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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022

		Six months ended 30	
	<i>Notes</i>	September	2021
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	292,621	263,347
Cost of revenue		<u>(246,253)</u>	<u>(219,901)</u>
Gross profit		46,368	43,446
Government subsidies		2,130	–
Other income and gains		307	860
Marketing and distribution expenses		(121)	(109)
Administrative and other operating expenses		(20,048)	(19,731)
Finance costs		(576)	(746)
Profit before income tax	4	28,060	23,720
Income tax expense	5	(4,633)	(4,200)
Profit for the period		23,427	19,520
Other comprehensive income for the period		(1,769)	276
Total comprehensive income for the period		21,658	19,796
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
Basic and diluted earnings per share		3.90	3.25

Condensed Consolidated Statement of Financial Position

As at 30 September 2022

	<i>Notes</i>	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	15,405	18,665
Investment properties	8	4,413	4,941
Goodwill		601	601
Deposits	10	1,773	1,798
Deferred tax assets		1,125	1,125
		<u>23,317</u>	<u>27,130</u>
Current assets			
Inventories		19,600	18,231
Contract assets	9	185,933	90,733
Trade and other receivables, deposits and prepayments	10	195,446	157,518
Tax recoverable		1,404	3,114
Cash and bank balances		107,313	105,400
		<u>509,696</u>	<u>374,996</u>
Current liabilities			
Contract liabilities	9	69,195	27,836
Trade and other payables	11	140,754	110,506
Dividend payable	6	9,000	–
Lease liabilities		6,969	7,520
Tax payable		1,541	100
Bank borrowings	12	41,637	2,539
		<u>269,096</u>	<u>148,501</u>

	<i>Notes</i>	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Net current assets		<u>240,600</u>	<u>226,495</u>
Total assets less current liabilities		<u>263,917</u>	<u>253,625</u>
Non-current liabilities			
Lease liabilities		3,804	6,161
Deferred tax liabilities		<u>90</u>	<u>99</u>
		<u>3,894</u>	<u>6,260</u>
Net assets		<u><u>260,023</u></u>	<u><u>247,365</u></u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	6,000	6,000
Reserves		<u>254,023</u>	<u>241,365</u>
Total equity		<u><u>260,023</u></u>	<u><u>247,365</u></u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Asset revaluation reserve* HK\$'000	Exchange reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000
Six months ended 30 September 2021 (unaudited)							
At 1 April 2021	6,000	33,942	7,437	15,646	298	204,902	268,225
Profit for the period	-	-	-	-	-	19,520	19,520
Other comprehensive income for the period	-	-	-	-	276	-	276
Total comprehensive income for the period	-	-	-	-	276	19,520	19,796
Transactions with owners: Final dividend in respect of 2021 (note 6)	-	-	-	-	-	(33,000)	(33,000)
At 30 September 2021 (unaudited)	<u>6,000</u>	<u>33,942</u>	<u>7,437</u>	<u>15,646</u>	<u>574</u>	<u>191,422</u>	<u>255,021</u>
Six months ended 30 September 2022 (unaudited)							
At 1 April 2022	6,000	33,942	7,437	-	933	199,053	247,365
Profit for the period	-	-	-	-	-	23,427	23,427
Other comprehensive income for the period	-	-	-	-	(1,769)	-	(1,769)
Total comprehensive income for the period	-	-	-	-	(1,769)	23,427	21,658
Transactions with owners: Final dividend in respect of 2022 (note 6)	-	-	-	-	-	(9,000)	(9,000)
At 30 September 2022 (unaudited)	<u>6,000</u>	<u>33,942</u>	<u>7,437</u>	<u>-</u>	<u>(836)</u>	<u>213,480</u>	<u>260,023</u>

* The total of these equity accounts as at 30 September 2021 and 2022 represent "Reserves" in the condensed consolidated statements of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(34,843)	(14,395)
Cash flows from investing activities		
Purchase of property, plant and equipment (<i>note 8</i>)	(492)	(681)
Deposits received from disposal of investment properties	–	21,612
Interest received	106	45
<i>Net cash (used in)/generated from investing activities</i>	(386)	20,976
Cash flows from financing activities		
Dividends paid (<i>note 6</i>)	–	(33,000)
Interest paid on bank borrowings	(468)	(428)
Proceed from bank borrowings	40,000	30,000
Repayment of bank borrowings	(902)	(30,000)
Payment of principal element of lease liabilities	(2,456)	(2,320)
Payment of interest element of lease liabilities	(108)	(318)
<i>Net cash generated from/(used in) financing activities</i>	36,066	(36,066)
Net increase/(decrease) in cash and cash equivalents	837	(29,485)
Cash and cash equivalents at the beginning of period	105,400	116,649
Effect of exchange rate changes on cash and cash equivalents	1,076	217
Cash and cash equivalents at the end of period	107,313	87,381
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	107,313	87,381

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

KPa-BM Holdings Limited (the “Company”) was incorporated as an exempted company in the Cayman Islands with limited liability on 15 May 2015. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is 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 (“BVI”). In the opinion of the directors, Success Wing is also the ultimate parent of the Company.

The condensed consolidated financial statements of the Group for the six months ended 30 September 2022 (the “interim financial statements”) are unaudited, but have been reviewed by the audit committee of the Company. These interim financial statements were approved for issue by the Company’s board of directors on 25 November 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The interim financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2022 (“2022 Financial Statements”) which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

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

The accounting policies applied and methods of computation used in the preparation of the interim financial statements are consistent with those used in 2022 Financial Statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of the new or revised HKFRSs issued by the HKICPA as set out in note 2.1.

Adoption of new or revised HKFRSs

2.1 Adoption of new or revised HKFRSs effective on 1 April 2022

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

Amendments to HKFRS 3 (Revised)	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Amendments to AG 5 (Revised)	Merger Accounting for Common Control Combination

The new or revised HKFRSs that are effective from 1 April 2022 did not have material impact on the Group’s accounting policies and did not require retrospective adjustments.

3. SEGMENT INFORMATION AND REVENUE

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

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

Supply and Installation of Building Material Products – This segment engages in supply of building material products 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 (“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:

Six months ended 30 September 2022 (unaudited)	Structural Engineering Works <i>HK\$'000</i>	Supply and Installation of Building Material Products <i>HK\$'000</i>	Trading of Building Material Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Segment revenue</i>				
Sales to external customers	264,761	25,560	2,300	292,621
Intersegment sales	–	77	444	521
	<u>264,761</u>	<u>25,637</u>	<u>2,744</u>	<u>293,142</u>
Elimination of intersegment sales				<u>(521)</u>
				<u>292,621</u>
<i>Segment profit</i>	<u>36,375</u>	<u>5,108</u>	<u>1,279</u>	42,762
Corporate and unallocated income				2,437
Corporate and unallocated expenses				
– Administrative and other operating expenses				(16,563)
– Finance costs				<u>(576)</u>
Profit before income tax				<u>28,060</u>

Six months ended 30 September 2021 (unaudited)	Structural Engineering Works <i>HK\$'000</i>	Supply and Installation of Building Material Products <i>HK\$'000</i>	Trading of Building Material Products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Segment revenue</i>				
Sales to external customers	251,352	9,536	2,459	263,347
Intersegment sales	<u>–</u>	<u>–</u>	<u>166</u>	<u>166</u>
	<u>251,352</u>	<u>9,536</u>	<u>2,625</u>	263,513
Elimination of intersegment sales				<u>(166)</u>
				<u>263,347</u>
<i>Segment profit</i>	<u>37,689</u>	<u>3,994</u>	<u>1,178</u>	42,861
Corporate and unallocated income				860
Corporate and unallocated expenses				
– Administrative and other operating expenses				(19,255)
– Finance costs				<u>(746)</u>
Profit before income tax				<u>23,720</u>

During the period, the segment asset had not been presented as there has not been a material change from the 2022 Financial Statements for the reportable segment.

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

Disaggregation of revenue

Six months ended 30 September (unaudited)

	Structural Engineering Works		Supply and Installation of Building Material Products		Trading of Building Material Products		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Timing of revenue recognition								
Point in time	-	-	-	-	2,300	2,459	2,300	2,459
Over time	264,761	251,352	25,560	9,536	-	-	290,321	260,888
	<u>264,761</u>	<u>251,352</u>	<u>25,560</u>	<u>9,536</u>	<u>2,300</u>	<u>2,459</u>	<u>292,621</u>	<u>263,347</u>

4. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation in respect of:		
Right-of-use assets included in property, plant and equipment under the following categories:		
– Other properties leased for own use	2,276	2,225
Other property, plant and equipment	784	1,397
	<u>3,060</u>	<u>3,622</u>
Employee benefit expenses (including directors' emoluments)		
– Salaries, allowances and benefits in kind	22,569	20,924
– Contribution to defined contribution retirement plan	721	794
	<u>23,290</u>	<u>21,718</u>

5. INCOME TAX EXPENSE

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

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax for the period		
– Hong Kong Profits Tax	4,633	4,200
– Other regions of the PRC – Enterprise Income Tax (“EIT”)	<u>–</u>	<u>–</u>
Total income tax expense	<u>4,633</u>	<u>4,200</u>

Hong Kong Profits Tax is calculated at 16.5% (Six months ended 30 September 2021: 16.5%) on the estimated assessable profits for the period.

EIT arising from other regions of the PRC is calculated at 25% (Six months ended 30 September 2021: 25%) on the estimated assessable profits for the period.

6. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022 (30 September 2021: nil).

The final dividend in respect of the year ended 31 March 2022 amounting to HK\$9,000,000 was paid in October 2022 and recorded as dividend payable as at 30 September 2022.

7. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	<u><u>23,427</u></u>	<u><u>19,520</u></u>
	Number of shares (thousands)	
Weighted average number of ordinary share 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.

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the six months ended 30 September 2022, the Group used approximately HK\$33,000, HK\$205,000, HK\$171,000, HK\$44,000 and HK\$39,000 on acquisition of leasehold improvement, computer equipment, motor vehicles, office equipment and furniture and fixture respectively (six months ended 30 September 2021: approximately HK\$189,000, HK\$355,000, HK\$122,000, HK\$1,000 and HK\$14,000 respectively).

The Group has not disposed any of its property, plant and equipment during the period (six months ended 30 September 2021: nil).

As at 30 September 2022, the Group has not pledged its leasehold land and buildings to secure the bank borrowings and banking facilities granted to the Group (31 March 2022: nil).

The investment property was carried at fair value. The fair value of the investment property as at 30 September 2022 was approximately HK\$4,413,000 (31 March 2022: approximately HK\$4,941,000), which was determined by the Directors by reference to recent market prices for property in the similar locations and conditions. The fair value of investment property as at 30 September 2022 and 31 March 2022 is a level 3 recurring fair value measurement. No fair value gain or loss arose from remeasurement of the investment property as at 30 September 2022 (six months ended 30 September 2021: nil). None of the investment property was pledged to banks to secure for the bank borrowings and banking facilities granted to the Group.

9. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract Assets

	As at 30 September 2022 (Unaudited) <i>HK\$'000</i>	As at 31 March 2022 (Audited) <i>HK\$'000</i>
Contract assets arising from:		
– Structural engineering works	184,304	90,672
– Supply and installation of building material products	3,548	1,660
	<u>187,852</u>	<u>92,332</u>
Less: Loss allowance	<u>(1,919)</u>	<u>(1,599)</u>
	<u><u>185,933</u></u>	<u><u>90,733</u></u>

(b) Contract Liabilities

	As at 30 September 2022 (Unaudited) <i>HK\$'000</i>	As at 31 March 2022 (Audited) <i>HK\$'000</i>
Contract liabilities arising from:		
– Structural engineering works	66,793	23,577
– Supply and installation of building material products	2,402	3,524
– Trading of building material products	–	735
	<u>69,195</u>	<u>27,836</u>
	<u><u>69,195</u></u>	<u><u>27,836</u></u>

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Trade receivables (<i>note (a)</i>)	79,335	54,910
Less: Loss allowance	<u>(1,319)</u>	<u>(1,064)</u>
Trade receivables, net	<u>78,016</u>	<u>53,846</u>
Retention receivables	103,989	84,599
Less: Loss allowance	<u>(2,288)</u>	<u>(2,072)</u>
Retention receivables, net (<i>note (b)</i>)	<u>101,701</u>	<u>82,527</u>
Other receivables	3,544	8,560
Deposits	10,931	2,258
Prepayments	<u>3,027</u>	<u>12,125</u>
	<u>17,502</u>	<u>22,943</u>
Less: non-current portion-deposits	<u>(1,773)</u>	<u>(1,798)</u>
	<u><u>195,446</u></u>	<u><u>157,518</u></u>

Notes:

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

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
0–30 days	20,124	27,748
31–60 days	5,450	10,585
61–90 days	7,306	143
Over 90 days	<u>45,136</u>	<u>15,370</u>
	<u><u>78,016</u></u>	<u><u>53,846</u></u>

(b) Retention receivables

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

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
On demand or within one year	21,513	16,356
After one year or more	80,188	66,171
	<u>101,701</u>	<u>82,527</u>

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

(c) Credit policy

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

11. TRADE AND OTHER PAYABLES

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Trade payables	85,454	67,170
Bill payables	13,774	–
Trade and bills payables (<i>note (a)</i>)	99,228	67,170
Retention payables (<i>note (b)</i>)	34,390	33,984
Receipts in advance, other payables and accruals	7,136	9,352
	<u>140,754</u>	<u>110,506</u>

Notes:

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

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
0–30 days	54,653	37,653
31–60 days	21,149	19,180
61–90 days	14,723	4,681
Over 90 days	8,703	5,656
	<u>99,228</u>	<u>67,170</u>

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

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
On demand or within one year	30,284	29,786
After one year or more	4,106	4,198
	<u>34,390</u>	<u>33,984</u>

12. BANK BORROWINGS

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Bank borrowings repayable within one year	<u>41,637</u>	<u>2,539</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 30 September 2022 granted under banking facilities was 3.91%-6.15% (31 March 2022: 5.0%) per annum. The bank borrowings are subject to repayment on demand clause. As at 30 September 2022 and 31 March 2022, the banking facilities granted to the Group were secured by the corporate guarantee provided by the Company.

13. SHARE CAPITAL

Ordinary shares	Par value HK\$	Number of shares	Amount HK\$'000
Authorised:			
At 30 September 2022 and 31 March 2022	0.01	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:			
At 30 September 2022 and 31 March 2022	0.01	<u>600,000,000</u>	<u>6,000</u>

14. GUARANTEE

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

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Aggregate value of the surety bonds issued in favour of customers	<u>7,276</u>	<u>7,276</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.

15. LITIGATIONS

As at 30 September 2022, there was no any pending legal case with material claim amount against the Group.

16. RELATED PARTY TRANSACTIONS

During the six months period ended 30 September 2022 and 2021, the Group entered into the following transactions with related parties:

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

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries, allowances and benefits	3,600	3,120
Contributions to defined contribution retirement plan	18	18
	3,618	3,138

17. EVENT AFTER THE REPORTING PERIOD

No event has occurred after 30 September 2022 and up to the date of this announcement which would have a material effect on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Background, recent development and outlook

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

The revenue has been slightly increased by 29.3 million as the progress of our major projects sped up for the six months ended 30 September 2022 (the “Period”). After 30 years of development, the Group has built up reputation and technical capability and expanded its capacity, 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 real estate developers. The construction market has been relatively steady in the past few years as the HKSAR Government’s implementation of Long Term Housing Strategy and infrastructural development.

After the fifth wave of community outbreak of COVID-19 in Hong Kong became stable, the HKSAR Government has launched a progress plan of relaxing the regulation on infection control, the society confidence in the future economy has been improved. The Chief Executive of the HKSAR Government proposed six major transport infrastructure projects in the 2022 Policy Address to drive and support future development of Hong Kong. Accordingly, we expect that there will be a steady flow of construction contracts from the public sector in the coming years.

On the other hand, the global financial market is facing complex and challenging situation, the inflation in energy and commodity price together with increase in interest rate has added burden on the operation cost to the business. The Group will maintain a prudent approach in its project bidding and cost budgeting to safeguard its profitability amidst the present market uncertainties.

The Group’s value of outstanding contracts on hand as at 30 September 2022 amounted to approximately HK\$988 million, while another relatively sizeable project for facade works for an office building redevelopment in Central with contract sum of over HK\$200 million was awarded to the Group in November 2022.

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

FINANCIAL REVIEW

Revenue

The Group’s revenue amounted to approximately HK\$292.6 million for the Period as compared to approximately HK\$263.3 million for six months ended 30 September 2021 (the “Previous Period”), representing an increase of approximately HK\$29.3 million or 11.1%. Such increase was because the progress of the 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; the increase in cost of revenue was mainly because of the increase in revenue recognised for the Period. Despite some substantially completed projects of which the gross profit margin is lower due to prolongation of projects, the Group was able to maintain the gross profit margin of other projects in progress as expected by negotiation with customers on compensation for certain variation works during the Period. The Group achieved an overall gross profit margin of approximately 15.8% for the Period as compared to approximately 16.5% for the Previous Period, the decrease was considered to be reasonable based on the combined effect of the above reasons. Notwithstanding that, the Group's gross profit for the Period was still increased by approximately HK\$3.0 million mainly attributable to the increase in revenue as mentioned before.

Administrative and Other Operating Expenses

Administrative and other operating expenses primarily consisted of staff costs, depreciation expenses on right-of-use assets, and legal and other professional fees. Administrative and other operating expenses of the Group were approximately HK\$20.0 million for the Period and relatively stable as compared to the Previous Period.

Finance Costs

For the Period, the Group's finance costs were approximately HK\$0.6 million and remained stable as compared to approximately HK\$0.7 million for the Previous Period. Finance costs for the Period mainly comprised interest on bank borrowings and interest costs of lease of right-to-use assets.

Income Tax Expense

Income tax expense of the Group amounted to approximately HK\$4.6 million for the Period, representing an increase of approximately HK\$0.4 million as compared to HK\$4.2 million the Previous Period. However, the effective tax rate for the Period is 16.1% which is lower than Previous Period of 17.7% because the government subsidies of approximately HK\$2.1 million in the Period is non-taxable.

Profit for the Period

The Group's profit for the Period increased by approximately HK\$3.9 million, which was mainly attributable to the increase in gross profit of approximately HK\$3.0 million and government subsidies of approximately HK\$2.1 million were received during the Period.

Liquidity, Financial Resources and Capital Structure

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Current assets	509,696	374,996
Current liabilities	269,096	148,501
Current ratio	1.9	2.5

During the six months ended 30 September 2022, the Group financed its operations by its internal resources and banking facilities. As at 30 September 2022, the Group had net current assets of approximately HK\$240.6 million (31 March 2022: approximately HK\$226.5 million), including cash and bank balances of approximately HK\$107.3 million (31 March 2022: approximately HK\$105.4 million). The Group's current ratio as at 30 September 2022 was approximately 1.9 times (31 March 2022: approximately 2.5 times).

As at 30 September 2022, the Group had a total available banking and other facilities of approximately HK\$245.0 million (31 March 2022: approximately 245.0 million).

There has been no change in capital structure of the Company since 31 March 2022. As at 30 September 2022, the equity amounted to approximately HK\$260.0 million (31 March 2022: approximately HK\$247.4 million).

Gearing Ratio

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

The gearing ratio of the Group as at 30 September 2022 was 20.2% (31 March 2022: approximately 6.6%) as the Group has borrowed short-term loans from bank to settle the material cost of the key projects. The Group's liabilities included lease liabilities arising from adoption of HKFRS 16 Leases and bank borrowings as at 30 September 2022 and 31 March 2022.

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

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

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

PLEDGE OF ASSETS

As at 30 September 2022, the Group have bank borrowings of approximately 41.6 million (as at 31 March 2022: 2.5 million) and banking facilities are unsecured as at 30 September 2022 (31 March 2022: nil).

As at 30 September 2022, the Group did not have any pledged deposit (31 March 2022: nil).

SIGNIFICANT INVESTMENTS

Other than the investments in its subsidiaries, the Group did not hold any significant investments during the Period.

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any significant contingent liabilities.

INTERIM DIVIDEND

The Board did not recommend a payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group had 178 staff members (31 March 2022: 164). The total employee benefit expenses for the six months ended 30 September 2022 (including Directors' emoluments, salaries to staff and other staff benefits included provident fund contributions, medical insurance coverage and other staff benefits) was approximately HK\$23.3 million. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

During the six months ended 30 September 2022, 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.

EVENTS AFTER THE REPORTING PERIOD

No event has occurred after 30 September 2022 and up to the date of this announcement which would have a material effect on the Group

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

As at 30 September 2022, the interests or short positions of the Directors and chief executive in the share of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long Positions In Shares of the Company

(a) Interest in the shares of the Company

Director	Capacity/Nature of interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Mr. Wai Yat Kin	Corporate interest	369,000,000	61.5%
	Beneficial owner	31,850,000	5.3%
	Interests held jointly	33,570,000	5.6%
Mr. Yip Pak Hung	Corporate interest	369,000,000	61.5%
	Beneficial owner	33,570,000	5.6%
	Interests held jointly	31,850,000	5.3%

(b) Interest in the shares of an associated corporation

Name of associated corporation:
Success Wing Investments Limited

Director	Capacity/Nature of interest	Number of issued ordinary shares	Percentage of the issued share capital of the Company
Mr. Wai Yat Kin	Beneficial owner	12,182	33.01%
	Interests held jointly	20,789	56.34%
Mr. Yip Pak Hung	Beneficial owner	12,182	33.01%
	Interests held jointly	20,789	56.34%

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

As at 30 September 2022, 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	434,420,000	72.4%
Ms. Wu Janet	Interest of spouse	434,420,000	72.4%
Mr. Lui Bun Yuen Danny	Corporate interest Interests held jointly	369,000,000 65,420,000	61.5% 10.9%

Save as disclosed above, as at 30 September 2022, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

SHARE OPTION SCHEME

The share option scheme was adopted by the Company on 22 September 2015 (the "Share Option Scheme"). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 30 September 2022, no share option was outstanding under the Share Option Scheme. During the Period, no share option has been granted by the Company under the Share Option Scheme.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 "Required Standard of Dealings").

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

COMPETING INTEREST

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

AUDIT COMMITTEE

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

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

Hong Kong, 25 November 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.