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(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2020**

	Year ended 31 March	
	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	733.3	415.0
Gross profit	109.7	72.2
Gross profit margin	15.0%	17.4%
Profit for the year	53.8	28.3
Less: Gain on disposal of property, plant and equipment	(4.3)	–
Profit for the year on a normalised basis	49.5	28.3
Net profit margin on a normalised basis	6.8%	6.8%
	As at 31 March	
	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>
Total assets	433.9	328.0
Total equity	231.9	188.5
Gearing ratio	7.7%	13.6%

The board (the “Board”) of directors (the “Directors”) of KPa-BM Holdings Limited (the “Company”) is pleased to announce the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March	
		2020	2019
		HK\$’000	HK\$’000
Revenue	5	733,345	414,990
Cost of revenue		(623,640)	(342,816)
Gross profit		109,705	72,174
Other income		1,731	1,027
Fair value (loss)/gain on investment properties		(778)	400
Gain on disposal of property, plant and equipment		4,287	–
Marketing and distribution expenses		(3,311)	(3,265)
Administrative and other operating expenses		(46,638)	(36,445)
Finance costs		(1,833)	(634)
Profit before income tax	6	63,163	33,257
Income tax expense	7	(9,410)	(4,955)
Profit for the year		53,753	28,302
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of foreign operations		(808)	(56)
Other comprehensive income for the year		(808)	(56)
Total comprehensive income for the year		52,945	28,246
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	9	8.96	4.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		24,717	7,470
Investment properties		26,317	21,500
Goodwill		601	–
Deferred tax assets		148	117
		51,783	29,087
Current assets			
Inventories		8,643	3,281
Contract assets		43,603	68,164
Trade and other receivables, deposits and prepayments	<i>11</i>	203,963	130,129
Tax recoverable		–	1,713
Pledged deposit	<i>10</i>	104	3,044
Pledged bank deposits		–	10,014
Cash and bank balances		125,842	82,542
		382,155	298,887
Current liabilities			
Contract liabilities		79,330	22,333
Trade and other payables	<i>12</i>	99,145	89,660
Lease liabilities	<i>13</i>	7,269	–
Tax payable		4,820	1,085
Bank borrowings		–	25,386
Obligations under finance leases		–	157
		190,564	138,621
Net current assets		191,591	160,266
Total assets less current liabilities		243,374	189,353

		As at 31 March	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities			
Lease liabilities	13	10,625	–
Obligations under finance leases		–	107
Deferred tax liabilities		875	717
		<u>11,500</u>	<u>824</u>
Net assets		<u>231,874</u>	<u>188,529</u>
CAPITAL AND RESERVES			
Share capital		6,000	6,000
Reserves		225,874	182,529
		<u>231,874</u>	<u>188,529</u>
Total equity		<u>231,874</u>	<u>188,529</u>

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 15 May 2015. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 27/F., The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

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

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

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

2. BASIS OF PREPARATION

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

These financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair value.

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

3. ADOPTION OF NEW OR REVISED HKFRSs

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

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2019.

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

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

HKFRS 16

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

(i) *The new definition of a lease*

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

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

(ii) *Accounting as a lessee*

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

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

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

Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The Group presents right-of-use assets that do not meet the definition of investment property in “Property, plant and equipment” in the consolidated statement of financial position.

Lease liabilities

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

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

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

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

(iii) Accounting as a lessor

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

(iv) *Transition*

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

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

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

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

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

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

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

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

Notes:

- (a) The Group has leased certain office premises and warehouse which were previously accounted for as operating leases under HKAS 17. Upon initial adoption of HKFRS 16 on 1 April 2019, the Group recognised right-of-use assets and lease liabilities of HK\$11,732,000 and HK\$11,732,000 (classified as to HK\$3,835,000 as current liabilities and HK\$7,897,000 as non-current liabilities) respectively for the above leases.
- (b) The Group has also acquired a motor vehicle under hire purchase arrangement and the motor vehicle was previously accounted for as finance lease under HKAS 17. Upon initial adoption of HKFRS 16 on 1 April 2019, the motor vehicle with carrying amount of HK\$255,000 was still classified as “Property, plant and equipment” but was grouped under the category of “Right-of-use assets” within “Property, plant and equipment”. In addition, the liabilities arising from the acquisition of the motor vehicle amounting to HK\$264,000 as at 1 April 2019 (classified as to HK\$157,000 as current liabilities and HK\$107,000 as non-current liabilities) were reclassified from “Obligations under finance leases” to “Lease liabilities”.

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

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

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

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

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

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

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

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

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

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

The Directors of the Company anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. Those new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

4. SEGMENT INFORMATION

(a) Operating segment information

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

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

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

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

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

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

Segment results, segment assets and other segment information

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

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

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

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

	Structural Engineering Works <i>HK\$'000</i>	Supply and Installation of Building Material Products <i>HK\$'000</i>	Trading of Building Material Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2020				
Segment assets	250,152	6,284	3,046	259,482
Property, plant and equipment				15,294
Investment properties				26,317
Tax assets				148
Cash and bank balances				125,842
Other corporate assets				6,855
Total consolidated assets				433,938

	Structural Engineering Works <i>HK\$'000</i>	Supply and Installation of Building Material Products <i>HK\$'000</i>	Trading of Building Material Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2019				
Segment assets	191,829	4,890	4,919	201,638
Property, plant and equipment				6,495
Investment properties				21,500
Tax assets				1,830
Pledged bank deposits				10,014
Cash and bank balances				82,542
Other corporate assets				3,955
Total consolidated assets				327,974

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

	Structural Engineering Works HK\$'000	Supply and Installation of Building Material Products HK\$'000	Trading of Building Material Products HK\$'000	Corporate/ Unallocated HK\$'000	Total HK\$'000
Year ended 31 March 2019					
Other information					
Interest income	-	-	-	244	244
Interest expense	-	-	-	634	634
Depreciation	355	-	-	1,668	2,023
Write down of inventories	-	58	153	-	211
Impairment loss on trade receivables	236	6	-	-	242
Reversal of impairment loss/ (Impairment loss) on retention receivables	11	(3)	-	-	8
Reversal of impairment loss on contract assets	17	1	-	-	18
Additions to specified non-current assets [#]	-	-	-	4,308	4,308

[#] *Specific non-current assets represent non-current assets other than financial instruments and deferred tax assets. They include additions arising from acquisition of subsidiaries (note 14).*

(b) Geographical segment information

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

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

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

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

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

(c) Information about major customers

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

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

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

5. REVENUE

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

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

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

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

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

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

6. PROFIT BEFORE INCOME TAX

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

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration	730	680
Impairment loss on trade receivables	314	242
Impairment loss/(Reversal of impairment loss) on retention receivables	887	(8)
Reversal of impairment loss on contract assets	(854)	(18)
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	162,513	142,202
– Allowance for inventories	115	184
– Write-off of inventories	41	27
	<u>162,669</u>	<u>142,413</u>
Depreciation in respect of:		
Right-of-use assets included in property, plant and equipment under the following categories (<i>note (a)</i>):		
– Ownership interest in leasehold land and buildings	17	–
– Other properties leased for own use	6,604	–
– Other motor vehicles	330	–
Property, plant and equipment [#]	<u>2,432</u>	<u>2,023</u>
	<u>9,383</u>	<u>2,023</u>
Employee costs (including Directors' emoluments)		
– Salaries, allowances and other benefits	60,763	44,278
– Contribution to defined contribution retirement plans (<i>note (b)</i>)	3,472	1,973
	<u>64,235</u>	<u>46,251</u>
Exchange loss, net*	<u>360</u>	<u>193</u>
Short-term leases expenses	<u>686</u>	<u>–</u>
Total minimum lease payments for leases previously classified as operating lease under HKAS 17 in respect of:		
– Land and buildings	–	4,266
– Office equipment	–	223
Write-off of property, plant and equipment	<u>68</u>	<u>664</u>

* Included in “Administrative and other operating expenses”

Depreciation of other property, plant and equipment for the year ended 31 March 2019 included depreciation charge of a motor vehicle amounting to HK\$161,000 which was held under hire purchase arrangement and was accounted for an finance lease under HKAS17. Such motor vehicle was identified as a right-of-use asset upon the adoption of HKFRS 16 on 1 April 2019.

Notes:

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

7. INCOME TAX EXPENSE

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

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

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

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

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

8. DIVIDENDS

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

	Year ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final dividend – HK2.5 cents (2019: HK1.6 cents) per ordinary share	15,000	9,600

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

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

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

	Year ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of previous financial year, approved and paid during the year of HK1.6 cents (2019: HK1.6 cents) per ordinary share	9,600	9,600

9. EARNINGS PER SHARE

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

	Year ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company	53,753	28,302
	2020	2019
	'000	'000
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue during the year	600,000	600,000

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

10. PLEDGED DEPOSIT

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

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Notes:

(a) Trade receivables

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

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

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

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

(b) Retention receivables

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

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

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

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

	2020	2019
Expected credit loss rate	2.2%	1.4%
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross carrying amount	72,364	52,493
Expected credit losses	1,621	734

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

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

12. TRADE AND OTHER PAYABLES

	As at 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	51,532	49,088
Bills payable	–	8,459
Trade and bills payables (<i>note (a)</i>)	51,532	57,547
Retention payables (<i>note (b)</i>)	36,120	21,551
Other payables and accruals	11,493	10,562
	99,145	89,660

Notes:

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

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

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

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

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
On demand or within one year	8,253	6,384
After one year or more	27,867	15,167
	36,120	21,551

13. LEASES

HKFRS 16 was adopted by the Group on 1 April 2019 without restating comparative information. Details of the transitional provision that were applied as at 1 April 2019 are set out in note 3(a)(iv).

(a) The Group as lessee

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

The movements of lease liabilities are as follows:

	Other properties <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2019	11,732	264	11,996
Acquisition of subsidiaries (<i>note 14</i>)	5,017	–	5,017
New leases	7,007	861	7,868
Finance cost	923	32	955
Lease payments	(7,006)	(370)	(7,376)
Exchange adjustment	(566)	–	(566)
	<u>17,107</u>	<u>787</u>	<u>17,894</u>
Balance at 31 March 2020	<u>17,107</u>	<u>787</u>	<u>17,894</u>

Future lease payments are due as follows:

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value of minimum lease payments <i>HK\$'000</i>
As at 31 March 2020			
Not later than one year	7,977	(708)	7,269
Later than one year but no later than two years	6,540	(369)	6,171
Later than two years but no later than five years	4,596	(142)	4,454
	<u>19,113</u>	<u>(1,219)</u>	<u>17,894</u>
As at 1 April 2019			
Not later than one year	4,421	(429)	3,992
Later than one year but no later than two years	4,318	(257)	4,061
Later than two years but no later than five years	4,055	(112)	3,943
	<u>12,794</u>	<u>(798)</u>	<u>11,996</u>

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

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

Note:

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

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

(b) The Group as lessor

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

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

14. ACQUISITION OF SUBSIDIARIES

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

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

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

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

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

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

HK\$'000

Cash (outflow)/inflow arising on Acquisition:

Purchase consideration settled by cash	(12,222)
Cash and bank balances acquired	<u>924</u>
Cash outflow on Acquisition included in cash flows from investing activities	(11,298)
Transaction costs of the Acquisition included in cash flows from operating activities	<u>(652)</u>
	<u><u>(11,950)</u></u>

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

15. GUARANTEE

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

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Aggregate value of the surety bonds issued in favour of customers	<u>1,433</u>	<u>11,232</u>

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

16. LITIGATIONS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Activities

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

Business Review

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

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

Future Prospects

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

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

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

Financial Highlights

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

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

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

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

Financial Review

Revenue

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

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

Cost of Revenue and Gross Profit

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

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

Administrative and Other Operating Expenses

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

Finance Costs

For the Year, the Group's finance costs were approximately HK\$1.8 million (FY2019: HK\$0.6 million), representing an increase of approximately HK\$1.2 million or 200%, which was mainly due to adoption of HKFRS 16 Leases in the Year. For more details of impacts on our consolidated financial statements, please refer to note 3(a).

Income Tax Expense

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

Profit for the Year

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

Dividend

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

Liquidity, Financial Resources and Capital Structure

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

The Group generally meets its working capital requirements by cash flows generated from its operations and short term borrowings. During the Year, the Group generated net cash inflow from operating activities of approximately HK\$83.6 million, together with the availability of short term bank loans and overdrafts, the Group has been financially sound in its daily operations throughout the Year.

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

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

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

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

Gearing Ratio

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

The Group is able to generate net cash from operating activities of approximately HK\$83.6 million for the Year. The gearing ratio of the Group as at 31 March 2020 was approximately 7.7% (31 March 2019: approximately 13.6%), because of the Group's lease liabilities arising from adoption of HKFRS 16 Leases. The bank borrowings were fully repaid during the Year with the cash reserves from operation. The net gearing ratio is nil as at 31 March 2020 (31 March 2019: nil) as the company's cash and bank's balance can fully repay its debt.

Foreign Currency Exposure and Treasury Policy

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

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

Pledged of Assets

As at 31 March 2020, the Group did not have any bank borrowings (as at 31 March 2019: approximately HK\$25.4 million) and banking facilities are unsecured as at 31 March 2020 (31 March 2019: bank deposits of HK\$10.0 million)

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

Significant Investments

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

Material Acquisitions and Disposals

The acquisition of subsidiaries during the Year was disclosed in note 14 to this announcement. The Group did not dispose any subsidiaries during the Year.

Contingent Liabilities

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

Employees and Remuneration Policies

As at 31 March 2020, the Group had 193 staff (31 March 2019: 93), the significant increase of the number of employees was mainly due to the acquisition of subsidiaries as disclosed in note 14 of this announcement. The total employee benefit expenses for the Year (including Directors' emoluments, salaries to staff and other staff benefits included provident fund contributions, medical insurance coverage and other staff benefits) were approximately HK\$64.2 million (FY2019: HK\$46.3 million). The Group determines the salaries of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary increment, discretionary bonuses and promotions based on the performance of each employee. During the Year, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

Purchase, Sale or Redemption of the Company's Listed Shares

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Model Code"). Upon specific enquiries made, each of the Directors confirmed he/she has complied with the Model Code throughout the Year.

Corporate Governance and Compliance with the Corporate Governance Code

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

The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules (the “CG Code”) and has complied with the CG Code throughout the Year.

EVENT AFTER THE YEAR

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

SUFFICIENCY OF PUBLIC FLOAT

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

MANAGEMENT CONTRACTS

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

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 August 2020 to Friday, 21 August 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 17 August 2020.

To ascertain entitlement to the proposed final dividend, the register of members of the Company will also be closed from Friday, 28 August 2020 to Tuesday, 1 September 2020, both days inclusive, during which period no transfer of shares will be registered. Subject to the approval by the Shareholders at the AGM, the proposed final dividend will be paid on or around 11 September 2020 to the Shareholders whose names appear on the register of members of the Company on 1 September 2020. In order to qualify for the proposed final dividend (if any), all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 27 August 2020.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS AND THIS ANNUAL RESULTS ANNOUNCEMENT

The audit committee of the Company (the "Audit Committee") has reviewed this annual results announcement and the consolidated financial statements for the year ended 31 March 2020.

The Audit Committee comprises three independent non-executive Directors and chaired by Ms. Lai Pik Chi, Peggy, who has appropriate professional qualifications and experience as required by Rule 3.10(2) of the Listing Rules.

The figures in respect of the Group's consolidated statement of financial position and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 19 June 2020

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

* *For identification purpose only*