

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

*(incorporated in the Cayman Islands with limited liability)*

(Stock code: 2663)

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**Condensed Consolidated Statement of Comprehensive Income**

*For the six months ended 30 September 2020*

	<i>Notes</i>	<b>Six months ended 30 September 2020 (Unaudited) HK\$'000</b>	<b>2019 (Unaudited) HK\$'000</b>
<b>Revenue</b>	3	<b>208,898</b>	391,215
Cost of revenue		<u>(165,173)</u>	<u>(344,676)</u>
<b>Gross profit</b>		<b>43,725</b>	46,539
Government subsidies		<b>2,247</b>	–
Gain on disposal of property, plant and equipment		–	4,106
Other income and gains		<b>1,563</b>	1,092
Marketing and distribution expenses		<b>(516)</b>	(401)
Administrative and other operating expenses		<b>(18,940)</b>	(20,092)
Finance costs		<b>(594)</b>	(842)
<b>Profit before income tax</b>	4	<b>27,485</b>	30,402
Income tax expense	5	<b>(4,287)</b>	(4,307)
<b>Profit for the period</b>		<b>23,198</b>	26,095
<b>Other comprehensive income for the period</b>		<b>–</b>	–
<b>Total comprehensive income for the period</b>		<b>23,198</b>	26,095
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>	7		
Basic and diluted earnings per share		<b>3.87</b>	4.35

## Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	<i>Notes</i>	<b>As at 30 September 2020 (Unaudited) HK\$'000</b>	<b>As at 31 March 2020 (Audited) HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>22,592</b>	24,717
Investment properties	8	<b>26,418</b>	26,317
Goodwill		<b>601</b>	601
Deferred tax assets		<b>148</b>	148
		<u><b>49,759</b></u>	<u>51,783</u>
<b>Current assets</b>			
Inventories		<b>7,159</b>	8,643
Contract assets	9	<b>54,610</b>	43,603
Trade and other receivables, deposits and prepayments	10	<b>187,623</b>	203,963
Pledged deposit	11	<b>–</b>	104
Cash and bank balances		<b>148,586</b>	125,842
		<u><b>397,978</b></u>	<u>382,155</u>
<b>Current liabilities</b>			
Contract liabilities	9	<b>97,276</b>	79,330
Trade and other payables	12	<b>82,797</b>	99,145
Lease liabilities		<b>7,375</b>	7,269
Tax payable		<b>10,424</b>	4,820
		<u><b>197,872</b></u>	<u>190,564</u>
<b>Net current assets</b>		<u><b>200,106</b></u>	<u>191,591</u>
<b>Total assets less current liabilities</b>		<u><b>249,865</b></u>	<u>243,374</u>

	<i>Notes</i>	<b>As at 30 September 2020 (Unaudited) HK\$'000</b>	<b>As at 31 March 2020 (Audited) HK\$'000</b>
<b>Non-current liabilities</b>			
Lease liabilities		8,247	10,625
Deferred tax liabilities		<u>883</u>	<u>875</u>
		<u>9,130</u>	<u>11,500</u>
<b>Net assets</b>		<u><b>240,735</b></u>	<u>231,874</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>13</i>	6,000	6,000
Reserves		<u>234,735</u>	<u>225,874</u>
<b>Total equity</b>		<u><b>240,735</b></u>	<u>231,874</u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Asset revaluation reserve* HK\$'000	Exchange reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000
<b>Six months ended 30 September 2019 (unaudited)</b>							
At 1 April 2019	6,000	33,942	7,437	15,646	(74)	125,578	188,529
Profit for the period	-	-	-	-	-	26,095	26,095
Other comprehensive income for the period	-	-	-	-	(92)	-	(92)
Total comprehensive income for the period	-	-	-	-	(92)	26,095	26,003
Acquisition of interests in subsidiaries	-	-	-	-	(613)	-	(613)
Transactions with owners: Final dividend in respect of 2019 (note 6)	-	-	-	-	-	(9,600)	(9,600)
At 30 September 2019 (unaudited)	<u>6,000</u>	<u>33,942</u>	<u>7,437</u>	<u>15,646</u>	<u>(779)</u>	<u>142,073</u>	<u>204,319</u>
<b>Six months ended 30 September 2020 (unaudited)</b>							
At 1 April 2020	6,000	33,942	7,437	15,646	(882)	169,731	231,874
Profit for the period	-	-	-	-	-	23,198	23,198
Other comprehensive income for the period	-	-	-	-	663	-	663
Total comprehensive income for the period	-	-	-	-	663	23,198	23,861
Transactions with owners: Final dividend in respect of 2020 (note 6)	-	-	-	-	-	(15,000)	(15,000)
At 30 September 2020 (unaudited)	<u>6,000</u>	<u>33,942</u>	<u>7,437</u>	<u>15,646</u>	<u>(219)</u>	<u>177,929</u>	<u>240,735</u>

\* The total of these equity accounts as at 30 September 2019 and 2020 represent "Reserves" in the condensed consolidated statements of financial position.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Net cash generated from/(used in) operating activities</b>	<b>41,216</b>	(648)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment ( <i>note 8</i> )	(2,113)	(874)
Proceeds from disposal of property, plant and equipment ( <i>note 8</i> )	–	5,597
Decrease in pledged bank deposits	–	10,014
Cash outflow on acquisition of subsidiaries	–	(11,950)
Interest received	<b>548</b>	147
<i>Net cash (used in)/generated from investing activities</i>	<u>(1,565)</u>	<u>2,934</u>
<b>Cash flows from financing activities</b>		
Dividends paid ( <i>note 6</i> )	(15,000)	(9,600)
Interest paid on bank borrowings	(138)	(610)
Proceed from bank borrowings	<b>20,000</b>	20,000
Repayment of bank borrowings	(20,000)	(45,386)
Payment of principal element of lease liabilities	(1,922)	(2,017)
Payment of interest element of lease liabilities	<b>(456)</b>	(246)
<i>Net cash used in financing activities</i>	<u>(17,516)</u>	<u>(37,859)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>22,135</b>	(35,573)
<b>Cash and cash equivalents at the beginning of period</b>	<b>125,842</b>	82,542
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u><b>609</b></u>	<u>547</u>
<b>Cash and cash equivalents at the end of period</b>	<u><b>148,586</b></u>	<u>47,516</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<u><b>148,586</b></u>	<u>47,516</u>

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

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

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

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

The condensed consolidated financial statements of the Group for the six months ended 30 September 2020 (the “interim financial statements”) are unaudited, but have been reviewed by the audit committee of the Company. These interim financial statements were approved for issue by the Company’s board of directors on 20 November 2020.

### **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

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

The interim financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020 (“2020 Financial Statements”) which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

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

The accounting policies applied and methods of computation used in the preparation of the interim financial statements are consistent with those used in 2020 Financial Statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of the new or revised HKFRSs issued by the HKICPA as set out in note 2.1.

## **Adoption of new or revised HKFRSs**

### **2.1 Adoption of new or revised HKFRSs effective on 1 April 2020**

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The new or revised HKFRSs that are effective from 1 April 2020 did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

## **3. SEGMENT INFORMATION AND REVENUE**

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

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

Supply and Installation of Building Material Products – This segment engages in supply of building material products together with installation services of such products in Hong Kong.

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

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

<b>Six months ended 30 September 2020 (unaudited)</b>	<b>Structural Engineering Works <i>HK\$'000</i></b>	<b>Supply and Installation of Building Material Products <i>HK\$'000</i></b>	<b>Trading of Building Material Products <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<i>Segment revenue</i>				
Sales to external customers	192,049	12,809	4,040	208,898
Intersegment sales	–	–	266	266
	<u>192,049</u>	<u>12,809</u>	<u>4,306</u>	<u>209,164</u>
Elimination of intersegment sales				<u>(266)</u>
				<u>208,898</u>
<i>Segment profit</i>	<u>22,290</u>	<u>2,206</u>	<u>2,024</u>	26,520
Corporate and unallocated income				2,310
Corporate and unallocated expenses				
– Administrative and other operating expenses				(1,328)
– Finance costs				<u>(17)</u>
Profit before income tax				<u>27,485</u>

Six months ended 30 September 2019 (unaudited)	Structural Engineering Works <i>HK\$'000</i>	Supply and Installation of Building Material Products <i>HK\$'000</i>	Trading of Building Material Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b><i>Segment revenue</i></b>				
Sales to external customers	378,797	8,658	3,760	391,215
Intersegment sales	<u>–</u>	<u>–</u>	<u>22,332</u>	<u>22,332</u>
	<u>378,797</u>	<u>8,658</u>	<u>26,092</u>	413,547
Elimination of intersegment sales				<u>(22,332)</u>
				<u>391,215</u>
<b><i>Segment profit</i></b>	<u>25,816</u>	<u>1,305</u>	<u>1,287</u>	28,408
Corporate and unallocated income				4,170
Corporate and unallocated expenses				
– Administrative and other operating expenses				(2,135)
– Finance costs				<u>(41)</u>
Profit before income tax				<u>30,402</u>

During the period, the segment asset had not been presented as there has not been a material change from the 2020 Financial Statements for the reportable segment.

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

**Disaggregation of revenue**

*Six months ended 30 September (unaudited)*

	Structural Engineering Works		Supply and Installation of Building Material Products		Trading of Building Material Products		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Timing of revenue recognition</b>								
Point in time	-	-	-	-	4,040	3,760	4,040	3,760
Over time	192,049	378,797	12,809	8,658	-	-	204,858	387,455
	<u>192,049</u>	<u>378,797</u>	<u>12,809</u>	<u>8,658</u>	<u>4,040</u>	<u>3,760</u>	<u>208,898</u>	<u>391,215</u>

**4. PROFIT BEFORE INCOME TAX**

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

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation in respect of:		
Right-of-use assets included in property, plant and equipment under the following categories:		
– Other properties leased for own use	2,252	2,351
Other property, plant and equipment	1,533	1,145
	<u>3,785</u>	<u>3,496</u>
Employee benefit expenses (including directors' emoluments)		
– Salaries, allowances and benefits in kind	19,705	17,671
– Contribution to defined contribution retirement plan	558	1,031
	<u>20,263</u>	<u>18,702</u>

## 5. INCOME TAX EXPENSE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax for the period		
– Hong Kong Profits Tax	<b>4,287</b>	4,307
– Other regions of the PRC – Enterprise Income Tax (“EIT”)	<u>–</u>	<u>–</u>
Total income tax expense	<b><u>4,287</u></b>	<b><u>4,307</u></b>

Hong Kong Profits Tax is calculated at 16.5% (Six months ended 30 September 2019: 16.5%) on the estimated assessable profits for the period.

EIT arising from other regions of the PRC is calculated at 25% (Six months ended 30 September 2019: 25%) on the estimated assessable profits for the period.

## 6. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2020 (30 September 2019: nil).

The final dividend in respect of the year ended 31 March 2020 amounting to HK\$15,000,000 was paid in September 2020 thus no dividend payable was recorded as at 30 September 2020.

## 7. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	<b>23,198</b>	26,095
	<b>Number of shares (thousands)</b>	
<b>Weighted average number of ordinary share in issue</b>		
Weighted average number of ordinary shares in issue during the period	<b>600,000</b>	600,000

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

## 8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 September 2020, the Group used approximately HK\$186,000, HK\$684,000, HK\$1,074,000, HK\$nil and HK\$169,000 on acquisition of leasehold improvement, computer equipment, motor vehicles, office equipment and plant and machinery respectively (six months ended 30 September 2019: approximately HK\$nil, HK\$547,000, HK\$326,000, HK\$1,000 and HK\$nil respectively).

The Group has not disposed any of its property, plant and equipment and investment properties during the period (six months ended 30 September 2019: a leasehold property with net carrying amount of approximately HK\$1,491,000). A gain on disposal of fixed assets of approximately HK\$4,106,000 was recorded for the prior period.

As at 30 September 2020, the Group has not pledged its leasehold land and buildings to secure the bank borrowings and banking facilities granted to the Group (31 March 2020: nil).

The investment properties were carried at fair value. The fair value of the investment properties as at 30 September 2020 was approximately HK\$26,418,000 (31 March 2020: approximately HK\$26,317,000), which was determined by the Directors by reference to recent market prices for properties in the similar locations and conditions. The fair value of investment properties as at 30 September 2020 and 31 March 2020 is a level 2 recurring fair value measurement. No fair value gain or loss arose from remeasurement of the investment properties as at 30 September 2020 (six months ended 30 September 2019: nil). None of the investment properties were pledged to banks to secure for the bank borrowings and banking facilities granted to the Group.

## 9. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract Assets

	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
Contract assets arising from:		
– Structural engineering works	54,905	43,861
– Supply and installation of building material products	268	305
	<u>55,173</u>	<u>44,166</u>
Less: Loss allowance	<u>(563)</u>	<u>(563)</u>
	<u><u>54,610</u></u>	<u><u>43,603</u></u>

### (b) Contract Liabilities

	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
Contract liabilities arising from:		
– Structural engineering works	92,490	76,189
– Supply and installation of building material products	4,224	2,579
– Trading of building material products	562	562
	<u>97,276</u>	<u>79,330</u>
	<u><u>97,276</u></u>	<u><u>79,330</u></u>

## 10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Trade receivables ( <i>note (a)</i> )	110,295	126,796
Less: Loss allowance	<u>(842)</u>	<u>(842)</u>
Trade receivables, net	<u>109,453</u>	<u>125,954</u>
Retention receivables	75,247	72,364
Less: Loss allowance	<u>(1,621)</u>	<u>(1,621)</u>
Retention receivables, net ( <i>note (b)</i> )	<u>73,626</u>	<u>70,743</u>
Other receivables	498	3,654
Deposits	2,318	2,225
Prepayments	<u>1,728</u>	<u>1,387</u>
	<u>4,544</u>	<u>7,266</u>
	<u><u>187,623</u></u>	<u><u>203,963</u></u>

*Notes:*

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

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
0–30 days	80,210	69,051
31–60 days	512	28,276
61–90 days	2,729	17,637
Over 90 days	<u>26,844</u>	<u>11,832</u>
	<u>110,295</u>	<u>126,796</u>

(b) Retention receivables

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

	<b>As at 30 September 2020 (Unaudited) HK\$'000</b>	As at 31 March 2020 (Audited) HK\$'000
On demand or within one year	<b>46,074</b>	21,250
After one year or more	<b>27,552</b>	49,493
	<b><u>73,626</u></b>	<u>70,743</u>

Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the of the reporting periods as those balances are from customers with long business relationship and there has not been a significant change in their credit quality.

(c) Credit policy

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

## 11. PLEDGED DEPOSIT

As at 30 September 2020, the Group had not pledged any deposit (31 March 2020: HK\$104,000) as collateral for the surety bond issued in favour of the customer of construction contract. The value of the surety bond arranged by the insurance company as at 30 September 2020 was HK\$nil (31 March 2020: HK\$348,000). Surety bonds is generally required for the period upon which the construction work is substantially completed. The pledged deposit as at 31 March 2020 was released during the period.

## 12. TRADE AND OTHER PAYABLES

	As at <b>30 September</b> <b>2020</b> (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
Trade and bill payables ( <i>note (a)</i> )	43,415	51,532
Retention payables ( <i>note (b)</i> )	33,930	36,120
Other payables, accruals and deposits	5,452	11,493
	<u>82,797</u>	<u>99,145</u>

### Notes:

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

	As at <b>30 September</b> <b>2020</b> (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
0–30 days	32,272	26,810
31–60 days	4,234	19,669
61–90 days	1,127	1,427
Over 90 days	5,782	3,626
	<u>43,415</u>	<u>51,532</u>

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

	As at <b>30 September</b> <b>2020</b> (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
On demand or within one year	11,834	8,253
After one year or more	22,096	27,867
	<u>33,930</u>	<u>36,120</u>

### 13. SHARE CAPITAL

Ordinary shares	Par value <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
<b>Authorised:</b>			
At 30 September 2020 and 31 March 2020	0.01	2,000,000,000	20,000
<b>Issued and fully paid:</b>			
At 30 September 2020 and 31 March 2020	0.01	600,000,000	6,000

### 14. GUARANTEE

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

	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
Aggregate value of the surety bonds issued in favour of customers	–	1,433

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. The guarantee as at 31 March 2020 was released during the Period upon substantial completion of the project.

### 15. LITIGATIONS

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

## 16. RELATED PARTY TRANSACTIONS

- (a) During the six months period ended 30 September 2020 and 2019, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount	
			Six months ended 30 September 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
BuildMax Technology (Shenzhen) Limited ("BuildMax (SZ)") <i>(note (i))</i>	Directors and key management have equity interest	Purchase of building material products and processing charges paid/payable	–	1,050

*Note:*

- (i) Precedent to the acquisition of BuildMax (SZ), Mr. Lui Bun Yuen, Danny ("Mr. Lui"), Mr. Wai Yat Kin ("Mr. Wai"), Mr. Yip Pak Hung ("Mr. Yip"), Mr. Liu Yuen Wai ("Mr. Liu") and Mr. Chan Chi Ming ("Mr. Chan") had equity interest in BuildMax (SZ). Mr. Wai and Mr. Yip are directors and substantial shareholders and Mr. Lui is a substantial shareholder and key management of the Company while Mr. Liu and Mr. Chan are key management of the Group having indirect equity interests in the Company.

The transactions were conducted on the basis of mutually agreed terms. The acquisition was completed on 29 April 2019 and BuildMax (SZ) then become indirect wholly-owned subsidiaries of the Company, thus, the transaction between BuildMax (SZ) and the Group was no longer related party transactions to the Group.

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

	Six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Salaries, allowances and benefits	3,720	3,360
Contributions to defined contribution retirement plan	27	27
	<u>3,747</u>	<u>3,387</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Background, Recent Development And Outlook**

KPa-BM Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in (i) provision of structural engineering works with a focus on design and build projects in Hong Kong; (ii) supply of building material products together with installation services of such products in Hong Kong; and (iii) trading of building material products predominately in Hong Kong.

The construction market has been growing steadily in the past few years due to the strong demands for residential office and commercial building and also the Hong Kong Government’s implementation of long-term policies on housing supply and infrastructural development. Although the COVID-19 outbreak did not have any significant impact on the operations of the Group so far, the pandemic has no doubt asserted negative pressure on economic cycle and market confidence in the coming few years. However, it is not unusual for government to adopt expansionary fiscal policy and commission infrastructure projects at times of downturn, with an aim to stimulate economic growth. The Group will maintain a prudent financial management approach to conserve resources while at the same time stay vigilant and proactive to capture market opportunities at favourable margins. Subsequent to 30 September 2020, the Group further secured several new contracts and the total value of outstanding contracts on hand is approximately HK\$1,029 million. With our experienced management team and reputation in the market, we can further strengthen our position as a well-established one-stop solution service provider which covers design, supply and installation of structural steel works, noise barriers and facade.

Looking ahead, the Group will continue to explore new opportunities that are beneficial to the Group and our shareholders.

### **Financial Review**

#### ***Revenue***

The Group’s revenue amounted to approximately HK\$208.9 million for the six months ended 30 September 2020 (the “Period”) as compared to that of approximately HK\$391.2 million for six months ended 30 September 2019 (the “Previous Period”), representing an decrease of approximately HK\$182.3 million or 46.6%. Such decrease was because the key projects that had a favorable progress in Previous Period were substantially completed in the Period, while the key projects newly obtained during the Period are still in commencing phase and yet to contribute any substantial revenue to the Group.

### ***Cost of Revenue and Gross Profit***

The Group's cost of revenue mainly comprised material and processing charges and subcontracting charges; the reduction in cost of revenue was partly because of the decrease in revenue recognised for the Period. Apart from this, the Group implemented various control measures to monitor project progress, including periodic review of project budgets against actual performance. For the Period, the Group had successfully negotiated with customers on compensation for certain variation works and thus further adjustments for higher profit margin have been made on a number of project budgets, resulting a relatively high overall gross profit margin at approximately 20.9% as compared to a gross profit margin of approximately 11.9% for the Previous Period; the increase was considered to be reasonable as the two key projects of larger scale which bring a relatively low gross profit margin were substantially completed during the Period. Nevertheless, the Group's gross profit for the Period was still decreased by approximately HK\$2.8 million as the decrease in revenue as mentioned in the above outweighed the decrease in cost of revenue.

### ***Administrative and Other Operating Expenses***

Administrative and other operating expenses primarily consisted of staff costs, rental expenses, and legal and other professional fees. Administrative and other operating expenses of the Group decreased by approximately 6.0% from approximately HK\$20.1 million for the Previous Period to approximately HK\$18.9 million for the Period. The decrease was attributable to the legal and professional expenses on the acquisition of subsidiaries recorded in Previous Period which is non-recurring in nature.

### ***Finance Costs***

For the Period, the Group's finance costs were approximately HK\$0.6 million, representing a decrease of approximately HK\$0.2 million or 25% as compared to approximately HK\$0.8 million for the Previous Period, which was mainly due to decrease of loan interest during the Period.

### ***Income Tax Expense***

Income tax expense of the Group amounted to approximately HK\$4.3 million for both the Period and the Previous Period. However, the effective tax rate for the Period is 15.6% which is higher than Previous Period of 14.2% because the gain on disposal of property, plant and equipment of approximately HK\$4.1 million in Previous Period is non-taxable while the non-taxable income of the Period is only approximately HK\$2.2 million attributable to the government subsidies.

### ***Profit for the Period***

The Group's profit for the Period decreased by approximately HK\$2.9 million, which was mainly attributable to the decrease in gross profit of approximately HK\$2.8 million arising from the significant drop in revenue as mentioned in the above.

## *Liquidity, Financial Resources and Capital Structure*

	<b>As at 30 September 2020 (Unaudited) HK\$'000</b>	As at 31 March 2020 (Audited) HK\$'000
Current assets	<b>397,978</b>	382,155
Current liabilities	<b>197,872</b>	190,564
Current ratio	<b>2.0</b>	2.0

During the six months ended 30 September 2020, the Group financed its operations by its internal resources and banking facilities. As at 30 September 2020, the Group had net current assets of approximately HK\$200.1 million (31 March 2020: approximately HK\$191.6 million), including cash and bank balances of approximately HK\$148.6 million (31 March 2020: approximately HK\$125.8 million). The Group's current ratio as at 30 September 2020 was approximately 2.0 times (31 March 2020: approximately 2.0 times).

As at 30 September 2020, the Group had a total available banking and other facilities of approximately HK\$120 million.

There has been no change in capital structure of the Company since 31 March 2020. As at 30 September 2020, the equity amounted to approximately HK\$240.7 million (31 March 2020: approximately HK\$231.9 million).

### ***Gearing Ratio***

The gearing ratio is calculated as total debt to equity. Total debts include lease liabilities and bank borrowings of the Group. Equity represents total equity of the Group.

The gearing ratio of the Group as at 30 September 2020 was 6.9% (31 March 2020: approximately 7.7%), because of the Group's lease liabilities arising from adoption of HKFRS16 Leases. The Group did not have any bank borrowings as at 30 September 2020 and 31 March 2020.

## **FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY**

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

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

## **PLEDGE OF ASSETS**

As at 30 September 2020, the Group did not have any bank borrowings (as at 31 March 2020: nil) and banking facilities are unsecured as at 30 September 2020 (31 March 2020: nil).

As at 30 September 2020, the Group had pledged deposits of HK\$nil (31 March 2020: approximately HK\$100,000).

## **SIGNIFICANT INVESTMENTS**

The Group did not hold any significant investments during the Period.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group did not acquire nor dispose any subsidiaries during the Period.

## **CONTINGENT LIABILITIES**

As at 30 September 2020, the Group did not have any significant contingent liabilities.

## **INTERIM DIVIDEND**

The Board did not recommend a payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2020, the Group had 186 staff members (31 March 2020: 193). The total employee benefit expenses for the six months ended 30 September 2020 (including Directors' emoluments, salaries to staff and other staff benefits included provident fund contributions, medical insurance coverage and other staff benefits) was approximately HK\$20.3 million. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the six months ended 30 September 2020, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

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

As at 30 September 2020, the interests or short positions of the Directors and chief executive in the share of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

## Long Positions In Shares of the Company

### (a) Interest in the shares of the Company

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

### (b) Interest in the shares of an associated corporation

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

<b>Director</b>	<b>Capacity/Nature of interest</b>	<b>Number of shares</b>	<b>Percentage of Share holding</b>
Mr. Wai Yat Kin	Beneficial owner	11,182	30.30%
	Interests held jointly	21,789	59.05%
Mr. Yip Pak Hung	Beneficial owner	11,182	30.30%
	Interests held jointly	21,789	59.05%

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

As at 30 September 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of a Director, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

### **Long positions**

#### *Ordinary shares of the Company*

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

Save as disclosed above, as at 30 September 2020, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

### **SHARE OPTION SCHEME**

The share option scheme was adopted by the Company on 22 September 2015 (the "Share Option Scheme"). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 September 2020, no share option was outstanding under the Share Option Scheme. During the Period, no share option has been granted by the Company under the Share Option Scheme.

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

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

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

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

Save for the related party transactions disclosed in note 16 to the interim financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, or holding company was a party and in which a Director or controlling Shareholder, or an entity connected with a Director or controlling Shareholder, had a material interests, whether directly or indirectly, subsisted during or at the end of the Period.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

## **COMPETING INTEREST**

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

## **AUDIT COMMITTEE**

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

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

Hong Kong, 20 November 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*