

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 March	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	415.0	378.4
Gross profit	72.2	74.0
Gross profit margin	17.4%	19.5%
Profit for the year	28.3	26.2
Add: Professional fees incurred for the transfer of listing from GEM to Main Board	—	2.8
Profit for the year on a normalised basis	28.3	29.0
Net profit margin on a normalised basis	6.8%	7.7%

	As at 31 March	
	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
Total assets	328.0	270.9
Total equity	188.5	171.5
Gearing ratio	13.6%	10.8%

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 2019, together with the comparative figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	5	414,990	378,433
Cost of revenue		(342,816)	(304,483)
Gross profit		72,174	73,950
Other income and gains		1,027	2,723
Fair value gain on investment properties		400	—
Marketing and distribution expenses		(3,265)	(3,353)
Administrative and other operating expenses		(36,445)	(39,338)
Finance costs		(634)	(1,476)
Profit before income tax	6	33,257	32,506
Income tax expense	7	(4,955)	(6,286)
Profit for the year		28,302	26,220
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		(56)	116
Other comprehensive income for the year		(56)	116
Total comprehensive income for the year		28,246	26,336
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	9	4.72	4.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		7,470	5,892
Investment properties		21,500	21,100
Pledged deposits	<i>10</i>	–	1,500
Deferred tax assets		117	89
		29,087	28,581
Current assets			
Inventories		3,281	1,875
Amounts due from customers for contract works		–	69,015
Contract assets		68,164	–
Trade and other receivables, deposits and prepayments	<i>11</i>	130,129	107,091
Tax recoverable		1,713	1,544
Pledged deposits	<i>10</i>	3,044	2,200
Pledged bank deposits	<i>12</i>	10,014	19,218
Cash and bank balances		82,542	41,401
		298,887	242,344
Current liabilities			
Amounts due to customers for contract works		–	7,788
Contract liabilities		22,333	–
Trade and other payables	<i>13</i>	89,660	69,699
Tax payable		1,085	2,793
Bank borrowings		25,386	18,054
Obligations under finance leases		157	153
		138,621	98,487
Net current assets		160,266	143,857
Total assets less current liabilities		189,353	172,438

	As at 31 March	
	2019	2018
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Obligations under finance leases	107	263
Deferred tax liabilities	717	634
	<u>824</u>	<u>897</u>
Net assets	<u>188,529</u>	<u>171,541</u>
CAPITAL AND RESERVES		
Share capital	6,000	6,000
Reserves	182,529	165,541
	<u>188,529</u>	<u>171,541</u>
Total equity	<u>188,529</u>	<u>171,541</u>

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The financial statements for the year ended 31 March 2019 were approved and authorised for issue by the Directors on 26 June 2019.

2. BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW OR REVISED HKFRSS

(A) Adoption of new or revised HKFRSSs – effective on 1 April 2018

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Below is the financial impact arising from the adoption of the above new or revised HKFRSSs which have significant impact to the Group's financial statements.

(a) HKFRS 9 — Financial Instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairment; and (iii) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK\$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK\$'000
Trade and other receivables (notes (a) and (b))	Loans and receivables	Financial assets at amortised cost	59,430	51,181
Retention receivables (notes (a) and (b))	Loans and receivables	Financial assets at amortised cost	46,609	–
Pledged bank deposits (note (a))	Loans and receivables	Financial assets at amortised cost	19,218	19,218
Pledged deposits (note (a))	Loans and receivables	Financial assets at amortised cost	3,700	3,700
Cash and bank balances (note (a))	Loans and receivables	Financial assets at amortised cost	41,401	41,401

Notes:

- (a) The Group's business model is to hold these financial assets in order to collect contractual cash flow and these financial assets meet the "solely payments of principal and interest" criterion.
- (b) The carrying amounts of trade and other receivables and retention receivables restated as at 1 April 2018 represented the amounts after adjustment for the adoption of HKFRS 15 as disclosed in note 3(A)(b)(ii) but before adjustment for the measurement of expected credit losses ("ECL") under HKFRS 9 as disclosed in note 3(A)(a)(ii).

The Group did not designate or re-designate any financial assets or financial liabilities at fair value through profit or loss as at 1 April 2018.

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECL model". HKFRS 9 requires the Group to recognise loss allowance for ECL for trade receivables, retention receivables, contract assets and other financial assets at amortised costs earlier than HKAS 39. Cash and bank balances, pledged bank deposits and pledged deposits are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (i) 12-month ECL: these are the ECL that result from possible default events within the 12 months after the end of reporting period; and (ii) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Measurement of ECL

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade receivables and retention receivables (retention monies released by customers) using simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the Group applies general approach to measure ECL based on 12-month ECL. The 12-month ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group presumes that the credit risk on a financial asset has increased significantly when contractual payment are more than 30 days past due, and that default does not occur later than when a financial asset is 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECL

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

Impact of the ECL model

Impairment of trade receivables, retention receivables and contract assets

As mentioned above, the Group applies simplified approach to measure ECL which recognises lifetime ECL for trade receivables and retention receivables (retention monies released by customers). As required by HKFRS 15, contract assets are subject to assessment for ECL following the requirements under HKFRS 9. To measure the ECL, trade receivables, retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of structural engineering contracts and supply and installation contracts.

Impairment of other financial assets at amortised costs

Other financial assets at amortised cost include deposits and other receivables, pledged deposits, pledged bank deposits and cash and cash equivalents. No impairment is recognised as the amount of additional impairment measured under the ECL model is insignificant.

(iii) *Hedge accounting*

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) *Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL requirement, if any, are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39 and thus, certain comparative information may not be comparable to the current period.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9. If an investment in a debt investment had low credit risk at the date of initial application, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(v) ***Impact arising from adoption of HKFRS 9***

The following table summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained profits as of 1 April 2018 as follows:

	<i>HK\$'000</i>
Retained profits	
Retained profits as at 31 March 2018	108,534
Increase in ECL on trade receivables	(234)
Increase in ECL on retention receivables	(558)
Increase in ECL on contract assets	(866)
	<hr/>
	(1,658)
	<hr/>
Retained profits restated as at 1 April 2018	<u><u>106,876</u></u>

(b) ***HKFRS 15 — Revenue from Contracts with Customers***

HKFRS 15 supersedes HKAS 11 *Construction Contracts* (“HKAS 11”), HKAS 18 *Revenue* and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

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

(i) ***Timing of revenue recognition***

Structural engineering works and supply and installation of building material products

The Group has determined that there are significant integration of different elements underlying a structural engineering contract and supply and installation contract and thus such contracts are considered to contain only a single performance obligation. In addition, the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced and thus the performance obligation of these contracts is satisfied over time.

Moreover, previously the stage of completion of the structural engineering contracts and supply and installation contracts is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion to the total estimated contract costs of the relevant contracts which is the input method under HKFRS 15. The directors have assessed that input method is appropriate in depicting the performance obligation of the structural engineering contracts and supply and installation contracts.

Regarding variation orders, under HKFRS 15, approval is required for a contract modification to be recognised. In addition, under HKFRS 15, variation orders are included in revenue only when it is highly probable that revenue will not reverse in the future. Regarding warranties, under HKFRS 15, assurance-type warranties do not provide an additional good or service to customer and the estimated costs of satisfying this warranty obligation are accrued as part of the contract costs. For service-type warranties which provide service to customer in addition to the assurance that the delivered good or service is to be provided as specified in the contract, such warranties represent separate performance obligation which is to be accounted for separately. A portion of the contract sum is allocated to that separate performance obligation at contract inception. The Group's previous accounting policies on recognising variation orders and accounting for warranties are consistent with the requirements under HKFRS 15.

Based on the above assessment, the adoption of HKFRS 15 does not have a significant impact when the Group recognises revenue from structural engineering works and supply and installation of building material products.

Trading of building material products

The Group's contracts with customers for the trading of building material products generally include one performance obligation, which is satisfied at a point of time when goods are delivered to and accepted by customers. The adoption of HKFRS 15 does not have a significant impact on the timing and amounts of revenue recognised by the Group from trading of building material products.

(ii) **Impact arising from adoption of HKFRS 15**

The following adjustments were made to the amounts recognised in the consolidated statements of financial position as at 1 April 2018 and 31 March 2019 as a result of adoption of HKFRS 15. Line items that were not affected by the changes have not been included.

Impact on consolidated statement of financial position as at 1 April 2018

	<i>Notes</i>	Increase/ (Decrease) <i>HK\$'000</i>
Assets		
Current assets		
Trade and other receivables, deposits and prepayments	(a)	(8,249)
Amounts due from customers for contract works	(a)	(69,015)
Contract assets	(a)	<u>77,264</u>
Total current assets		<u><u>—</u></u>
Total assets		<u><u>—</u></u>
Liabilities		
Current liabilities		
Trade and other payables	(b)	(263)
Amounts due to customers for contract works	(b)	(7,788)
Contract liabilities	(b)	<u>8,051</u>
Total current liabilities		<u><u>—</u></u>
Total liabilities		<u><u>—</u></u>

Impact on consolidated statement of financial position as at 31 March 2019

	Notes	Increase/ (Decrease) HK\$'000
Assets		
Current assets		
Trade and other receivables, deposits and prepayments	(a)	(8,750)
Amounts due from customers for contract works	(a)	(60,262)
Contract assets	(a)	69,012
		<hr/>
Total current assets		—
		<hr/> <hr/>
Total assets		—
		<hr/> <hr/>
Liabilities		
Current liabilities		
Trade and other payables	(b)	(770)
Amounts due to customers for contract works	(b)	(21,563)
Contract liabilities	(b)	22,333
		<hr/>
Total current liabilities		—
		<hr/> <hr/>
Total liabilities		—
		<hr/> <hr/>

Notes:

- (a) Contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. As such, contract assets are recognised when the Group completes the structural engineering works and supply and installation works under such contracts which are yet to be certified by the customers or other representatives appointed by customers. Previously, works performed which were yet to be certified were classified as amounts due from customers for contract works. Upon adoption of HKFRS 15, amounts due from customers for contract works which amounted to HK\$69,015,000 and HK\$60,262,000 respectively as at 1 April 2018 and 31 March 2019 are reclassified as contract assets. In addition, trade receivables amounting to HK\$8,818,000 and HK\$9,319,000 respectively as at 1 April 2018 and 31 March 2019 which related to contract works transferred to customers but the payment of such consideration is subject to acceptance by customers, together with the impairment allowance made as of 1 April 2018 of HK\$569,000 are also reclassified as contract assets.

- (b) Contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration from the customers in advance. Receipts in advance as at 1 April 2018 were previously classified as to HK\$7,788,000 as amounts due to customers for contract works and HK\$263,000 as trade and other payables. Those balances are reclassified as contract liabilities upon adoption of HKFRS 15. Correspondingly, receipts in advance as at 31 March 2019 of HK\$21,563,000 and HK\$770,000 classified as amounts due to customers for contract works and trade and other payables respectively are reclassified as contract liabilities.

There was no material impact on the Group's consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2019.

(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:

HKFRS 16	Leases ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKAS 19	Employee Benefits ¹
Amendments to HKFRS 3	Definition of Business ³
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹

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

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

³ *Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.*

HKFRS 16 Leases

The Group reviewed all of the Group's leasing arrangements during the year ended 31 March 2019 in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK\$12,704,000. The Group expects to recognise right-of-use assets of approximately HK\$12,011,000 and the corresponding lease liabilities of approximately HK\$11,996,000 (after adjustments for prepayment and accrued lease payment recognised as at 31 March 2019) on 1 April 2019 in respect of these leases.

On initial application of HKFRS 16, net current assets will decrease by approximately HK\$4,201,000 due to the presentation of the lease liabilities as current liabilities.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The directors do not expect the adoption of HK(IFRIC)-Int 23 would result in significant impact on the amounts reported on the Group's consolidated 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. In some circumstances, the Group designs and supplies building material products without providing installation works.
Trading of Building Material Products	–	This segment engages in sales of building material products in Hong Kong, the PRC (other than Hong Kong) and overseas.

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

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

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

Segment results, segment assets and other segment information

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

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

	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 2018				
Segment revenue				
Sales to external customers	336,135	21,502	20,796	378,433
Intersegment sales	–	–	1,525	1,525
	<u>336,135</u>	<u>21,502</u>	<u>22,321</u>	<u>379,958</u>
Elimination of intersegment sales				(1,525)
				<u>378,433</u>
Segment profit	<u>55,385</u>	<u>8,149</u>	<u>8,183</u>	71,717
Corporate and unallocated income				1,019
Corporate and unallocated expenses				
– Marketing and distribution expenses				(540)
– Administrative and other operating expenses*				(38,380)
– Finance costs				(1,310)
Profit before income tax				<u>32,506</u>

* Administrative and other operating expenses mainly comprise employee costs, rental and related expenses 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 2019				
Segment assets	191,829	4,890	4,919	201,638
Property, plant and equipment				6,495
Investment properties				21,500
Tax assets				1,830
Pledged bank deposits				10,014
Cash and bank balances				82,542
Other corporate assets				3,955
Total consolidated assets				327,974

	Structural Engineering Works <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 2018				
Segment assets	172,359	5,837	2,593	180,789
Property, plant and equipment				4,563
Investment properties				21,100
Tax assets				1,633
Pledged bank deposits				19,218
Cash and bank balances				41,401
Other corporate assets				2,221
Total consolidated assets				270,925

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

	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 2018					
Other information					
Interest income	534	-	-	42	576
Interest expense	166	-	-	1,310	1,476
Depreciation	355	-	-	1,369	1,724
(Reversal of impairment loss)/					
Impairment loss on inventories	-	(7)	141	-	134
Impairment loss on receivables	552	49	-	-	601
Write back of payables	1,710	-	-	-	1,710
Additions to specified non-current assets [#]	-	-	-	363	363

[#] *Specific non-current assets include all non-current assets but exclude financial instruments and deferred tax assets*

(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:

	2019 HK\$'000	2018 HK\$'000
Hong Kong	412,907	372,393
Macau	2,083	6,040
	414,990	378,433

All of the Group's specified non-current assets amounting to HK\$28,970,000 as at 31 March 2019 (2018: HK\$26,992,000) are located in Hong Kong.

(c) Information about major customers

	2019 HK\$'000	2018 HK\$'000
Customer A	105,374	106,239
Customer B	89,547	79,835
Customer C	52,033	N/A
Customer D	N/A	57,857

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

Revenue from Customer A was generated by all three operating segments. Revenue from Customer B and Customer C were generated by Structural Engineering Works whereas revenue from Customer D was generated by Structural Engineering Works and Supply and Installation of Building Material Products.

5. REVENUE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from contracts with customers		
within the scope of HKFRS 15		
Revenue recognised over time:		
– Structural engineering works	380,024	336,135
– Supply and installation of building material products	20,644	21,502
Revenue recognised at a point in time:		
– Trading of building material products	14,322	20,796
	414,990	378,433

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:

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

The Group will recognise the expected revenue arising from its existing contracts of construction work as at 31 March 2019 in future as the project work is progressed, which is expected to occur over the next one month to two years.

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 information above revenue that the Group will be entitled to when it satisfies the remaining performance obligation under the contracts for trading of building material products that had an original expected duration of one year or less.

6. PROFIT BEFORE INCOME TAX

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

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Auditor's remuneration (<i>note (a)</i>)	680	731
Impairment loss on trade receivables	242	46
Reversal of impairment loss on retention receivables	(8)	(85)
Reversal of impairment loss on contract assets	(18)	–
Write-off of receivables	–	640
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	142,202	119,155
– Allowance for inventories	184	117
– Write-off of inventories	27	17
	142,413	119,289
Depreciation in respect of:		
– Owned assets	1,862	1,563
– Leased assets	161	161
	2,023	1,724
Employee costs (including Directors' emoluments)		
– Salaries, allowances and other benefits	44,278	43,070
– Contribution to defined contribution retirement plans (<i>note (b)</i>)	1,973	2,026
	46,251	45,096
Exchange loss, net*	193	480
Operating lease charges in respect of:		
– Land and buildings	4,266	3,670
– Office equipment	223	244

* Included in "Administrative and other operating expenses"

Notes:

- (a) For the year ended 31 March 2019, auditor's remuneration represented remuneration paid/payable for audit service of HK\$680,000 whereas for the year ended 31 March 2018, auditor's remuneration included remuneration paid/payable for audit service of HK\$650,000 and non-audit services of HK\$81,000.

- (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 2019 (2018: nil).

7. INCOME TAX EXPENSE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax for the year		
– Hong Kong Profits Tax	5,358	6,375
– Other regions of the PRC – Enterprise Income Tax (“EIT”)	–	–
(Over)/Under provision in respect of prior years	(458)	212
	<u>4,900</u>	<u>6,587</u>
Deferred tax	55	(301)
	<u><u>4,955</u></u>	<u><u>6,286</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the year.

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

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

8. DIVIDENDS

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

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Proposed final dividend – HK1.6 cents (2018: HK1.6 cents) per ordinary share	<u>9,600</u>	<u>9,600</u>

The final dividend in respect of the financial year ended 31 March 2019 of HK1.6 cents (2018: HK1.6 cents) per ordinary share, amounting to HK\$9,600,000 (2018: HK\$9,600,000) has been proposed by the Directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

The final dividend declared subsequent to 31 March 2019 has not been recognised as a liability as at 31 March 2019.

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

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK1.6 cents (2018: HK1.6 cents) per ordinary share	<u>9,600</u>	<u>9,600</u>

9. EARNINGS PER SHARE

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

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Earnings		
Profit for the year attributable to owners of the Company	<u>28,302</u>	<u>26,220</u>
	2019	2018
	'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.

10. PLEDGED DEPOSITS

Balances as at 31 March 2019 of HK\$3,044,000 (2018: HK\$3,700,000) represent deposits placed by the Group with insurance companies as collaterals for the surety bonds issued in favour of the customers of certain construction contracts. The aggregate bond values of the surety bonds arranged by the insurance company as at 31 March 2019 were HK\$10,147,000 (2018: HK\$10,739,000). The surety bonds are required for the entire period of the relevant construction contracts in practice. Pledged deposits as at 31 March 2019 are expected to be released in year 2020. Pledged deposits as at 31 March 2018 amounting to HK\$2,200,000 were expected to be released in year 2019 whereas the remaining balance of HK\$1,500,000 was expected to be released after year 2019.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group has applied HKFRS 9 and HKFRS 15 and adjusted the opening balances of trade receivables and retention receivables as at 1 April 2018.

	31 March 2019 HK\$'000	1 April 2018 HK\$'000	31 March 2018 HK\$'000
Trade receivables	73,209	47,611	56,429
Less: Loss allowance	(528)	(286)	(621)
Trade receivables, net (<i>note (a)</i>)	72,681	47,325	55,808
Retention receivables	52,493	46,793	46,793
Less: Loss allowance	(734)	(742)	(184)
Retention receivables, net (<i>note (b)</i>)	51,759	46,051	46,609
Other receivables	206	2,401	2,401
Deposits	1,828	1,221	1,221
Prepayments	3,655	1,052	1,052
	5,689	4,674	4,674
	130,129	98,050	107,091

Notes:

(a) Trade receivables

The following financial impact arose on the trade receivables as at 1 April 2018 as a result of adopting HKFRS 9 and HKFRS 15:

- the gross amount of the trade receivables reduced by HK\$8,818,000 (note 3(A)(b)(ii));
- the loss allowance for the trade receivables reduced by HK\$569,000 (note 3(A)(b)(ii)); and
- the loss allowance for the trade receivables increased by HK\$234,000 (note 3(A)(a)(ii))

The movements in the loss allowance for trade receivables are as follows:

	2019 HK\$'000	2018 HK\$'000
At the beginning of the year	621	575
Transfer to loss allowance for impairment of contract assets (<i>note 3(A)(b)(ii)</i>)	(569)	–
Effect of adoption of HKFRS 9 (<i>note 3(A)(a)(ii)</i>)	234	–
	<hr/>	<hr/>
At the beginning of the year (restated)	286	575
Impairment loss charged to profit or loss	242	46
	<hr/>	<hr/>
At the end of the year	528	621
	<hr/> <hr/>	<hr/> <hr/>

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:

	2019 HK\$'000
0 – 30 days	57,292
31 – 60 days	11,441
61 – 90 days	1,664
Over 90 days	2,812
	<hr/>
	73,209
	<hr/> <hr/>

Credit periods granted to trade debtors range from 30 to 60 days.

Comparative information under HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 March 2018, trade and bills receivables of HK\$621,000 was impaired and full provision have been made for the balances.

The ageing analysis of trade receivables (net of loss allowance), based on invoice date, as at the end of the reporting period is as follows:

	2018 HK\$'000
0 – 30 days	38,131
31 – 60 days	3,172
61 – 90 days	9,903
Over 90 days	<u>4,602</u>
	<u>55,808</u>

- (b) Retention receivables was reduced by HK\$558,000 upon adoption of HKFRS 9 on 1 April 2018 due to additional ECL provision made on that date (note 3(A)(a)(v)).

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 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:

	2019 HK\$'000	2018 HK\$'000
On demand or within one year	17,512	17,798
After one year or more	<u>34,247</u>	<u>28,811</u>
	<u>51,759</u>	<u>46,609</u>

12. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 March 2019 amounting to HK\$10,014,000 (2018: HK\$19,218,000) are interest-bearing at fixed rates of 0.25% (2018: 0.01% to 1.10%) per annum and have maturity period of one month (2018: one month to three months). All of the Group's pledged bank deposits are denominated in HK\$.

Pledged bank deposits were placed in a bank (2018: banks) to secure the bank borrowings and banking facilities of the Group.

13. TRADE AND OTHER PAYABLES

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Trade payables	49,088	42,690
Bills payable	8,459	–
Trade and bills payables (<i>note (a)</i>)	57,547	42,690
Retention payables (<i>note (b)</i>)	21,551	16,908
Receipts in advance	–	263
Other payables and accruals	10,562	9,838
	89,660	69,699

Notes:

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

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

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
0 – 30 days	38,662	27,222
31 – 60 days	15,445	8,570
61 – 90 days	79	3,497
Over 90 days	3,361	3,401
	57,547	42,690

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

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
On demand or within one year	6,384	1,619
After one year or more	15,167	15,289
	21,551	16,908

14. GUARANTEE

The Group provided guarantee in respect of the surety bonds issued in favour of the customers of the Group's certain construction contracts. The Group has unconditionally and irrecoverably agreed to indemnify the insurance 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:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Aggregate value of the surety bonds issued in favour of customers	11,232	11,824

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.

15. LITIGATIONS

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the annual results of the Group for the year ended 31 March 2019 (the “Year” or “FY2019”), together with the comparative figures for the corresponding year ended 31 March 2018 (the “Previous Year” or “FY2018”).

Business Activities

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

Business Review

During the Year, the Group achieved an improved performance in revenue of approximately HK\$415.0 million (FY2018: HK\$378.4 million). The following table sets forth the major projects undertaken by the Group during the Year.

Major projects undertaken by the Group during the Year	Revenue recognized during the Year <i>HK\$ million</i>	Status as at 31 March 2019	Expected completion date
Noise Barrier Project in Fu Tei	49.1	Ongoing	January 2020
Structural Steel and Roof Work in Hong Kong International Airport	43.6	Ongoing	March 2020
Structural Steel and Roof Work in Lamma Island Unit L10	41.5	Ongoing	August 2019
Noise Barrier Project in Tuen Mun	38.1	Ongoing	December 2019
Noise Barrier Project in Kwun Tong	33.0	Ongoing	June 2020

Future Prospects

The Group have the following projects with outstanding contract sum of over HK\$50 million each as at 31 March 2019:

Projects with outstanding contract sum over of HK\$50 million as at 31 March 2019	Status as at 31 March 2019	Expected completion date
Glass Panels Project in Hung Hom	Ongoing	December 2019
Structural Steel and Roof Work in Hong Kong International Airport	Ongoing	March 2020
Structural Steel and Roof Work in Lamma Island Unit L11	Ongoing	June 2020

As at 31 March 2019, the aggregate outstanding contract sum of the Group's ongoing projects amounted to approximately HK\$844.9 million. Subsequent to the end of FY2019 and up to the date of this report, the Group secured new contracts with an aggregate awarded contract sum of approximately HK\$43.5 million. Meanwhile, the Group is in the process of bidding for or pending the results of 12 sizeable project tenders with an estimated total contract value of over HK\$1,297.7 million.

In order to enhance the Group's operational efficiency and project execution capacity to capture the most benefits from business expansion, the Group made a strategic decision to acquire 100% ownership in BuildMax Technology (Shenzhen) Limited ("BuildMax (SZ)"), which is one of the Group's largest suppliers of building material products in the past few years, from our controlling shareholders (and other vendors). The acquisition of BuildMax (SZ) will afford the Group more control over the steady supply of building material products, greater flexibility in project planning and execution, higher product development capability and more efficient control over costs. The acquisition of BuildMax (SZ) was completed in April 2019 and it is envisaged the Group's competitiveness can be enhanced accordingly.

Financial Highlights

	Year ended 31 March		Percentage change
	2019	2018	
	HK\$'000	HK\$'000	
Revenue	414,990	378,433	9.7%
Cost of revenue	342,816	304,483	12.6%
Gross profit	72,174	73,950	(2.4)%
Profit before income tax	33,257	32,506	2.3%
Net profit	28,302	26,220	7.9%
Earnings per share (<i>HK cents</i>)	4.72	4.37	8.0%

	As at 31 March		Percentage
	2019	2018	change
	HK\$'000	HK\$'000	
Current assets	298,887	242,344	23.3%
Current liabilities	138,621	98,487	40.8%
Total assets	327,974	270,925	21.1%
Total equity	188,529	171,541	9.9%

	Year ended 31 March	
	2019	2018
Key Performance Indices		
Gross profit margin (%)	17.4	19.5
Net profit margin (%)	6.8	6.9
Return on equity (%)	15.0	15.3
Return on total assets (%)	8.6	9.7

	As at 31 March	
	2019	2018
Current ratio (times)	2.2	2.5
Gearing ratio (%)	13.6	10.8

Financial Review

Revenue

For the Year, the Group recorded revenue of approximately HK\$415.0 million, which was slightly increased as compared to that of approximately HK\$378.4 million for the Previous Year.

Such increase is mainly attributable to favourable progress achieved during the Year on three key projects which were still in the design and preliminary stage in the Previous Year.

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\$342.8 million, representing an increase of approximately 12.6% as compared to that of approximately HK\$304.5 million for the Previous Year.

The Group recorded gross profit of approximately HK\$72.2 million for the Year, representing a decrease of approximately 2.4% as compared to that of approximately HK\$74.0 million for the Previous Year. Gross profit margin of the Group decreased to approximately 17.4% for the Year from approximately 19.5% for the Previous Year. The increase in material cost and labour cost outweighed the increase in revenue during the Year and led to a decrease in the gross profit margin because (i) the Group's purchases of building material products from BuildMax (SZ) had reached the annual cap for continuing connected transactions as approved by independent shareholders and the Group had to source its purchases from alternative suppliers at higher prices in general; and (ii) relatively more subcontracting works were engaged for the projects during the year which led to higher subcontracting changes.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Year were approximately HK\$36.4 million, representing a decrease of approximately HK\$2.9 million from the Previous Year. Such decrease was mainly due to the combined effect of (i) the professional fees of approximately HK\$2.8 million incurred in relation to the transfer of listing recorded in the Previous Year; (ii) decrease in Directors' remuneration of approximately HK\$2.7 million being offset by; (iii) increase in loss on write-off of fixed assets of approximately HK\$0.6 million in relation to moving head office and (iv) increase in rental expenses of head office of approximately HK\$0.6 million.

Finance Costs

For the Year, the Group's finance costs were approximately HK\$0.6 million (FY2018: HK\$1.5 million), representing an decrease of approximately HK\$0.9 million or 60.0%, which was mainly due to decrease in borrowing for operational needs for the Year.

Income Tax Expense

The Group incurred income tax expense of approximately HK\$5.0 million and HK\$6.3 million for the Year and the Previous Year, respectively, representing effective tax rate of approximately 14.9% and 19.3%, respectively. Such moderate decrease in effective tax rate was primarily due to the non-tax deductible professional fees incurred for the Transfer of Listing recorded for the Previous Year.

Profit for the Year

As the decrease in administrative and other operating expenses and finance costs as mentioned above outweighed the slight decrease in gross profit, the Group's profit for the year increased from approximately HK\$26.2 million for the Previous Year to approximately HK\$28.3 million for the Year, representing an increase of approximately HK\$2.1 million or 8.0%.

Dividend

On 26 June 2019, the Board recommended a final dividend of HK1.6 cents (FY2018: HK1.6 cents) per share, totalling HK\$9.6 million for the Year (FY2018: HK\$9.6 million) which is subject to the approval of shareholders at the forthcoming annual general meeting of the Company.

Liquidity, Financial Resources and Capital Structure

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Current assets	298,887	242,344
Current liabilities	138,621	98,487
Current ratio (times)	2.2	2.5

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\$38.4 million, together with the availability of short term bank loans and overdrafts, the Group has been financially sound in its daily operations throughout the Year.

During the Year, the Group financed its operations by its internal resources and banking facilities. As at 31 March 2019, the Group had net current assets of approximately HK\$160.3 million (31 March 2018: HK\$143.9 million). The Group's current ratio as at 31 March 2019 was approximately 2.2 times (31 March 2018: 2.5 times).

As at 31 March 2019, the Group had a total cash and bank balances of approximately HK\$82.5 million (31 March 2018: HK\$41.4 million), mainly denominated in HK\$.

As at 31 March 2019, the Group had a total available banking facilities of approximately HK\$121.3 million, of which approximately HK\$34.1 million was utilised and approximately HK\$87.2 million was unutilised and available for use.

There has been no change in capital structure of the Company during the year. As at 31 March 2019, the equity attributable to owners of the Company amounted to approximately HK\$188.5 million (31 March 2018: HK\$171.5 million).

Gearing Ratio

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

The Group is able to generate net cash from operating activities of approximately HK\$38.4 million for the Year and net proceeds from bank borrowings of approximately HK\$7.3 million. Despite the increase in equity which is mainly attributable to the net profit generated for the Year, the gearing ratio of the Group increased from approximately 10.8% as at 31 March 2018 to approximately 13.6% as at 31 March 2019 as more banking facilities were drawn down near the end of the Year to finance for the launch of two relatively sizeable projects.

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 police to manage its foreign currency exposure whenever its financial impact is material to the Group and will closely monitor its foreign exchange position. During the Year, the Group did not engage in any hedging activities.

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

Pledged of Assets

As at 31 March 2019, the Group had bank borrowings of approximately HK\$25.4 million and banking facilities are secured by the bank deposits of HK\$10.0 million.

As at 31 March 2018, the Group had bank borrowings of approximately HK\$18.1 million and banking facilities are secured by the followings:

- land and buildings with net carrying amount of HK\$1.5 million;
- investment properties with net carrying amount of HK\$21.1 million; and
- bank deposits of HK\$19.2 million.

In addition, the Group has pledged deposits of approximately HK\$3.0 million as at 31 March 2019 (31 March 2018: HK\$3.7 million) to an insurance company as collaterals for the surety bonds issued in favour of the customers of certain construction contracts. The aggregate bond values of the surety bonds arranged by the insurance company as at 31 March 2019 were approximately HK\$10.1 million (31 March 2018: HK\$10.7 million). The surety bonds are required for the entire period of the relevant construction contracts in practice. Pledged deposits as at 31 March 2019 are expected to be released in year 2020.

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 carry out any material acquisition nor disposal of any subsidiary during the Year.

Contingent Liabilities

As at 31 March 2019, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policies

As at 31 March 2019, the Group had 93 staff (31 March 2018: 90). 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\$46.3 million (FY2018: HK\$45.1 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.

EVENTS AFTER THE YEAR

The Company entered into an agreement on 9 March 2019 to conditionally acquire 100% interests in Hillford Trading Limited (“Hillford”) and its subsidiary, BuildMax Technology (Shenzhen) Limited, together with the amounts owed by Hillford to its then shareholders, from certain connected parties at a total consideration of HK\$12.2 million. The acquisition was subsequently approved by the independent shareholders of the Company at an extraordinary general meeting held on 29 April 2019 and completion of the acquisition took place on 29 April 2019. Details of the acquisition were set out in the Company’s circular to shareholders dated 9 April 2019.

No other event has occurred after the Year and up to the date of this report 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 DIVIDEND

The Board has proposed to declare a final dividend of HK1.6 cents per share for the Year (FY2018: HK1.6 cents) which, subject to the approval of shareholders at the forthcoming annual general meeting of the Company, will be payable to the shareholders of the Company whose names appear on the register of members of the Company on 20 September 2019. The total payout will amount to HK\$9.6 million (FY2018: HK\$9.6 million).

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

The audit committee of the Company (the “Audit Committee”) has discussed and reviewed with management this annual results announcement and the consolidated financial statements for the year ended 31 March 2019.

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

The figures in respect of the Group's consolidated statement of financial position and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2019 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.

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

Hong Kong, 26 June 2019

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*