is not significant.

3.2 Capital risk management

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

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 or sell assets to reduce debt.

Total capital of the Group is calculated as total equity less total borrowings, if any. Management considers that the Group's capital risk is minimal as there was no borrowing as at 31 March 2016 and 2017.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The carrying values of trade receivables, retention receivables, other receivables, trade payables, and accruals and other payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimates may have an impact on the profit recognised in each period.

(b) Provision for trade and retention receivables

Management determines the provision for impairment of trade and retention receivables based on the credit history of customers and the current market condition by business segment. Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 REVENUE AND SEGMENT INFORMATION

	Year ended 31 March	
	2017	2016
	HK$	HK$
Flooring	**70,052,894**	66,366,928
Ancillary services	**2,309,836**	2,208,102
	72,362,730	68,575,030

The Executive Directors have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The directors regard the Group's business as a single operating segment and review consolidated financial statements accordingly.

The Group is principally engaged in the provision of engineering services in flooring, screeding, anti-skid surfacing and concrete repairing.

The Group primarily operates in Hong Kong with all of its non-current assets located in and capital expenditure incurred in Hong Kong. During the years ended 31 March 2016 and 2017, revenue was also earned from customers located in Hong Kong.

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March	
	2017	2016
	HK$	HK$
Customer A	**8,162,150**	N/A
Customer B	**7,735,456**	10,609,786
Customer C	**N/A**	12,089,572
Customer D	**N/A**	7,003,162

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture and equipment	Leasehold improvements	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$
At 1 April 2015					
Cost	–	1,009,278	131,037	1,547,936	2,688,251
Accumulated depreciation	–	(878,834)	(129,552)	(1,085,821)	(2,094,207)
Net book amount	–	130,444	1,485	462,115	594,044
Year ended 31 March 2016					
Opening net book amount	–	130,444	1,485	462,115	594,044
Additions	–	453,117	–	–	453,117
Depreciation	–	(254,596)	(1,485)	(318,558)	(574,639)
Closing net book amount	–	328,965	–	143,557	472,522
At 31 March 2016					
Cost	–	1,462,395	131,037	1,547,936	3,141,368
Accumulated depreciation	–	(1,133,430)	(131,037)	(1,404,379)	(2,668,846)
Net book amount	–	328,965	–	143,557	472,522
Year ended 31 March 2017					
Opening net book amount	**–**	**328,965**	**–**	**143,557**	**472,522**
Additions	**2,973,320**	**596,556**	**155,830**	**–**	**3,725,706**
Depreciation	**(16,518)**	**(299,265)**	**(43,564)**	**(143,557)**	**(502,904)**
Closing net book amount	**2,956,802**	**626,256**	**112,266**	**–**	**3,695,324**
At 31 March 2017					
Cost	**2,973,320**	**2,058,951**	**286,867**	**1,547,936**	**6,867,074**
Accumulated depreciation	**(16,518)**	**(1,432,695)**	**(174,601)**	**(1,547,936)**	**3,171,750**
Net book amount	**2,956,802**	**626,256**	**112,266**	**–**	**3,695,324**

During the year ended 31 March 2017, depreciation of HK$143,911 (2016: HK$149,932) and HK$358,993 (2016: HK$424,707) were charged to "cost of sales" and "general and administrative expenses" in the consolidated statement of comprehensive income, respectively.

7 INVENTORIES

	Year ended 31 March	
	2017	2016
	HK$	HK$
Flooring materials	**1,859,875**	5,942,646

During the year ended 31 March 2017, the costs of inventories recognised as expense and included in cost of sales amounted to HK$27,524,223 (2016: HK$19,842,622).

As at 31 March 2017, a batch of inventories was considered as obsolete. A provision of HK$83,379 (2016: HK$237,056) was made as at 31 March 2017.

8 TRADE AND RETENTION RECEIVABLES

	Year ended 31 March	
	2017	2016
	HK$	HK$
Trade receivables	**29,357,481**	14,300,844
Less: provision for impairment	**(1,535,066)**	–
Trade receivables, net	**27,822,415**	14,300,844
Retention receivables	**5,663,058**	2,903,014
	33,485,473	17,203,858

The credit period granted to trade customers other than for retention receivables is within 30 days. The terms and conditions in relation to the release of retentions varies from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

8 TRADE AND RETENTION RECEIVABLES (continued)

The ageing analysis of trade receivables based on invoice date is as follows:

	As at 31 March	
	2017	2016
	HK$	HK$
1-30 days	**11,821,755**	4,146,818
31-60 days	**2,393,028**	2,583,717
61-90 days	**933,090**	4,494,165
Over 90 days	**14,209,608**	3,076,144
	29,357,481	14,300,844

In the consolidated statement of financial position, retention receivables were classified as current assets based on operating cycle. The ageing of the retention receivables based on invoice date is as follows:

	As at 31 March	
	2017	2016
	HK$	HK$
Within 1 year	**2,650,640**	1,530,108
Between 1 to 5 years	**3,012,418**	1,372,906
	5,663,058	2,903,014

8 TRADE AND RETENTION RECEIVABLES (continued)

As of 31 March 2017, trade receivables of HK$17,535,726 (2016: HK$10,154,026) were past due but not impaired. These relate to certain independent customers for whom there is no recent history of default. The Group does not hold any collateral as security. The ageing of these trade receivables is as follows:

	As at 31 March	
	2017	2016
	HK$	HK$
1-30 days	**2,393,028**	2,583,717
31-60 days	**933,090**	4,494,165
61-90 days	**2,061,679**	147,450
Over 90 days	**12,147,929**	2,928,694
	17,535,726	10,154,026

As at 31 March 2017, accounts receivables of HK$1,535,066 (2016: nil) were impaired. The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations or have delayed repayment for a prolonged period of time. The ageing of these trade receivables is as follows:

	As at 31 March	
	2017	2016
	HK$	HK$
Overdue by more than 1 year	**1,535,066**	–

8 TRADE AND RETENTION RECEIVABLES (continued)

During the year ended 31 March 2017, trade receivables of HK$205,880 (2016: nil) were written off as uncollectible. Movements on the provision for impairment of receivables are as follows:

	As at 31 March	
	2017	2016
	HK$	HK$
As at 1 April	**–**	–
Provision for impairment	**1,740,946**	–
Write-off	**(205,880)**	–
As at 31 March	**1,535,066**	–

As of 31 March 2017, retention receivables of HK$906,094 (2016: HK$490,767) were past due but not impaired. These relate to certain independent customers for whom there is no recent history of default. The Group does not hold any collateral as security. The ageing of these retention receivables is as follows:

	As at 31 March	
	2017	2016
	HK$	HK$
Within 1 year	**293,173**	350,343
Between 1 to 2 years	**473,672**	71,660
Over 2 years	**139,249**	68,764
	906,094	490,767

The carrying amounts of trade and other receivables approximate their fair values due to their short maturities.

The carrying amounts of the Group's trade and retention receivables are denominated in HK$.

9 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2017	2016
	HK$	HK$
Prepayments	**9,270,910**	110,548
Other receivables	**248,897**	12,900
Prepaid listing expenses	**–**	2,011,578
	9,519,807	2,135,026
Less: Non-current portion – Prepayments for non-current assets	**(8,544,300)**	–
	975,507	2,135,026

The carrying amounts of the Group's other receivables are denominated in HK$.

As at 31 March 2017, the carrying amounts of other receivables approximate their fair values.

10 CONTRACTING WORK IN PROGRESS

	As at 31 March	
	2017	2016
	HK$	HK$
Contract costs incurred plus attributable profits less foreseeable losses to date	**5,886,529**	9,830,990
Progress billings to date	**(5,746,041)**	(9,772,226)
	140,488	58,764

10 CONTRACTING WORK IN PROGRESS (continued)

Included in current assets/(liabilities) as follows:

	As at 31 March	
	2017	2016
	HK$	HK$
Due from customers for contract work	**414,716**	1,200,660
Due to customers for contract work	**(274,228)**	(1,141,896)
	140,488	58,764

11 CASH AND CASH EQUIVALENTS

	As at 31 March	
	2017	2016
	HK$	HK$
Cash at bank and on hand	**35,085,289**	14,172,321
Maximum exposure to credit risk	**35,080,189**	14,169,321

Cash and cash equivalents are denominated in HK$.

12 SHARE CAPITAL AND RESERVES

(a) Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK$	Share premium HK$
Authorised:			
Ordinary shares at HK$0.01 each as at 30 May 2016 (date of incorporation) *(note (a))*	500,000,000	5,000,000	–
Increase in the authorised share capital on 13 June 2016 *(note (b))*	1,500,000,000	15,000,000	–
At 31 March 2017	**2,000,000,000**	**20,000,000**	**–**
Issued and fully paid:			
Ordinary shares of HK$0.01 each as at 30 May 2016 (date of incorporation) *(note (a))*	1	–	–
Issue of ordinary shares of HK$0.01 each on 16 June 2016 *(note (c))*	9,999	100	–
Issuance of shares pursuant to capitalisation *(note (d))*	449,990,000	4,499,900	(4,499,900)
Issuance of ordinary shares of HK$0.43 each on 13 October 2016 *(note (e))*	150,000,000	1,500,000	63,000,000
Listing expenses charged to share premium	–	–	(6,017,145)
At 31 March 2017	**600,000,000**	**6,000,000**	**52,482,955**

Notes:

(a) On 30 May 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$5,000,000 divided into 500,000,000 Shares of HK$0.01 each. On the date of its incorporation, one fully paid share was allotted and issued to the subscriber, which was later transferred to Sage City on 30 May 2016.

12 SHARE CAPITAL AND RESERVES (continued)

(a) Share capital and premium (continued)

Notes: (continued)

(b) On 13 June 2016, the authorised share capital of the Company was increased from HK$5,000,000 divided into 500,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares by creation of an additional 1,500,000,000 shares.

(c) On 16 June 2016, Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive as vendors and the Company as purchaser entered into a share swap agreement, pursuant to which the Company acquired 8,350, 366, 367, 367 and 550 shares of Victor Ease from Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive respectively, and as consideration for which 8,349, 366, 367, 367 and 550 shares were allotted and issued to Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive respectively, all credited as fully paid.

(d) Pursuant to the written resolutions passed by the shareholders on 24 September 2016, conditional upon Listing and subject to the share premium account of the Company having sufficient balance or otherwise being credited as a result of the issue of the offer shares by the Company pursuant to the placing and the public offer in relation to the Listing, the Company capitalised an amount of HK$4,499,900 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 449,900,000 shares for allotment and issue to the persons whose names appeared on the register of members of the Company. On 13 October 2016, the shares of the Company were listed on the GEM of The Hong Kong Stock Exchange Limited and the aforementioned conditions were fulfilled.

Accordingly, the said amount was capitalised standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 449,900,000 shares for allotment and issue to the persons whose names appeared on the register of members of the Company.

(e) Upon the completion of the Listing, 150,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.43 per share for a total consideration of HK$64,500,000.

Share capital as at 31 March 2016 represents the share capital of Victor Ease, the then holding company of the Group.

12 SHARE CAPITAL AND RESERVES (continued)

(b) Capital reserve

Capital reserve as presented in the consolidated statement of financial position as at 31 March 2017 represented the contribution made by shareholders for 1000 shares of the Company as part of the Reorganisation and 1 share of Victor Ease at nominal value on the date of its incorporation. Capital reserve as at 31 March 2016 represented the difference between the aggregation of the nominal value of the share capital of KMK acquired over the nominal value of the share capital of Victor Ease issued in exchange therefor pursuant to the reorganisation completed in May 2016.

(c) Shareholder contribution

The Group operated an equity-setted share-based compensation plan, under which the Group received services from Mr. Jason Yip, a then consultancy service provider and a member of the senior management of the Group. Under the share-based compensation plan, Mr. Jason Yip provided technical and marketing consultancy services to the Group in return for share options to acquire a 30% equity interest of Sage City at nominal consideration. The options were granted on 18 December 2003 and became exercisable on 31 March 2012, before being exercised on 14 August 2015. The amount in shareholder contribution represents the fair value of services received, the valuation of which was performed by an independent qualified valuer using an income approach by reference to the fair value of the equity instruments granted. The share-based compensation expenses for such services were recognised in the consolidated statement of comprehensive income from the date when the options were granted on 18 December 2003 until the date when the non-market vesting conditions were met and the options became exercisable on 31 March 2012.

13 DEFERRED INCOME TAX (LIABILITIES)/ASSETS

	As at 31 March	
	2017	2016
	HK$	HK$
Deferred income tax assets to be recovered after 12 months	**–**	9,456
Deferred income tax liabilities to be settled after 12 months	**(29,503)**	–
	(29,503)	9,456

13 DEFERRED INCOME TAX (LIABILITIES)/ASSETS (continued)

Movements in deferred income tax liabilities are as follows:

	As at 31 March	
	2017	2016
	HK$	HK$
Beginning of the year	**9,456**	(10,449)
(Charged)/credited to the consolidated statement of comprehensive income *(Note 19)*	**(38,959)**	19,905
End of the year	**(29,503)**	9,456

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	(Accelerated) / decelerated tax depreciation
	HK$
At 1 April 2015	(10,449)
Credited to the consolidated statement of comprehensive income *(Note 19)*	19,905
At 31 March 2016	9,456
Charged to the consolidated statement of comprehensive income *(Note 19)*	(38,959)
At 31 March 2017	**(29,503)**

14 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 March	
	2017	2016
	HK$	HK$
1-30 days	**5,431,684**	3,481,020
31-60 days	**301,550**	1,886,017
61-90 days	**1,850,973**	79,165
Over 90 days	**234,164**	4,080,823
	7,818,371	9,527,025

Trade payables are denominated in HK$.

The carrying amounts of trade payables approximate their fair values due to their short maturities.

15 ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2017	2016
	HK$	HK$
Accrued expenses	**687,738**	875,092
Customer deposits	**157,807**	1,863,601
Other payables	**–**	376,348
Accrued listing expenses	**–**	953,110
	845,545	4,068,151

Accruals and other payables are denominated in HK$.

The carrying amounts of accruals and other payables, net of accrued salary, approximate their fair values.

16 EXPENSES BY NATURE

Expenses included in cost of sales and general and administrative expenses are analysed as follows:

	Year ended 31 March	
	2017	2016
	HK$	HK$
Cost of flooring materials used	**27,524,223**	19,842,622
Subcontractor cost	**13,206,316**	13,012,935
Employee benefit expenses *(Note 17)*		
– Direct labour	**1,771,900**	2,516,400
– Administrative staff	**8,260,649**	4,588,217
Depreciation of property, plant and equipment	**502,904**	574,639
Operating lease rentals in respect of rented premises	**354,526**	444,794
Repair and maintenance expenses	**34,661**	237,580
Motor vehicle expenses	**578,987**	346,535
Auditor's remuneration		
– audit services	**700,000**	300,000
– non-audit services	**20,000**	–
Provision for inventory obsolescence	**83,379**	94,499
Provision for impairment of trade receivables	**1,740,946**	–
Listing expenses	**14,162,032**	4,114,110
Legal and professional fees	**1,045,025**	172,200
Entertainment expenses	**1,026,244**	394,038
Other expenses	**1,930,612**	1,050,862
	72,942,404	47,689,431
Representing:		
Cost of sales	**43,020,269**	35,917,504
General and administrative expenses	**29,922,135**	11,771,927
	72,942,404	47,689,431

17 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March	
	2017	2016
	HK$	HK$
Wages, salaries, bonuses and allowances	**9,760,048**	6,876,877
Pension cost - defined contribution scheme	**272,501**	227,740
	10,032,549	7,104,617

Companies within the Group in Hong Kong have participated in the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Scheme Ordinance (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee.

Under the MPF Scheme, each of the Group and its employees makes monthly contributions to the scheme at a minimum of 5% of the employee's relevant income as defined under the MPF Scheme, with the maximum mandatory contribution by each of the Group and its employee limited to HK$1,500 per month, and further contributions are voluntary.

The mandatory contributions are fully and immediately vested in the employees as accrued benefits. The employees are entitled to receive their entire voluntary contributions and 100% of the Group's employer voluntary contributions upon retirement or leaving the Group after completing one year of service.

Any forfeited voluntary contributions made by the Group are used to reduce the Group's employer voluntary contributions.

17 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (continued)

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2017 include two directors (2016: one) whose emoluments are reflected in Note 22. The emoluments payable to the remaining three individuals (2016: four) during the year ended 31 March 2017 are as follows:

	Year ended 31 March	
	2017	2016
	HK$	HK$
Wages, salaries, bonuses and allowances	**2,583,604**	2,999,690
Pension cost - defined contribution scheme	**53,415**	82,158
	2,637,019	3,081,848

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument band		
HK$0-HK$1,000,000	**2**	4
HK$1,000,001-HK$2,000,000	**1**	–

During the year ended 31 March 2016, the emolument of one of the five highest paid individuals included a consultancy fee which was excluded from the employee benefit expenses. No such consultancy fee was paid or payable for the year ended 31 March 2017.

18 FINANCE INCOME, NET

	Year ended 31 March	
	2017	2016
	HK$	HK$
Finance income		
Bank interest income	**16,781**	–
Finance costs		
Interest on a short-term bank loan	**(7,605)**	–
Finance income, net	**9,176**	–

19 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

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

	Year ended 31 March	
	2017	2016
	HK$	HK$
Current income tax:		
– Hong Kong profits tax	**2,203,488**	4,134,186
– Under-provision in prior year	**34,587**	–
	2,238,075	4,134,186
Deferred income tax relating to the origination and reversal of temporary differences *(Note 13)*	**38,959**	(19,905)
Income tax expense	**2,277,034**	4,114,281

19 INCOME TAX EXPENSE (continued)

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Year ended 31 March	
	2017	2016
	HK$	HK$
(Loss)/profit before income tax	**(561,059)**	20,911,099
Calculated at a taxation rate of 16.5% (2016: 16.5%)	**(92,575)**	3,450,331
Expenses not deductible for taxation purposes	**2,353,722**	683,950
Under-provision in prior year	**34,587**	–
Tax deduction	**(20,000)**	(20,000)
Others	**1,300**	–
Income tax expense	**2,277,034**	4,114,281

20 DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

Interim dividend of HK$6,500,000 and final dividend of HK$3,500,000 for the year ended 31 March 2016 represented dividends declared and paid or payable by Victor Ease to its then respective shareholders. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

21 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
	HK$	HK$
(Loss)/profit attributable to owners of the Company	**(2,838,093)**	16,796,818
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**519,863,014**	450,000,000
(Loss)/earnings per share *(HK cents)*	**(0.55)**	3.73

21 (LOSS)/EARNINGS PER SHARE (continued)

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per shares has been determined on the assumption that the Reorganisation and Capitalisation Issue as described in Note 1.2 had been effective from 1 April 2015.

Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share as there were no dilutive potential shares.

22 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)

(a) Directors' emoluments (equivalent to key management compensation)

The remuneration of the directors is set out below:

For the year ended 31 March 2017

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Name	Fees HK$	Salary HK$	Discretionary bonuses HK$	Housing allowance HK$	Estimated money value of other benefits HK$	Employer's contribution to a retirement benefit scheme HK$	Remunerations paid or receivable in respect of accepting office as director HK$	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$	Total HK$
Executive Directors									
Mr. Kwong Chi Man (Chief Executive Officer)	-	858,400	-	-	-	18,000	-	-	876,400
Mr. Yip Wai Man	-	465,223	177,500	-	-	17,880	-	-	660,603
Independent non-executive Directors									
Ms. Yu Wan Wah, Amparo	50,000	-	-	-	-	-	-	-	50,000
Mr. Law Pui Cheung	50,000	-	-	-	-	-	-	-	50,000
Mr. Wat Hiu Yan Danny	50,000	-	-	-	-	-	-	-	50,000
	150,000	1,323,623	177,500	-	-	35,880	-	-	1,687,003

22 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) (continued)

(a) Directors' emoluments (equivalent to key management compensation) (continued)

For the year ended 31 March 2016:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Name	Fees HK$	Salary HK$	Discretionary bonuses HK$	Housing allowance HK$	Estimated money value of other benefits HK$	Employer's contribution to a retirement benefit scheme HK$	Remunerations paid or receivable in respect of accepting office as director HK$	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$	Total HK$
Executive Directors									
Mr. Kwong Chi Man (Chief Executive Officer)	–	720,000	60,000	–	–	18,000	–	–	798,000
Mr. Yip Wai Man	–	340,016	173,000	–	–	15,530	–	–	528,546
	–	1,060,016	233,000	–	–	33,530	–	–	1,326,546

22 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) (continued)

(a) Directors' emoluments (equivalent to key management compensation) (continued)

During the year end 31 March 2017, none of the directors of the Company waived their emoluments nor agreed to waive their emoluments (2016: nil).

Mr. Kwong Chi Man and Mr. Yip Wai Man were appointed as executive directors of the Company on 1 June 2016 and 13 June 2016 respectively. Ms. Yu Wan Wah Amparo, Mr. Law Pui Cheung and Mr. Wat Danny Hiu Yan, independent non-executive directors of the Company, were appointed on 24 September 2016.

(b) Directors' retirement benefits and termination benefits

Save as disclosed in Note 22(a), the directors did not receive any other retirement benefits or termination benefits during the year (2016: nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 March 2017, the Group did not pay consideration to any third parties for making available the directors' services (2016: nil).

(d) Information about loans, quasi-loans and other dealings in favour of the directors, bodies corporate controlled by and connected entities with such directors

As at 31 March 2017, there are no loans, quasi-loans and other dealing arrangements in favour of the directors, bodies corporate controlled by and controlled entities with such directors (2016: nil).

(e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in Note 24, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: nil).

23 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	Year ended 31 March	
	2017	2016
	HK$	HK$
Property, plant and equipment	**23,984,000**	–

(b) Operating lease commitments – Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Year ended 31 March	
	2017	2016
	HK$	HK$
Within 1 year	**310,400**	37,100
Later than 1 year and no later than 5 years	**20,000**	–
	330,400	37,100

24 RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that the following companies or individuals were related parties that had transactions or balances with the Group.

Related parties	**Relationship with the Group**
Mr. Kwong	Controlling shareholder and director of the Group
Ms. Li Chuen Chun ("Mrs. Kwong")	Spouse of Mr. Kwong
Ms. Kwong Wing Yan ("Ms. Kwong")	Daughter of Mr. Kwong
Ms. Kwong Wing Yee ("Ms. Kwong W.Y.")	Daughter of Mr. Kwong
Ms. Li Mei Ying ("Ms. Li")	Sister-in-law of Mr. Kwong

24 RELATED PARTY TRANSACTIONS (continued)

During the years ended 31 March 2016 and 2017, the Group had the following significant transactions with its related parties:

	Year ended 31 March	
	2017	2016
	HK$	HK$
Rental expense paid in relation to rental contract entered into with		
Mr. Kwong	**40,000**	240,000
Mrs. Kwong and Ms. Kwong W.Y.	**220,000**	–
Mrs. Kwong and Ms. Kwong	**5,600**	33,600
Ms. Li	**6,200**	31,000

These transactions were entered into at terms agreed with the related parties in the ordinary course of the Group's business.

25 SUBSEQUENT EVENT

On 1 March 2017, Kwong Man Kee Engineering Limited, indirect wholly-owned subsidiary of the Company, entered into a preliminary sales and purchase agreement with Triple Sky Limited, an independent third party and is a company incorporated in Hong Kong with limited liability which principally engaged in building construction and property development, to acquire property at a total consideration of HK$29,980,000. The acquisition was completed in May 2017.

26 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 March 2017 HK$	2016 HK$
ASSETS			
Non-current assets			
Investment in a subsidiary	(a)	**27,008,999**	–
Current assets			
Prepayments and other receivables		**185,813**	–
Amounts due from subsidiaries		**58,273,721**	–
Cash and cash equivalents		**23,421**	–
		58,482,955	–
Total assets		**85,491,954**	–
EQUITY			
Share capital		**6,000,000**	–
Share premium		**52,482,955**	–
Capital reserves	(b)	**27,008,999**	–
Total equity		**85,491,954**	–

The Company was incorporated on 30 May 2016 with an authorised share capital of HK$5,000,000, divided into 500,000,000 shares of HK$0.01 each. As at 31 March 2016, the Company had not been incorporated and, accordingly, it had no assets, liabilities or distributable reserves on that date.

The balance sheet of the Company was approved by the Board of Directors on 23 June 2017 and was signed on its behalf.

Mr. Kwong Chi Man	**Mr. Yip Wai Man**
Director	*Director*

26 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Particulars of subsidiaries

Company name	Place of incorporation/ establishment	Issued and fully paid up share capital	Principal activities and place of operation	Interest held (%) 2017	2016
Victor Ease Limited	British Virgin Islands	US$10,000	Investment holding in Hong Kong	**100**	N/A
Kwong Man Kee Engineering Limited	Hong Kong	HK$100	Provision of engineering services in flooring, screeding, anti-skid surfacing and concrete repairing in Hong Kong	**100**	N/A
Charter Ease International Limited	British Virgin Islands	US$10,000	Investment holding in Macau	**100**	N/A
Luxury Sense Holdings Limited	British Virgin Islands	US$10,000	Investment holding in Macau	**100**	N/A
Kwong Man Kee (Macau) Engineering Limited	Macau	MOP30,000	Dormant	**100**	N/A

(b) Reserve movement of the Company

	Share premium	Capital reserves	Total
At 30 May 2016 (date of incorporation)	–	–	–
Issuance of shares pursuant to a group Reorganisation *(Note (i))*	–	27,008,999	27,008,999
Issuance of shares pursuant to Capitalisation	(4,499,900)	–	(4,499,900)
Issuance of ordinary share pursuant to Listing	63,000,000	–	63,000,000
Listing expenses charged to share premium	(6,017,145)	–	(6,017,145)
At 31 March 2017	**52,482,955**	**27,008,999**	**79,491,954**

Note (i):

Capital reserves of the Company represented the difference between the net asset value of Victor Ease acquired over the nominal value of the share capital of the Company issued in exchange thereof.

THREE-YEAR FINANCIAL SUMMARY

	2017 HK$ Note (a)	2016 HK$ Note (b)	2015 HK$ Note (b)
For the year			
Revenue	**72,362,730**	68,575,030	42,807,818
(Loss)/profit before taxation	**(561,059)**	20,911,099	13,077,062
(Loss)/profit attributable to equity holders of the Company	**(2,838,093)**	16,797,818	11,085,779
Cashflows			
Net cash (outflow)/inflow from operating activities	**(22,853,802)**	9,566,475	18,705,157
At year end			
Total assets	**85,070,994**	41,136,489	31,803,777
Total liabilities	**8,967,647**	17,178,004	18,142,118
Total equity	**76,103,347**	23,958,485	13,661,659
Cash and bank balances	**35,085,289**	14,172,321	16,917,081
Per share data			
(Loss)/earnings per share-basic *(HK cents)*	**(0.55)**	3.73	2.46

Notes:

(a) The financial figures were extracted from the consolidated financial statements in the annual report.

(b) The financial figures were extracted from the Prospectus dated 30 September 2016.

The financial information for the year ended 31 March 2013 and 2014 was not disclosed as the consolidated financial statements for the Group have not been prepared for these years. The summary above does not form part of the audited consolidated financial statements in the annual report.