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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 2022**

FINANCIAL HIGHLIGHTS

	Year ended 31 March	
	2022	2021
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	494.2	458.5
Gross profit	60.7	100.7
Gross profit margin	12.3%	22.0%
Profit for the year	11.5	50.2
Less: Government grants	–	(4.8)
Profit for the year on a normalised basis	11.5	45.4
Net profit margin on a normalised basis	2.3%	9.9%
	As at 31 March	
	2022	2021
	<i>HK\$ million</i>	<i>HK\$ million</i>
Total assets	402.1	431.4
Total equity	247.4	268.2
Gearing ratio	6.6%	4.3%

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 2022, together with the comparative figures for the year ended 31 March 2021, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March	
		2022 HK\$'000	2021 HK\$'000
Revenue	5	494,170	458,493
Cost of revenue		(433,457)	(357,840)
Gross profit		60,713	100,653
Other income	6	1,277	6,805
Fair value (loss)/gain on investment properties		(246)	260
Loss on disposal of investment properties		(388)	–
(Provision)/reversal of loss allowance on trade receivables		(539)	224
(Provision)/reversal of loss allowance on retention receivables		(493)	6
Provision of loss allowance on contract assets		(169)	(867)
Marketing and distribution expenses		(2,435)	(3,537)
Administrative and other operating expenses		(41,936)	(43,415)
Finance costs		(1,164)	(934)
Profit before income tax	7	14,620	59,195
Income tax expense	8	(3,115)	(9,024)
Profit for the year		11,505	50,171
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of foreign operations		635	1,180
Other comprehensive income for the year		635	1,180
Total comprehensive income for the year		12,140	51,351
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted earnings per share	10	1.92	8.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2022	2021
<i>Notes</i>		HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
	Property, plant and equipment	18,665	17,465
	Investment properties	4,941	26,983
	Goodwill	601	601
	Deposits	1,798	–
	Deferred tax assets	1,125	139
		<u>27,130</u>	<u>45,188</u>
Current assets			
	Inventories	18,231	11,068
	Contract assets	90,733	126,099
	Trade and other receivables, deposits and prepayments	157,518	130,123
	Tax recoverable	3,114	2,266
	Cash and bank balances	105,400	116,649
		<u>374,996</u>	<u>386,205</u>
Current liabilities			
	Contract liabilities	27,836	50,346
	Trade and other payables	110,506	96,212
	Lease liabilities	7,520	6,603
	Tax payable	100	4,176
	Bank borrowings	2,539	–
		<u>148,501</u>	<u>157,337</u>
	Net current assets	<u>226,495</u>	<u>228,868</u>
	Total assets less current liabilities	<u>253,625</u>	<u>274,056</u>

		As at 31 March	
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Lease liabilities	13	6,161	5,061
Deferred tax liabilities		99	770
		<u>6,260</u>	<u>5,831</u>
Net assets		<u>247,365</u>	<u>268,225</u>
CAPITAL AND RESERVES			
Share capital		6,000	6,000
Reserves		241,365	262,225
		<u>247,365</u>	<u>268,225</u>
Total equity		<u>247,365</u>	<u>268,225</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 were 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, comprising the Company and its subsidiaries, is principally engaged in (i) provision of structural engineering works; (ii) supply and installation of building material products; and (iii) trading of building material products.

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

In prior years, the provision of loss allowance on trade receivables, retention receivables and reversal of loss allowance contract assets were included in administrative and other operating expenses. From 2022 onwards, those provision/ reversal of loss allowance would be separately presented on the consolidated statement of comprehensive income to directly reflect their individual impact on the consolidated financial performance of the Group. Certain comparative amounts have been reclassified to conform with the current year’s presentation.

The financial statements for the year ended 31 March 2022 were approved and authorised for issue by the directors on 24 June 2022.

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 “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.

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 2021

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 2021.

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
2021 Amendments to HKFRS 16	COVID-19-Related Rent Concession Beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of these new or revised HKFRSSs did not have any significant impact on the Group's accounting policies or financial results and financial position.

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

The following new or revised HKFRSSs, 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 HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current ³ Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Annual Improvements to HKFRSSs 2018-2020	Amendments to HKFRS 9 Financial Instruments and Amendments to Illustrative Examples accompanying HKFRS 16 Leases ¹

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

² 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

³ Effective for annual periods beginning on or after 1 January 2023

The directors of the Company anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the possible effect 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 HKFRSSs are not expected to have material impact on the Group's results and financial position.

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 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 2022				
Segment revenue				
Sales to external customers	466,637	21,588	5,945	494,170
Intersegment sales	–	4	3,462	3,466
	<u>466,637</u>	<u>21,592</u>	<u>9,407</u>	497,636
Elimination of intersegment sales				<u>(3,466)</u>
				<u>494,170</u>
Segment profit	<u>47,098</u>	<u>7,672</u>	<u>3,369</u>	58,139
Corporate and unallocated income				1,277
Fair value loss on investment properties				(246)
Loss on disposal of investment properties				(388)
Corporate and unallocated expenses				
– Marketing and distribution expenses				(1,613)
– Administrative and other operating expenses*				(41,385)
– Finance costs				<u>(1,164)</u>
Profit before income tax				<u>14,620</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 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>	97,655
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>

* 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 HK\$'000	Supply and Installation of Building Material Products HK\$'000	Trading of Building Material Products HK\$'000	Total HK\$'000
As at 31 March 2022				
Segment assets	272,565	7,869	2,159	282,593
Property, plant and equipment				296
Investment properties				4,941
Tax assets				4,239
Cash and bank balances				105,400
Other corporate assets				4,657
Total consolidated assets				402,126

	Structural Engineering Works HK\$'000	Supply and Installation of Building Material Products HK\$'000	Trading of Building Material Products HK\$'000	Total HK\$'000
As at 31 March 2021				
Segment assets	277,697	3,403	1,210	282,310
Property, plant and equipment				410
Investment properties				26,983
Tax assets				2,405
Cash and bank balances				116,649
Other corporate assets				2,636
Total consolidated assets				431,393

Note:

During the year ended 31 March 2022, the chief operating decision-maker revisited the allocation of the Group's resources and determined to reclassify certain property, plant and equipment and their corresponding depreciation which were unallocated in prior years, to corresponding segments in order to reflect the performance and assets position of corresponding segment accurately. The comparative balances or amounts have been reclassified to conform with the current year's presentation.

	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 2022					
Other information					
Interest income	-	-	-	53	53
Interest expense	-	-	-	1,164	1,164
Depreciation	9,891	11	5	111	10,018
Write down/(up) of inventories	-	2	(7)	-	(5)
Impairment loss on trade receivables	502	37	-	-	539
Impairment loss on retention receivables	483	10	-	-	493
Impairment loss on contract assets	150	19	-	-	169
Additions to specified non-current assets [#]	9,543	-	-	1,296	10,839

	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	10,573	7	2	111	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

[#] *Specific non-current assets represent non-current assets other than deferred tax assets and financial instruments.*

(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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	494,010	458,443
The PRC	160	50
	494,170	458,493

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	12,916	30,370
The PRC	11,291	14,679
	24,207	45,049

(c) Information about major customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	227,181	124,100
Customer B	N/A	98,552
Customer C	N/A	54,580
Customer D	74,275	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 2022 and 2021 were generated for the Structural Engineering Works and Supply and Installation of Building Material Products segments whereas revenue from Customer B and Customer C for the year ended 31 March 2021 was generated for the Structural Engineering Works segment. Customer D for the year ended 31 March 2022 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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
Revenue recognised over time:		
– Structural engineering works	466,637	414,139
– Supply and installation of building material products	21,588	32,966
Revenue recognised at a point in time:		
– Trading of building material products	5,945	11,388
	494,170	458,493

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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
– Structural engineering works	1,095,519	1,023,735
– Supply and installation of building material products	39,073	7,777
	1,134,592	1,031,512

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 36 months (2021: 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	53	684
Rental income	475	904
Government grants (<i>note</i>)	–	4,806
Gain on disposal of property, plant and equipment	148	–
Exchange gains, net	–	38
Write-back of trade payable	437	–
Others	164	373
	<u>1,277</u>	<u>6,805</u>

Note:

For the year ended 31 March 2021, government grants included subsidies of HK\$4,190,000 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 mainly represented (i) training grants of HK\$116,000 obtained from the Construction Innovation and Technology Fund under Construction Industry Council and (ii) the subsidy of HK\$470,000 obtained from the PRC government which aims to relief 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:

	2022	2021
	HK\$'000	HK\$'000
Auditor's remuneration	690	680
Cost of inventories recognised as expense		
– Carrying amount of inventories consumed	109,685	118,585
– Reversal of allowance for inventories (note (a))	(10)	(38)
– Write-off of inventories	5	36
	<u>109,680</u>	<u>118,583</u>
Depreciation charge:		
Right-of-use assets included in property, plant and equipment under the following categories:		
– Other properties leased for own use	7,101	7,389
– Motor vehicles	510	550
Other property, plant and equipment	2,407	2,754
	<u>10,018</u>	<u>10,693</u>
Employee costs (including Directors' emoluments)		
– Salaries, allowances and other benefits	63,022	59,517
– Contribution to defined contribution retirement plans (note (b))	3,100	2,636
	<u>66,122</u>	<u>62,153</u>
Exchange loss, net*	802	–
Short-term leases expenses	812	554
	<u>812</u>	<u>554</u>

* Included in "Administrative and other operating expense"

Notes:

- (a) The reversal of allowance for inventories arising from an increase in net realisable value when certain inventories were sold subsequently.
- (b) For the year ended 31 March 2022, no forfeited contribution in respect of the defined contribution retirement plans were utilised by the Group to reduce the contribution payable to the plans (2021: nil). As at 31 March 2022, no forfeited contribution under these plans is available to reduce future contribution (2021: nil).

8. INCOME TAX EXPENSE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax for the year		
– Hong Kong Profits Tax	4,782	9,139
Over-provision in respect of prior years	<u>(6)</u>	<u>(3)</u>
	4,776	9,136
Deferred tax	<u>(1,661)</u>	<u>(112)</u>
	<u>3,115</u>	<u>9,024</u>

Hong Kong Profits Tax is calculated at 16.5% (2021: 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 2022 and 2021, 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.

For the years ended 31 March 2022 and 2021, 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%. No enterprise income tax has been provided in the consolidated financial statements as there were no estimated assessable profits generated by the Group in the PRC during the years ended 31 March 2022 and 2021.

9. DIVIDENDS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Proposed final dividend	9,000	15,000
Proposed special dividend	—	18,000
	<u>9,000</u>	<u>33,000</u>

Note:

The final dividend in respect of the financial year ended 31 March 2022 of HK1.5 cents per ordinary share, amounting to HK\$9,000,000 (2021: the final dividend and special dividend of HK2.5 cents and HK3.0 cents per ordinary share, amounting to HK\$15,000,000 and HK\$18,000,000 respectively) have been proposed by the directors of the Company and are subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

Those dividends declared subsequent to 31 March 2022 have not been recognised as a liability as at 31 March 2022.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final and special dividends in respect of previous financial year, approved and paid during the year of HK5.5 cents (2021: HK2.5 cents) per ordinary share	<u>33,000</u>	<u>15,000</u>

10. EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company	<u>11,505</u>	<u>50,171</u>
	2022 '000	2021 '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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	54,910	44,221
Less: loss allowance	<u>(1,064)</u>	<u>(618)</u>
Trade receivables, net (<i>note (a)</i>)	<u>53,846</u>	<u>43,603</u>
Retention receivables	84,599	80,944
Less: loss allowance	<u>(2,072)</u>	<u>(1,615)</u>
Retention receivables, net (<i>note (b)</i>)	<u>82,527</u>	<u>79,329</u>
Other receivables	8,560	3,194
Deposits	2,258	2,359
Prepayments	<u>12,125</u>	<u>1,638</u>
	<u>22,943</u>	<u>7,191</u>
Less: non-current portion-Deposits	<u>(1,798)</u>	<u>–</u>
Current portion	<u><u>157,518</u></u>	<u><u>130,123</u></u>

Notes:

(a) Trade receivables

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	27,748	27,389
31 – 60 days	10,585	12,107
61 – 90 days	143	3,290
Over 90 days	<u>15,370</u>	<u>817</u>
	<u><u>53,846</u></u>	<u><u>43,603</u></u>

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

	2022	2021
	HK\$'000	HK\$'000
At the beginning of the reporting period	618	842
Provision/(Reversal) of impairment loss	539	(224)
Amount written off during the year	(93)	–
	<u> </u>	<u> </u>
At the end of the reporting period	1,064	618
	<u> </u>	<u> </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:

	2022	2021
	HK\$'000	HK\$'000
At the beginning of the reporting period	1,615	1,621
Provision/(Reversal) of impairment loss	493	(6)
Amount written off during the year	(36)	–
	<u> </u>	<u> </u>
At the end of the reporting period	2,072	1,615
	<u> </u>	<u> </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:

	2022	2021
	HK\$'000	HK\$'000
On demand or within one year	16,356	6,215
After one year	66,171	73,114
	<u> </u>	<u> </u>
	82,527	79,329
	<u> </u>	<u> </u>

12. TRADE AND OTHER PAYABLES

	2022	2021
	HK\$'000	HK\$'000
Trade payables (<i>note (a)</i>)	67,170	53,194
Retention payables (<i>note (b)</i>)	33,984	31,500
Other payables and accruals	9,352	11,518
	<u>110,506</u>	<u>96,212</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:

	2022	2021
	HK\$'000	HK\$'000
0 – 30 days	37,653	35,624
31 – 60 days	19,180	6,978
61 – 90 days	4,681	6,453
Over 90 days	5,656	4,139
	<u>67,170</u>	<u>53,194</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:

	2022	2021
	HK\$'000	HK\$'000
On demand or within one year	29,786	28,506
After one year	4,198	2,994
	<u>33,984</u>	<u>31,500</u>

13. LEASES

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 (2021: 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 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
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021 and 1 April 2021	10,906	758	11,664
Additions	9,543	–	9,543
Finance costs	468	20	488
Lease payments	(7,823)	(469)	(8,292)
Exchange adjustment	278	–	278
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	13,372	309	13,681
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 2022			
Not later than one year	7,838	(318)	7,520
Later than one year but no later than two years	4,516	(87)	4,429
Later than two years but no later than five years	1,740	(8)	1,732
	<u>14,094</u>	<u>(413)</u>	<u>13,681</u>
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>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities	7,520	6,603
Non-current liabilities	6,161	5,061
	<u>13,681</u>	<u>11,664</u>

14. BANK BORROWING

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank borrowings repayable within one year	<u>2,539</u>	<u>–</u>

The bank borrowings, including trade financing, are interest bearing at the bank's prime rate or the bank's prime rate adjusted by certain basis points per annum. The interest rate of the Group's bank borrowings as at 31 March 2022 granted under banking facilities was 5.0% (2021: nil) per annum. The bank borrowings are subject to repayment on demand clause.

As at 31 March 2022 and 2021, the banking facilities granted to the Group were secured by the corporate guarantee provided by the Company.

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 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Aggregate value of the surety bonds issued in favour of customers	<u>7,276</u>	<u>1,085</u>

As assessed by the directors, it is not probable that 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 as at 31 March 2021. During the year ended 31 March 2022, the settlement plan has been reached among all relevant parties and there was no any claim amount liable to the Group. As at 31 March 2022, there was no any pending legal case with material claim against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the annual results of the Group for the year ended 31 March 2022 (the “Year” or “FY2022”), together with the comparative figures for the corresponding year ended 31 March 2021 (the “Previous Year” or “FY2021”).

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\$494.2 million, representing an increase of approximately HK\$35.7 million or 7.8% from HK\$458.5 million for the Previous Year. The increase in revenue was mainly due to the progress of newly obtained key projects was favorable. 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 2022	Expected completion date
Structural Steel and Roof Work in Lamma Island Unit 12	155.55	Ongoing	June 2022
Structural Steel and Roof Work in Lamma Island Unit 11	43.53	Ongoing	October 2022
Supply, Fabrication and Installation of Structural Steel Works in a commercial building in Central	38.56	Ongoing	September 2022
Design, Supply and Fixing of Roof Cladding Works for Certain Sports Facilities in Kowloon City	35.05	Ongoing	April 2024
The Renovation of Guestroom and Corridor at a hotel in Tsim Sha Tsui	30.59	Ongoing	March 2023

Future Prospects

The Group's outstanding contracts on hand as at 31 March 2022 grew to HK\$1,135 million, including the following projects with estimated outstanding contract sum of over HK\$50 million each as at 31 March 2022:

Projects with outstanding contract sum of over HK\$50 million as at 31 March 2022	Status as at 31 March 2022	Expected completion date
Structural Steel and Roof Work in Lamma Island Unit 12	Ongoing	June 2022
Glass Box and Footbridge Upgrading Works Contract for a Commercial Building in Central	Ongoing	March 2023
Noise Barrier Project in Anderson Road	Ongoing	January 2024
Design, Supply and Fixing of Roof Cladding Works for Certain Sports Facilities in Kowloon City	Ongoing	April 2024
Main Plaza Canopy & Western Bridge Canopy for Certain Sports Facilities in Kowloon City	Ongoing	April 2024
Noise Barrier Project in Fanling North Development Area	Ongoing	June 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.

Although Hong Kong's economy has been affected since the COVID-19 outbreak in early 2020 and even worsen because of the fifth wave of community outbreak in the first quarter of 2022, the government continues to adopt expansionary fiscal policy and commission infrastructure projects. As mentioned by the Chief Executive of the HKSAR Government in the 2021 Policy Address, the government proposed to develop the northern part of Hong Kong into a metropolitan area of 300 square kilometres and is committed to several railway projects in the outskirts areas. Accordingly, we expect that there will be a steady flow of construction contracts from the public sector in the coming years.

Financial Highlights

	Year ended 31 March		Percentage
	2022	2021	change
	<i>HK\$'000</i>	<i>HK\$'000</i>	Increase/ (Decrease)
Revenue	494,170	458,493	7.8%
Cost of revenue	433,457	357,840	21.1%
Gross profit	60,713	100,653	(39.7%)
Profit before income tax	14,620	59,195	(75.3%)
Net profit	11,505	50,171	(77.1%)
Profit before income tax (excluded non-recurring income)	14,620	54,389	(73.1%)
Net profit (excluded non-recurring income)	11,505	45,365	(74.6%)
Earnings per share (<i>HK cents</i>)	1.92	8.36	(77.0%)

	As at 31 March		Percentage
	2022	2021	change
	<i>HK\$'000</i>	<i>HK\$'000</i>	Increase/ (Decrease)
Current assets	374,996	386,205	(2.9%)
Current liabilities	148,501	157,337	(5.6%)
Total assets	402,126	431,393	(6.8%)
Total equity	247,365	268,225	(7.8%)

	Year ended 31 March	
	2022	2021
Key Performance Indices		
Gross profit margin	12.3%	22.0%
Net profit margin	2.3%	10.9%
Return on equity	4.7%	18.7%
Return on total assets	2.9%	11.6%

	As at 31 March	
	2022	2021
Current ratio (<i>times</i>)	2.5	2.5
Gearing ratio (%)	6.6	4.3

Financial Review

Revenue

For the Year, the Group recorded revenue of approximately HK\$494.2 million, which was increased by approximately 7.8% as compared to that of approximately HK\$458.5 million for the Previous Year. Such increase was because the progress of newly obtained key projects was favorable.

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\$433.5 million, representing an increase of approximately 21.1% as compared to that of approximately HK\$357.8 million for the Previous Year.

The Group recorded gross profit of approximately HK\$60.7 million for the Year, representing a decrease of approximately 39.7% as compared to that of approximately HK\$100.7 million for the Previous Year owing to the drop in gross profit margin of certain construction projects. Overall gross profit margin of the Group decreased to approximately 12.3% for the Year from approximately 22.0% for the Previous Year. The management considered that there were several main factors leading to the thin gross profit margin of the certain major projects. (1) Material prices had increased in general during the Year. The market price of steel had risen to new records during the Year and therefore the Group has incurred higher material costs for the construction contracts. (2) Transportation charge substantially increased due to the negative impact on cross-border transport and logistics caused by the fifth wave of community outbreak of COVID-19 in Hong Kong. (3) The Group incurred extra labour and plant costs during idling time resulted from interrupted work programme in some construction sites.

Other Income

The Group recorded other income of approximately HK\$1.3 million for the Year, which mainly comprised rental income of approximately HK\$0.5 million, a write back of trade payables of approximately HK\$0.4 million and a gain on disposal of property, plant and equipment of approximately HK\$0.1 million, whereas other income for the Previous Year mainly comprised one-off pandemic relief government grants of approximately HK\$4.8 million and rental income of approximately HK\$0.9 million.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Year were approximately HK\$41.9 million, representing a decrease of approximately HK\$1.5 million from approximately HK\$43.4 million for the Previous Year. Such decrease was mainly due to decrease in Directors' remuneration of approximately HK\$1.8 million as a result of reduction in discretionary bonus to the Directors.

Finance Costs

For the Year, the Group's finance costs were approximately HK\$1.2 million (FY2021: HK\$0.9 million), representing an increase of approximately HK\$0.3 million or 33.3%, which was mainly due to more bank borrowings were drawdown during the Year.

Income Tax Expense

The Group incurred income tax expense of approximately HK\$3.1 million and HK\$9.0 million for the Year and the Previous Year, respectively, representing effective tax rate of approximately 21.3% and 15.2%, respectively. The higher effective tax rate for the Year was because there was a balancing charge on the disposal of investment properties.

Profit for the Year

As a result of the decrease in gross profit and the absence of one-off government grants as mentioned above, the Group's profit for the Year decreased from approximately HK\$50.2 million for the Previous Year to approximately HK\$11.5 million for the Year, representing a decrease of approximately HK\$38.7 million or 77.1%.

Dividend

On 24 June 2022, the Board recommended a final dividend of HK1.5 cents (FY2021: HK2.5 cents) per share, totalling HK\$9.0 million for the Year (FY2021: HK\$15.0 million) which are subject to the approval of shareholders at the forthcoming annual general meeting of the Company. No special dividend was recommended for the Year (FY2021: HK3.0 cents per share, amounting to HK\$18.0 million). The recommendation of dividends depend on the accumulated reserves, liquidity condition, expected cash flows and working capital needs of the Group.

Liquidity, Financial Resources and Capital Structure

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Current assets	374,996	386,205
Current liabilities	148,501	157,337
Current ratio (<i>times</i>)	2.5	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\$7.4 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 2022, the Group had net current assets of approximately HK\$228.3 million (31 March 2021: HK\$228.9 million). The Group's current ratio as at 31 March 2022 was approximately 2.5 times (31 March 2021: 2.5 times).

As at 31 March 2022, the Group had a total cash and bank balances of approximately HK\$105.4 million (31 March 2021: HK\$116.6 million), mainly denominated in HK\$.

As at 31 March 2022, the Group had a total available banking facilities of approximately HK\$245.0 million, of which HK\$242.5 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 2022, the equity attributable to owners of the Company amounted to approximately HK\$247.4 million (31 March 2021: HK\$268.2 million).

Gearing Ratio

The gearing ratio is calculated as total debts to equity. Total debts include lease liabilities and bank borrowings 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\$7.4 million for the Year. The gearing ratio of the Group as at 31 March 2022 was 6.6% (31 March 2021: approximately 4.3%). 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 except for a trade financing which was not yet past due at the year end.

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.

Pledge of Assets

As at 31 March 2022, the Group have bank borrowings of approximately HK\$2.5 million (as at 31 March 2021: nil) and banking facilities are unsecured as at 31 March 2022 (31 March 2021: nil).

As at 31 March 2022, the Group did not have any pledged deposit (31 March 2021: nil).

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. The Group has disposed of three investment properties located in Hong Kong during the Year and a loss on disposal of approximately HK\$0.4 million was recognised in the Year.

Contingent Liabilities

As at 31 March 2022, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policies

As at 31 March 2022, the Group had 164 staff (31 March 2021: 170). 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\$66.1 million (FY2021: HK\$62.2 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

Except for those mentioned below, no event has occurred after 31 March 2022 and up to the date of this announcement which would have a material effect on the Group.

The Hong Kong Legislative Council has, on 9 June 2022, passed the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 (the “Bill”) to abolish the MPF offsetting mechanism. It is envisaged that the cancellation of mechanism will not come into effect until 2025 at the earliest.

The abolishment of the MPF offsetting mechanism will not have retrospective effect, and the Bill will not change the rate and maximum payment of statutory severance payments or long service payments, which is currently calculated as 2/3 of the employee’s last monthly wages (capped at HK\$22,500), and subject to the maximum limit of HK\$390,000.

The Group has already commenced an assessment of the impact of the Bill to the Group. The Group is not yet in a position to state whether the abolishment of the MPF offsetting mechanism will result in substantial change to the Group’s financial statements.

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 HK1.5 cents (FY2021: HK2.5 cents) per share, amounting to HK\$9.0 million for the Year (FY2021: HK\$15.0 million) to the shareholders of the Company whose name appear on the register of members of the Company on 21 September 2022. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or around 5 October 2022. No special dividend was recommended for the Year (FY2021: HK3.0 cents per share, amounting to HK\$18.0 million). The recommendation of dividends depend on the accumulated reserves, liquidity condition, expected cashflows and working capital needs of the Group.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend the annual general meeting to be held on 9 September 2022 (the “AGM”), the register of members of the Company will be closed from 6 September 2022 (Tuesday) to 9 September 2022 (Friday) (both days inclusive), during which period no transfer of the shares of the Company can be registered. In order to qualify for attending the AGM, all transfer of the shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 5 September 2022 (Monday).

In order to determine the entitlement to the final dividends for the year ended 31 March 2022, the register of members of the Company will be closed from 19 September 2022 (Monday) to 21 September 2022 (Wednesday) (both days inclusive), during which period no transfer of the shares of the Company can be registered. In order to qualify for the final dividends for the year ended 31 March 2022, all transfer of the shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 16 September 2022 (Friday).

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 2022.

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 2022 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, 24 June 2022

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*