



(incorporated in the Cayman Islands with limited liability)

(Stock code: 8141)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Directors”) of KPa-BM Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

For the three months ended 30 June 2017

Comparing to the corresponding three months ended 30 June 2016

- The Group's revenue amounted to approximately HK\$77.1 million for the three months ended 30 June 2017, representing a decrease of approximately HK\$26.0 million or 25.2% as compared with the three months ended 30 June 2016.
- The Group's profit was approximately HK\$6.6 million for the three months ended 30 June 2017, representing an increase of approximately HK\$0.5 million or 8.2% as compared with the three months ended 30 June 2016.
- Earnings per share increased by approximately 7.8% to HK1.10 cents for the three months ended 30 June 2017 (three months ended 30 June 2016: HK1.02 cents).

UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

For the three months ended 30 June 2017

The board (the “Board”) of Directors is pleased to announce the unaudited condensed consolidated first quarterly results of the Group for the three months ended 30 June 2017, together with the comparative unaudited figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2017

		Three months ended	
		30 June	
	Notes	2017	2016
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	4	77,096	103,054
Cost of revenue		<u>(61,244)</u>	<u>(89,674)</u>
Gross profit		15,852	13,380
Other income and gains		212	3
Marketing and distribution expenses		(104)	(219)
Administrative and other operating expenses		(7,932)	(5,502)
Finance costs		<u>(294)</u>	<u>(291)</u>
Profit before income tax	5	7,734	7,371
Income tax expense	6	<u>(1,121)</u>	<u>(1,235)</u>
Profit for the period		6,613	6,136
Other comprehensive income for the period		<u>45</u>	<u>(53)</u>
Total comprehensive income for the period		<u>6,658</u>	<u>6,083</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted earnings per share	8	<u>1.10</u>	<u>1.02</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2017

	Equity attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	
Three months ended							
30 June 2016							
(unaudited)							
At 1 April 2016	6,000	33,942	7,437	—	(28)	69,950	117,301
Profit for the period	—	—	—	—	—	6,136	6,136
Other comprehensive income for the period	—	—	—	—	(53)	—	(53)
Total comprehensive income for the period	—	—	—	—	(53)	6,136	6,083
At 30 June 2016 (unaudited)	<u>6,000</u>	<u>33,942</u>	<u>7,437</u>	<u>—</u>	<u>(81)</u>	<u>76,086</u>	<u>123,384</u>
Three months ended							
30 June 2017							
(unaudited)							
At 1 April 2017	6,000	33,942	7,437	15,646	(134)	91,914	154,805
Profit for the period	—	—	—	—	—	6,613	6,613
Other comprehensive income for the period	—	—	—	—	45	—	45
Total comprehensive income for the period	—	—	—	—	45	6,613	6,658
At 30 June 2017 (unaudited)	<u>6,000</u>	<u>33,942</u>	<u>7,437</u>	<u>15,646</u>	<u>(89)</u>	<u>98,527</u>	<u>161,463</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2015. The shares of the Company were listed on GEM of the Stock Exchange on 8 October 2015 (the “Listing”). 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 1907–1915, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

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 condensed consolidated financial information has not been audited but has been reviewed by the audit committee of the Company. The unaudited condensed consolidated financial information were approved and authorised for issue by the Directors on 9 August 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 April 2017, the accounting policies applied in preparing this unaudited condensed consolidated financial information for the three months ended 30 June 2017 are consistent with those of the annual financial statements for the year ended 31 March 2017 as described in those annual financial statements. The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2017.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

The unaudited condensed consolidated financial information has been prepared under the historical cost basis. These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. SEGMENT INFORMATION

The Group has two 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 the provision of structural engineering works for public and private sectors in Hong Kong and the Group mainly acts as a subcontractor.

Trading of building material products — This segment engages in the sales of building material products in Hong Kong, the People’s Republic of China (the “PRC”) (other than Hong Kong) and overseas.

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

Three months ended 30 June 2017 (unaudited)	Structural engineering works HK\$'000	Trading of building material products HK\$'000	Total HK\$'000
<i>Segment revenue</i>			
Sales to external customers	<u>73,725</u>	<u>3,371</u>	<u>77,096</u>
<i>Segment profit</i>			
	<u>14,693</u>	<u>1,159</u>	15,852
Corporate and unallocated income			212
Corporate and unallocated expenses			
— Marketing and distribution expenses			(104)
— Administrative and other operating expenses			(7,932)
— Finance costs			<u>(294)</u>
Profit before income tax			<u>7,734</u>
Three months ended 30 June 2016 (unaudited)	Structural engineering works HK\$'000	Trading of building material products HK\$'000	Total HK\$'000
<i>Segment revenue</i>			
Sales to external customers	<u>101,862</u>	<u>1,192</u>	<u>103,054</u>
<i>Segment profit</i>			
	<u>12,650</u>	<u>730</u>	13,380
Corporate and unallocated income			3
Corporate and unallocated expenses			
— Marketing and distribution expenses			(219)
— Administrative and other operating expenses			(5,502)
— Finance costs			<u>(291)</u>
Profit before income tax			<u>7,371</u>

4. REVENUE

Three months ended 30 June

2017 2016

(Unaudited) (Unaudited)

HK\$'000 HK\$'000

Revenue from rendering structural engineering works	73,725	101,862
Revenue from trading of building material products	<u>3,371</u>	<u>1,192</u>
	<u>77,096</u>	<u>103,054</u>

5. PROFIT BEFORE INCOME TAX

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

Three months ended 30 June

2017 2016

(Unaudited) (Unaudited)

HK\$'000 HK\$'000

Depreciation in respect of:

— Owned assets	338	188
— Leased assets	<u>40</u>	<u>40</u>
	<u>378</u>	<u>228</u>

Employee benefit expenses (including Directors' emoluments)

— Salaries, allowances and benefits in kind	7,956	7,553
— Contribution to defined contribution retirement plan	<u>309</u>	<u>300</u>
	<u>8,265</u>	<u>7,853</u>

6. INCOME TAX EXPENSE

The amount of income tax expense in the unaudited condensed consolidated statement of comprehensive income represent:

	Three months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax for the period		
— Hong Kong Profits Tax	1,108	1,213
— Other regions of the PRC — Enterprise Income Tax (“EIT”)	<u>13</u>	<u>22</u>
Total income tax expense	<u><u>1,121</u></u>	<u><u>1,235</u></u>

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the period.

EIT arising from other regions of the PRC is calculated at 25% (2016: 25%) on the estimated assessable profits for the period.

At 30 June 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company’s subsidiary established in the PRC. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future.

7. DIVIDENDS

The final dividend in respect of the financial year ended 31 March 2017 of HK1.6 cents per ordinary share, amounting to HK\$9,600,000 proposed by the Directors on 15 June 2017 is subject to approval by the shareholders of the Company in the annual general meeting. Such final dividend has not been recognised as a liability as at 30 June 2017.

No interim dividend was declared for the three months ended 30 June 2017 (30 June 2016: Nil).

8. EARNINGS PER SHARE

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

	Three months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	<u><u>6,613</u></u>	<u><u>6,136</u></u>
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue during the period	<u><u>600,000</u></u>	<u><u>600,000</u></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 current period and prior period.

MANAGEMENT DISCUSSION AND ANALYSIS

Background, Recent Development and Outlook

The Group is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products predominately in Hong Kong. Since the Listing, there has been no significant change in the business operations of the Group. During the Period, the income was recognised from rendering structural engineering works and trading of building material products.

The Group is in the process of bidding for or pending the results of 3 sizeable project tenders with an estimated total contract value of over HK\$1.4 billion. The Group also remains vigilant on a number of large scale infrastructure projects for which tender will be launched in the foreseeable future, including the construction of a link bridge to the present Hong Kong International Airport terminal building and construction of noise barriers for the central Kowloon route highway. Having achieved an enhanced financial strength and credibility with the Listing, the Group has added confidence to take on the various large scale projects mentioned above and has a promising prospect ahead.

Financial Review

Revenue

The Group's revenue dropped by approximately 25.2% from approximately HK\$103.1 million for the three months ended 30 June 2016 (the "Previous Period") to approximately HK\$77.1 million for the three months ended 30 June 2017 (the "Period"), which was due to a number of key projects being still at the design and preliminary stage and did not generate much revenue during the Period. It is expected that as the works progress for such projects pick up, so will the Group's revenue.

Cost of Revenue and Gross Profit

The Group's cost of revenue mainly comprised material and processing charges and subcontracting charges; the drop in cost of revenue coincides with the decrease in revenue recognised for the Period. The Group implemented various control measures to monitor project progress, including periodic review of project budgets against actual performance. For the Previous Period, downward adjustments were made on the budget profit of certain projects due to variation in work scopes, resulting in a relatively low overall gross profit margin at approximately 13.0%. Subsequently, the Group had successfully negotiated with customers on compensation for certain variation works and thus further adjustments for higher profit margin have been made on a number of project budgets. The Group achieved a gross profit margin of approximately 20.6% for the Period, which is considered to be within the normal range of the Group's margin level. The Group's gross profit for the Period increased by approximately HK\$2.5 million because of the increase in gross profit margin.

Administrative and Other Operating Expenses

Administrative and other operating expenses primarily consist of staff costs, rental expenses and other professional fee for compliance to the GEM Listing Rules. Administrative and other operating expenses of the Group increased by approximately 43.6% from approximately HK\$5.5 million for the Previous Period to approximately HK\$7.9 million for the Period. The increase was attributable to the increase in office overhead, including rental, staff costs paid to Directors and staff for business expansion and the increase in other professional fee for the transfer of listing during the Period.

Income Tax Expense

Income tax expense of the Group amounted to approximately HK\$1.1 million and HK\$1.2 million for the Period and Previous Period, respectively. Such decrease was related to the tax refund of approximately HK\$0.3 million during the Period.

Profit for the Period

The Group's profit for the Period increased by approximately HK\$0.5 million, which is attributable to (i) the increase in gross profit of approximately HK\$2.5 million; and (ii) partly offset by a decrease of approximately HK\$2.4 million in administrative and other operating expenses.

Important Events after Reporting Period

On 6 July 2017, the Company has submitted a formal application to the Stock Exchange for the proposed transfer of listing pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange. For more details, please refer to the announcement of the Company dated 6 July 2017.

Foreign Currency Exposure and Treasury Policy

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

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

Pledge of Assets

As at 30 June 2017, the Group had bank borrowings of approximately HK\$27.3 million (31 March 2017: HK\$19.9 million) and banking facilities are secured by the followings:

- land and buildings with net carrying amount of approximately HK\$1.6 million as at 30 June 2017 (31 March 2017: HK\$1.6 million);
- investment properties with net carrying amount of approximately HK\$21.1 million (31 March 2017: \$21.1 million); and
- bank deposits of approximately HK\$16.2 million at 30 June 2017 (31 March 2017: HK\$16.2 million).

As at 30 June 2017, the Group had pledged deposits of approximately HK\$3.7 million (31 March 2017: \$3.7 million), which represent deposits placed by the Group with an insurance company as collaterals for the surety bonds issued in favour of the customers of certain construction contracts. The aggregate bond values as at 30 June 2017 amounted to approximately HK\$10.7 million (31 March 2017: HK\$10.7 million). The surety bonds are required for the entire period of the relevant construction contracts. As at 30 June 2017, the respective construction contracts are expected to be completed in year 2019 (31 March 2017: 2019).

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the Period (Previous Period: Nil).

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 30 June 2017, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions In Shares of the Company

(a) Interest in the shares of the Company

Director	Capacity/ Nature of interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Mr. Lui Bun Yuen Danny	Corporate interest	369,000,000	61.5%
	Beneficial owner	9,000,000	1.5%
	Interests held jointly	54,000,000	9.0%
Mr. Wai Yat Kin	Corporate interest	369,000,000	61.5%
	Beneficial owner	27,000,000	4.5%
	Interests held jointly	36,000,000	6.0%
Mr. Yip Pak Hung	Corporate interest	369,000,000	61.5%
	Beneficial owner	27,000,000	4.5%
	Interests held jointly	36,000,000	6.0%

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

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

Director	Capacity/ Nature of interest	Number of shares	Percentage of shareholding
Mr. Lui Bun Yuen Danny	Beneficial owner	240	29.3%
Mr. Wai Yat Kin	Beneficial owner	240	29.3%
Mr. Yip Pak Hung	Beneficial owner	240	29.3%

Save as disclosed above, as at the date of this announcement, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of a Director, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of the Company

Name of shareholder	Capacity/ Nature of interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Success Wing Investments Limited	Beneficial owner	369,000,000	61.5%
Ms. Lam Suk Lan Bonnie	Interest of spouse	432,000,000	72.0%
Ms. Wu Janet	Interest of spouse	432,000,000	72.0%

Save as disclosed above, as at 30 June 2017, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

Share Option Scheme

The share option scheme was adopted by the shareholders of the Company and was effective on 22 September 2015 (the “Share Option Scheme”). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 June 2017, no share option was outstanding under the Share Option Scheme. During the Period, no share option has been granted by the Company under the Share Option Scheme.

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

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

Compliance with Corporate Governance Code

During the Period, the Company has complied with all applicable code provisions of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules.

Competing Interest

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

Interest of the Compliance Advisor

As notified by the Company’s compliance adviser, Messis Capital Limited (the “Compliance Adviser”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 30 September 2015, which commenced on 8 October 2015, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 30 June 2017 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Audit Committee

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

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

Hong Kong, 9 August 2017

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

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

This announcement will remain on the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting. This announcement will also be published and remains on the website of the Company at www.kpa-bm.com.hk.

* *For identification purpose only*