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KPa-BM Holdings Limited

應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2663)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2021**

	Year ended 31 March	
	2021 <i>HK\$ million</i>	2020 <i>HK\$ million</i>
Revenue	458.5	733.3
Gross profit	100.7	109.7
Gross profit margin	22.0%	15.0%
Profit for the year	50.2	53.8
Less: Government grants	(4.8)	(0.2)
Less: Gain on disposal of property, plant and equipment	–	(4.3)
Profit for the year on a normalised basis	45.4	49.3
Net profit margin on a normalised basis	9.9%	6.7%
	As at 31 March	
	2021 <i>HK\$ million</i>	2020 <i>HK\$ million</i>
Total assets	431.4	433.9
Total equity	268.2	231.9
Gearing ratio	4.3%	7.7%

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 2021, together with the comparative figures for the year ended 31 March 2020, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March	
		2021	2020
	Notes	HK\$'000	HK\$'000
Revenue	5	458,493	733,345
Cost of revenue		<u>(357,840)</u>	<u>(623,640)</u>
Gross profit		100,653	109,705
Other income	6	6,805	1,731
Fair value gain/(loss) on investment properties		260	(778)
Gain on disposal of property, plant and equipment		–	4,287
Marketing and distribution expenses		(3,537)	(3,311)
Administrative and other operating expenses		(44,052)	(46,638)
Finance costs		<u>(934)</u>	<u>(1,833)</u>
Profit before income tax	7	59,195	63,163
Income tax expense	8	<u>(9,024)</u>	<u>(9,410)</u>
Profit for the year		<u>50,171</u>	<u>53,753</u>
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		<u>1,180</u>	<u>(808)</u>
Other comprehensive income for the year		<u>1,180</u>	<u>(808)</u>
Total comprehensive income for the year		<u><u>51,351</u></u>	<u><u>52,945</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted earnings per share	10	<u><u>8.36</u></u>	<u><u>8.96</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2021	2020
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		17,465	24,717
Investment properties		26,983	26,317
Goodwill		601	601
Deferred tax assets		139	148
		<u>45,188</u>	<u>51,783</u>
Current assets			
Inventories		11,068	8,643
Contract assets		126,099	43,603
Trade and other receivables, deposits and prepayments	<i>11</i>	130,123	203,963
Tax recoverable		2,266	–
Pledged deposit	<i>12</i>	–	104
Cash and bank balances		116,649	125,842
		<u>386,205</u>	<u>382,155</u>
Current liabilities			
Contract liabilities		50,346	79,330
Trade and other payables	<i>13</i>	96,212	99,145
Lease liabilities	<i>14</i>	6,603	7,269
Tax payable		4,176	4,820
		<u>157,337</u>	<u>190,564</u>
Net current assets		<u>228,868</u>	<u>191,591</u>
Total assets less current liabilities		<u>274,056</u>	<u>243,374</u>

		As at 31 March	
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Lease liabilities	14	5,061	10,625
Deferred tax liabilities		770	875
		<u>5,831</u>	<u>11,500</u>
Net assets		<u>268,225</u>	<u>231,874</u>
CAPITAL AND RESERVES			
Share capital		6,000	6,000
Reserves		262,225	225,874
		<u>268,225</u>	<u>231,874</u>
Total equity		<u>268,225</u>	<u>231,874</u>

NOTES

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 Windward 3, Regatta Office Park, P. O. Box 1350, 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 Group’s consolidated financial statements for the year ended 31 March 2021 were approved and authorised for issue by the Directors on 25 June 2021.

2. BASIS OF PREPARATION

The Group’s consolidated 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 “HKFRSs”) 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.

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

The consolidated 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 2020

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 potentially relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2020.

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

The adoption of new or revised HKFRSs that are effective from 1 April 2020 did not have significant impact on the Group's financial statements.

(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 HKAS 1	Classification of Liabilities as Current or Non-current ⁶
Amendments to HKAS 1	Disclosure of Accounting Policies ⁶
Amendments to HKAS 8	Definition of Accounting Estimates ⁶
Amendments to HKAS 12	Income tax ⁶
Amendments to HKAS 16	Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ⁴
Amendments to HKAS 39, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendment to HKFRS 16	COVID-19 Related Rent Concessions ¹
Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 ³
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 9 – Financial Instruments and Amendments to HKFRS 16 ⁴
Amendments to HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁶

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

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 January 2023

The Directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors of the Company 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. They consider that these new or revised HKFRSs are not expected to have a material impact on the Group's financial statements.

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 deposit, 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 2021				
Segment revenue				
Sales to external customers	414,139	32,966	11,388	458,493
Intersegment sales	–	–	624	624
	<u>414,139</u>	<u>32,966</u>	<u>12,012</u>	<u>459,117</u>
Elimination of intersegment sales				<u>(624)</u>
				<u>458,493</u>
Segment profit	<u>78,047</u>	<u>14,472</u>	<u>5,136</u>	<u>97,655</u>
Corporate and unallocated income				6,805
Fair value gain on investment properties				260
Corporate and unallocated expenses				
– Marketing and distribution expenses				(1,851)
– Administrative and other operating expenses*				(42,740)
– Finance costs				<u>(934)</u>
Profit before income tax				<u>59,195</u>

	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>
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>	735,607
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>	106,094
Corporate and unallocated income				1,731
Fair value loss on investment properties				(778)
Gain on disposal of property, plant and equipment				4,287
Corporate and unallocated expenses				
– 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>

* 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 2021				
Segment assets	268,021	3,377	1,201	272,599
Property, plant and equipment				10,121
Investment properties				26,983
Tax assets				2,405
Cash and bank balances				116,649
Other corporate assets				2,636
Total consolidated assets				431,393

	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 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 2021					
Other information					
Interest income	-	-	-	684	684
Interest expense	-	-	-	934	934
Depreciation	674	-	-	10,019	10,693
Write (up)/down of inventories	-	(68)	66	-	(2)
Reversal of impairment loss on trade receivables	(211)	(13)	-	-	(224)
(Reversal of impairment loss)/ Impairment loss on retention receivables	(14)	8	-	-	(6)
Impairment loss on contract assets	863	4	-	-	867
Additions to specified non-current assets [#]	1,225	-	-	1,240	2,465

	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

[#] *Specific non-current assets represent non-current assets other than financial instruments and deferred tax assets. The amount for the year ended 31 March 2020 included additions arising from acquisition of subsidiaries.*

(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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	458,443	733,280
The PRC	50	65
	458,493	733,345

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	30,370	34,947
The PRC	14,679	16,688
	45,049	51,635

(c) Information about major customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	124,100	219,009
Customer B	98,552	268,008
Customer C	54,580	N/A

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

Revenue from Customer A for the years ended 31 March 2021 and 2020 was generated for the Structural Engineering Works and Supply and Installation of Building Material Products segments whereas revenue from Customer B for the years ended 31 March 2021 and 2020 were generated for the Structural Engineering Works segment. Revenue from Customer C for the year ended 31 March 2020 was generated for the Structural Engineering Works segment.

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 following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Revenue recognised over time:		
– Structural engineering works	414,139	706,068
– Supply and installation of building material products	32,966	17,798
Revenue recognised at a point in time:		
– Trading of building material products	11,388	9,479
	<u>458,493</u>	<u>733,345</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
– Structural engineering works	1,023,735	398,052
– Supply and installation of building material products	7,777	11,849
	<u>1,031,512</u>	<u>409,901</u>

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 37 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. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	684	538
Rental income	904	850
Government grants (<i>note</i>)	4,806	235
Exchange gains, net	38	–
Others	373	108
	<u>6,805</u>	<u>1,731</u>

Note:

Government grants included subsidy of HK\$4,190,000 (2020: nil) obtained from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund which is launched by the Hong Kong SAR Government for supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time.

The remaining amount of HK\$616,000 (2020: HK\$235,000) mainly represented (i) training grants of HK\$116,000 (2020: nil) obtained from the Construction Innovation and Technology Fund under Construction Industry Council and (ii) the subsidy of HK\$470,000 (2020: HK\$135,000) obtained from the PRC government which aims to relieve the impact of outbreak of COVID-19 for Small-Medium size enterprises. The Group does not have other unfulfilled obligations relating to these programs.

7. PROFIT BEFORE INCOME TAX

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

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	680	730
(Reversal of impairment loss)/Impairment loss on trade receivables (<i>note 11(a)</i>)	(224)	314
(Reversal of impairment loss)/Impairment loss on retention receivables (<i>note 11(b)</i>)	(6)	887
Impairment loss/(Reversal of impairment loss) on contract assets	867	(854)
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	118,585	162,513
– (Reversal of allowance)/Allowance for inventories (<i>note (a)</i>)	(38)	115
– Write-off of inventories	36	41
	118,583	162,669
Depreciation charge:		
Right-of-use assets included in property, plant and equipment under the following categories:		
– Ownership interest in leasehold land and buildings	–	17
– Other properties leased for own use	7,389	6,604
– Motor vehicles	550	330
Other property, plant and equipment	2,754	2,432
	10,693	9,383
Employee costs (including Directors' emoluments)		
– Salaries, allowances and other benefits	59,517	60,763
– Contribution to defined contribution retirement plans (<i>note (b)</i>)	2,636	3,472
	62,153	64,235
Exchange loss, net*	–	360
Short-term leases expenses	554	686
Write-off of property, plant and equipment	–	68

* Included in "Administrative and other operating expenses"

Notes:

- (a) The reversal of allowance for inventories arising from an increase in net realisable value when certain inventories were sold subsequently.
- (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 2021 (2020: nil).

8. INCOME TAX EXPENSE

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax for the year		
– Hong Kong Profits Tax	9,139	9,479
– Other regions of the PRC – Enterprise Income Tax (“EIT”)	–	227
Over-provision in respect of prior years	(3)	(46)
	9,136	9,660
Deferred tax	(112)	(250)
	9,024	9,410

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the year.

The Group is subject to Hong Kong Profits Tax under the two-tiered profits tax rates regime. For the years ended 31 March 2021 and 2020, 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 group entities not qualifying for the two-tiered tax rates regime will continue to be taxed at a flat rate of 16.5% on their estimated assessable profits.

EIT arising from other regions of the PRC is calculated at 25% on the estimated assessable profits. For the years ended 31 March 2021 and 2020, the Group’s PRC subsidiaries were eligible to be classified as small enterprise by the local bureau and the corresponding assessable profits are taxed at progressive rate. The first RMB1,000,000 assessable profit is taxed at 5% and assessable profit above RMB1,000,000 but less than RMB3,000,000 is taxed at 10%.

9. DIVIDENDS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Proposed final dividend – HK2.5 cents (2020: HK2.5 cents) per ordinary share	15,000	15,000
Proposed special dividend HK3.0 cents (2020: nil) per ordinary share	<u>18,000</u>	<u>–</u>
	<u>33,000</u>	<u>15,000</u>

Note:

The final dividend and special dividend in respect of the financial year ended 31 March 2021 of HK2.5 cents (2020: HK2.5 cents) and HK3.0 cents (2020: nil) respectively per ordinary share, amounting to HK\$15,000,000 (2020: HK\$15,000,000) and HK\$18,000,000 (2020: nil) respectively have been proposed by the Directors and are subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

Those dividends declared subsequent to 31 March 2021 have not been recognised as a liability as at 31 March 2021.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend in respect of previous financial year, approved and paid during the year of HK2.5 cents (2020: HK1.6 cents) per ordinary share	<u>15,000</u>	<u>9,600</u>

10. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company	<u>50,171</u>	<u>53,753</u>
	2021	2020
	'000	'000
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue during the year	<u>600,000</u>	<u>600,000</u>

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.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	44,221	126,796
Less: loss allowance	<u>(618)</u>	<u>(842)</u>
Trade receivables, net (<i>note (a)</i>)	<u>43,603</u>	<u>125,954</u>
Retention receivables	80,944	72,364
Less: loss allowance	<u>(1,615)</u>	<u>(1,621)</u>
Retention receivables, net (<i>note (b)</i>)	<u>79,329</u>	<u>70,743</u>
Other receivables	3,194	3,654
Deposits	2,359	2,225
Prepayments	<u>1,638</u>	<u>1,387</u>
	<u>7,191</u>	<u>7,266</u>
	<u><u>130,123</u></u>	<u><u>203,963</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	27,675	69,051
31 – 60 days	12,232	28,276
61 – 90 days	3,323	17,637
Over 90 days	<u>991</u>	<u>11,832</u>
	<u><u>44,221</u></u>	<u><u>126,796</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	842	528
(Reversal of impairment loss)/ Provision of impairment loss	<u>(224)</u>	<u>314</u>
At the end of the year	<u>618</u>	<u>842</u>

(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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	1,621	734
(Reversal of impairment loss)/ Provision of impairment loss	<u>(6)</u>	<u>887</u>
At the end of the year	<u>1,615</u>	<u>1,621</u>

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

	2021	2020
Expected loss rate	2.0%	2.2%
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross carrying amount	80,944	72,364
Loss allowance	<u>1,615</u>	<u>1,621</u>

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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	6,215	21,250
After one year	73,114	49,493
	<u>79,329</u>	<u>70,743</u>
	<u>79,329</u>	<u>70,743</u>

12. PLEDGED DEPOSIT

As at 31 March 2020, the pledged deposit 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. Surety bond is generally required for the period until which the construction work is substantially completed and the pledged deposit as at 31 March 2020 was released during the year ended 31 March 2021.

13. TRADE AND OTHER PAYABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	53,194	51,532
Retention payables (<i>note (b)</i>)	31,500	36,120
Other payables and accruals	11,518	11,493
	<u>96,212</u>	<u>99,145</u>
	<u>96,212</u>	<u>99,145</u>

Notes:

- (a) For trade payables, the credit period granted by suppliers and contractors is normally 30 to 60 days.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	35,624	26,810
31 – 60 days	6,978	19,669
61 – 90 days	6,453	1,427
Over 90 days	4,139	3,626
	<u>53,194</u>	<u>51,532</u>
	<u>53,194</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
On demand or within one year	28,506	8,253
After one year	2,994	27,867
	31,500	36,120

14. LEASES

(a) The Group as lessee

The Group leases office premises, factories, warehouse, quarters and motor vehicles for use in its operation. The periodic rent is fixed over the lease term, and the leases are negotiated for an initial period of two to ten years (2020: two to ten years).

The movements of the lease liabilities are as follows:

	Other properties <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	11,732	264	11,996
Acquisition of subsidiaries	5,017	–	5,017
Additions	7,007	861	7,868
Finance costs	923	32	955
Lease payments	(7,006)	(370)	(7,376)
Exchange adjustment	(566)	–	(566)
Balance at 31 March 2020 and 1 April 2020	17,107	787	17,894
Additions	151	500	651
Finance costs	729	34	763
Lease payments	(7,872)	(563)	(8,435)
Exchange adjustment	791	–	791
Balance at 31 March 2021	10,906	758	11,664

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 2021			
Not later than one year	7,009	(406)	6,603
Later than one year but no later than two years	4,216	(153)	4,063
Later than two years but no later than five years	1,006	(8)	998
	<u>12,231</u>	<u>(567)</u>	<u>11,664</u>
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>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities	6,603	7,269
Non-current liabilities	5,061	10,625
	<u>11,664</u>	<u>17,894</u>

Note:

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\$598,000 (2020: HK\$545,000).

(b) The Group as lessor

The Group leases its investment properties to third party tenants. The leases run for an initial period of two to three years (2020: two to three years). As at 31 March 2021, the Group had the following future minimum lease payments receivables:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	929	924
After one year but within two years	789	754
After two years but within three years	–	691
	<u>1,718</u>	<u>2,369</u>

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 irrevocably agreed to indemnify the insurance companies 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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate value of the surety bonds issued in favour of customers	<u>1,085</u>	<u>1,433</u>

As assessed by the Directors, it is not probable that the insurance companies 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 lawsuit arising from the normal course of business was lodged against the Group which remain outstanding at the end of the reporting period. Claim amount is not specified in the application of the lawsuit. In the opinion of the Directors, sufficient insurance coverage is maintained to cover the potential losses, if any, arising from the lawsuit and therefore the ultimate liability under the lawsuit 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 2021 (the “Year” or “FY2021”), together with the comparative figures for the corresponding year ended 31 March 2020 (the “Previous Year” or “FY2020”).

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 recorded a revenue of approximately HK\$458.5 million, representing a decrease of approximately HK\$274.8 million or 37.5% from HK\$733.3 million for the Previous Year. The decline in revenue was mainly due to substantial portion of works for two large scale projects having been completed in Previous Year and less revenue was generated from these projects during the Year, and key new projects were still in the early phase during the Year and did not contribute substantial revenue to the Group. 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 2021	Expected completion date
Structural Steel and Roof Work in Hong Kong International Airport	96.78	Ongoing	June 2021
Structural Steel and Roof Work in Lamma Island Unit 11	80.83	Ongoing	December 2021
Supply, Fabrication and Installation of Structural Steel Works in a commercial building in Central	39.65	Ongoing	March 2022
Structural Steel and Roof Work in Lamma Island Unit 12	22.01	Ongoing	June 2022
Noise Barrier Project in Queen’s Hill	18.43	Ongoing	June 2022

Future Prospects

Despite the Group experienced a temporary drop in revenue for the Year as a result of time gap between completing of old and launch of new projects, the Group's outstanding contracts on hand as at 31 March 2021 grew to HK\$1,032 million, including the following projects with estimated outstanding contract sum of over HK\$50 million each as at 31 March 2021:

Projects with outstanding contract sum of over HK\$50 million as at 31 March 2021	Status as at 31 March 2021	Expected completion date
Structural Steel and Roof Work in Lamma Island Unit 12	Ongoing	June 2022
Supply, Fabrication and Installation of Structural Steel Works in a commercial building in Central	Ongoing	March 2022
Noise Barrier Project in Anderson Road	Ongoing	December 2022
Design, supply and fixing of roof cladding works for certain sports facilities in Kowloon City	Ongoing	April 2024

The construction market has been growing steadily in the past few years due to the strong demands for residential units and commercial building and also the Hong Kong Government's implementation of long-term policies on housing supply and infrastructural development. As the Group's track record, reputation and technical capability and capacity grew over the years, we have been able to tap into a market segment of higher entry threshold and secure larger scale projects from public service operators, governmental bodies, and private developers.

The COVID-19 outbreak since early 2020 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.

Financial Highlights

	Year ended 31 March		Percentage change
	2021	2020	
	HK\$'000	HK\$'000	
Revenue	458,493	733,345	(37.5%)
Cost of revenue	357,840	623,640	(42.6%)
Gross profit	100,653	109,705	(8.3%)
Profit before income tax	59,195	63,163	(6.3%)
Net profit	50,171	53,753	(6.7%)
Profit before income tax (excluded non-recurring income)	54,389	58,641	(7.3%)
Net profit (excluded non-recurring income)	45,365	49,231	(7.9%)
Earnings per share (<i>HK cents</i>)	8.36	8.96	(6.7%)

	As at 31 March		Percentage change
	2021	2020	
	HK\$'000	HK\$'000	
Current assets	386,205	382,155	1.1%
Current liabilities	157,337	190,564	(17.4%)
Total assets	431,393	433,938	(0.6%)
Total equity	268,225	231,874	15.7%

	Year ended 31 March	
	2021	2020
Key Performance Indices		
Gross profit margin (%)	22.0	15.0
Net profit margin (%)	10.9	7.3
Return on equity (%)	18.7	23.2
Return on total assets (%)	11.6	12.4

	As at 31 March	
	2021	2020
Current ratio (<i>times</i>)	2.5	2.0
Gearing ratio (%)	4.3	7.7

Financial Review

Revenue

For the Year, the Group recorded revenue of approximately HK\$458.5 million, which was significantly decreased by approximately 37.5% as compared to that of approximately HK\$733.3 million for the Previous Year.

Such decrease was because the key projects that had a favorable progress with substantial portion of works carried out in Previous Year and relatively less revenue was generated from these projects during the Year, and the key projects newly obtained during the Year 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. For the Year, the Group's cost of revenue amounted to approximately HK\$357.8 million, representing a decrease of approximately 42.6% as compared to that of approximately HK\$623.6 million for the Previous Year.

The Group recorded gross profit of approximately HK\$100.7 million for the Year, representing a decrease of approximately 8.3% as compared to that of approximately HK\$109.7 million for the Previous Year owing to the drop in revenue. Nonetheless, gross profit margin of the Group increased to approximately 22.0% for the Year from approximately 15.0% for the Previous Year. The increase in the gross profit margin was because the Group implemented various control measures to monitor project progress, including periodic review of project budgets against actual performance. Furthermore, the Group had successfully negotiated with customers on compensation for certain variation works during the Year 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.

Other Income

The Group recorded other income of approximately HK\$6.8 million for the Year, which mainly comprised one-off pandemic relief government grants of approximately HK\$4.8 million and rental income of approximately HK\$0.9 million, whereas other income for the Previous Year mainly comprised rental income of approximately HK\$0.8 million and bank interest income of approximately HK\$0.5 million.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Year were approximately HK\$44.1 million, representing a decrease of approximately HK\$2.5 million from approximately HK\$46.6 million for the Previous Year. Such decrease was mainly due to the combined effect of (i) a decrease in Directors' remuneration of approximately HK\$1.5 million because of reduction in bonus to Directors; and (ii) a decrease in legal and professional expenses of approximately HK\$0.5 million.

Finance Costs

For the Year, the Group's finance costs were approximately HK\$0.9 million (FY2020: HK\$1.8 million), representing a decrease of approximately HK\$0.9 million or 50%, which was mainly due to less bank borrowings were drawdown during the Year.

Income Tax Expense

The Group incurred income tax expense of approximately HK\$9.0 million and HK\$9.4 million for the Year and the Previous Year, respectively, representing effective tax rate of approximately 15.2% and 14.9%, respectively.

Profit for the Year

As a result of the decrease in revenue so as gross profit as mentioned above, being offset by the increase in other income and the reduction of finance costs, the Group's profit for the Year decreased from approximately HK\$53.8 million for the Previous Year to approximately HK\$50.2 million for the Year, representing a decrease of approximately HK\$3.6 million or 6.7%.

Dividend

On 25 June 2021, the Board recommended a final dividend of HK2.5 cents (FY2020: HK2.5 cents) and a special dividend of HK3.0 cents (FY2020: nil) per share, totalling HK\$15.0 million and HK\$18.0 million respectively for the Year (FY2020: HK\$15.0 million and nil) which are subject to the approval of shareholders at the forthcoming annual general meeting of the Company. The special dividend is recommended having considered the accumulated reserves, liquidity condition, expected cashflows and working capital needs of the Group.

Liquidity, Financial Resources and Capital Structure

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Current assets	386,205	382,155
Current liabilities	157,337	190,564
Current ratio (<i>times</i>)	2.5	2.0

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\$15.7 million, together with the availability of short term bank loans, 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 2021, the Group had net current assets of approximately HK\$228.9 million (31 March 2020: HK\$191.6 million). The Group's current ratio as at 31 March 2021 was approximately 2.5 times (31 March 2020: 2.0 times).

As at 31 March 2021, the Group had a total cash and bank balances of approximately HK\$116.6 million (31 March 2020: HK\$125.8 million), mainly denominated in HK\$.

As at 31 March 2021, the Group had a total available banking facilities of approximately HK\$170 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 2021, the equity attributable to owners of the Company amounted to approximately HK\$268.2 million (31 March 2020: HK\$231.9 million).

Gearing Ratio

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

The Group is able to generate net cash from operating activities of approximately HK\$15.7 million for the Year. The gearing ratio of the Group as at 31 March 2021 was 4.3% (31 March 2020: approximately 7.7%). The Group's lease liabilities were arising from adoption of HKFRS16 Leases. The bank borrowings were fully repaid during the Year with the cash reserves from operation. The net gearing ratio is nil as at 31 March 2021 (31 March 2020: 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.

Pledge of Assets

As at 31 March 2021, the Group did not have any bank borrowings (as at 31 March 2020: nil) and banking facilities are unsecured as at 31 March 2021 (31 March 2020: nil)

The Group did not have any pledged deposit as at 31 March 2021 (31 March 2020: HK\$0.1 million). Pledged deposit was required by an insurance company as collateral for the surety bond issued in favour of the customers of a construction contract. The value of the surety bond arranged by the insurance company as at 31 March 2021 were nil (31 March 2020: HK\$0.3 million). The surety bond is required for the period until which the construction works is substantial completed.

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 Group did not acquire nor dispose of any subsidiaries during the Year.

Contingent Liabilities

As at 31 March 2021, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policies

As at 31 March 2021, the Group had 170 staff (31 March 2020: 193). 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\$62.2 million (FY2020: HK\$64.2 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

On 17 May 2021, the Group and an independent third-party buyer entered into a provisional agreement for sales and purchase of one of the Group’s investment properties located in Hong Kong with consideration of approximately HK\$11,100,000. The buyer had already settled approximately 10% of the consideration up to the date of this announcement and the remaining portion of the consideration would be expected to be settled on or before 15 October 2021. No other event has occurred after 31 March 2021 and up to the date of this announcement which would have a material effect on the Group.

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 AND SPECIAL DIVIDEND

The Board has proposed to declare a final dividend of HK2.5 cents and a special dividend of HK3.0 cents per share for the Year (FY2020: HK2.5 cents and nil) which are subject to the approval of shareholders at the forthcoming annual general meeting of the Company. The special dividend is recommended having considered the accumulated reserves, liquidity condition, expected cashflows and working capital needs of the Group.

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 2021.

The 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 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 2021 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, 25 June 2021

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*